REPORT NO. 2012-171
MARCH 2012

ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	District No.
Beverly Slough, Vice Chair from 11-16-10	1
Thomas L. Allen, Jr.	2
William P. Mignon, Sr., Chair to 11-15-10	3
William R. Fehling, Vice Chair to 11-15-10, Chair from 11-16-10	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 Jillian M. Litchfield, and the audit was supervised by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. 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 sufficiently evidence that performance assessments of instructional personnel were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 2: 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 (2010), 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 (2010).

Finding No. 3: 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. 4: Controls over electronic fund transfers could be enhanced.

Finding No. 5: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 6: The District's information technology security controls related to user authentication needed improvement.

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; School Improvement Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Required documentation to support personnel charges totaling $255,724 for four employees performing services for the ARRA School Improvement Grants was not properly maintained, contrary to Federal regulations.

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. 2011-166.**

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, 2011. 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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows 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, BUDGETETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, 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 28, 2012

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.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2011, by $468,446,598.40 (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 $15,237,325.53.
- In total, net assets decreased $2,370,512.74, which represents a decrease of less than 1 percent from the 2009-10 fiscal year.
- General revenues totaled $263,143,013.34, 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 totaled $37,361,491.16, or 12 percent.
- Expenses totaled $302,875,017.24. Only $37,361,491.16 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total expenses exceeded total revenues by $2,370,512.74.
- The total assigned and unassigned portion of the General Fund balance, which represents net current financial resources available for general appropriation by the Board, was $58,028,197.64 at June 30, 2011, or 27 percent of total General Fund expenditures.
- The District's capital asset-related long-term debt increased by a net amount of $5,673,881.99, or 4 percent, mainly because of the issuance of $16,000,000 of Certificates of Participation, Series 2010-QSCB (Qualified School Construction Bonds).

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- 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

District's financial health. 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 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 8. 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 must 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 the 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, Special Revenue – Federal Economic Stimulus Fund, Debt Service – Other Debt Service Fund, Debt Service – ARRA Economic Stimulus Fund, Capital Projects – Local Capital Improvement Fund, Capital Projects – Other Capital Projects Fund, and Capital Projects – ARRA Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and Special Revenue – Federal 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 its workers' compensation liability program. Because these services predominately 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 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, 2011, compared to net assets as of June 30, 2010:

Net Assets, End of Year

	Governmental Activities	
	6-30-11	6-30-10
Current and Other Assets	$ 196,633,016.10	$ 185,108,006.58
Capital Assets	506,202,735.69	502,411,801.57
Total Assets	702,835,751.79	687,519,808.15
Long-Term Liabilities	203,655,449.20	188,744,577.83
Other Liabilities	30,733,704.19	27,958,119.18
Total Liabilities	234,389,153.39	216,702,697.01
Net Assets:		
Invested in Capital Assets - Net of Related Debt	381,731,717.30	367,627,072.78
Restricted	71,477,555.57	86,518,843.35
Unrestricted	15,237,325.53	16,671,195.01
Total Net Assets	$ 468,446,598.40	$ 470,817,111.14

The largest portion of the District's net assets (82 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors. The decrease in restricted net assets is mainly due to a decrease in net assets restricted for capital projects.

The District's net assets decreased by $2,370,512.74 during the 2010-11 fiscal year. The decrease represents the degree to which ongoing expenses have exceeded ongoing revenues.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	$ 19,388,563.27	$ 18,056,846.82
Operating Grants and Contributions	11,176,024.46	10,627,344.35
Capital Grants and Contributions	6,796,903.43	8,441,057.62
General Revenues:		
Property Taxes, Levied for Operational Purposes	124,940,871.76	134,871,190.85
Property Taxes, Levied for Debt Service	9,358.20	80,220.04
Property Taxes, Levied for Capital Projects	28,559,447.21	32,345,363.39
Grants and Contributions Not Restricted to Specific Programs	104,710,192.58	88,050,129.57
Unrestricted Investment Earnings	378,847.59	658,961.74
Miscellaneous	4,544,296.00	4,807,778.42
Total Revenues	300,504,504.50	297,938,892.80
Functions/Program Expenses:		
Instruction	160,281,143.65	149,605,023.99
Pupil Personnel Services	15,648,973.17	14,664,106.82
Instructional Media Services	4,665,654.47	4,403,526.32
Instruction and Curriculum Development Services	6,918,908.94	6,905,514.43
Instructional Staff Training Services	4,231,265.09	4,119,292.34
Instruction Related Technology	4,585,612.41	4,125,374.73
School Board	828,837.21	611,607.66
General Administration	911,112.82	1,239,831.27
School Administration	14,770,441.74	14,307,318.91
Facilities Acquisition and Construction	14,570,383.52	13,329,193.70
Fiscal Services	1,809,451.61	1,709,073.63
Food Services	10,190,739.10	10,099,703.41
Central Services	10,704,206.04	9,872,039.84
Pupil Transportation Services	12,635,262.06	11,601,229.86
Operation of Plant	20,507,801.74	19,687,577.80
Maintenance of Plant	8,365,885.11	8,321,679.42
Administrative Technology Services	1,276,099.87	989,901.77
Community Services	3,434,471.09	3,199,704.00
Unallocated Interest on Long-Term Debt	6,538,767.60	5,976,322.50
Total Functions/Program Expenses	302,875,017.24	284,768,022.40
Increase (Decrease) in Net Assets	$ (2,370,512.74)	$ 13,170,870.40

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 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 (85 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 designated to maintain equity in funding across all Florida school districts considering funding ability based on taxable property values. Student full-time equivalent (FTE) enrollment increased by 918 students, from 29,674 in the 2009-10 fiscal year to 30,592 in the 2010-11 fiscal year. Grants and contributions not restricted to

specific programs increased by $16,660,063.01 as compared to the prior fiscal year, mainly because of Federal economic stimulus funding and increased student enrollment.

The District experienced reductions in program revenue – capital grants and contributions, property taxes levied for operational purposes, and property taxes levied for capital projects. The reduction in program revenue resulted mainly from a decrease in State capital outlay funding and in property taxes levied for operational purposes and capital projects as a result of decreasing property values.

Instructional activities represent the majority of the District's expenses, totaling approximately 53 percent of total governmental expenses in both the 2009-10 and 2010-11 fiscal years. Instruction expenses increased by $10,676,119.66, or 7 percent, mainly as a result of hiring additional teachers to address the increase in student enrollment. Overall, total expenses increased $18,106,994.84 or 6 percent, as compared to total revenues, which increased $2,565,611.70, 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 District's chief operating fund. At the end of the current fiscal year, total assigned and unassigned fund balance is $58,028,197.64, while the total fund balance is $69,361,925.03. For the 2010-11 fiscal year, total fund balance increased by $11,995,771.94.

Key factors in this change are as follows:

- Total revenues increased by $1,718,304.28, or 8 percent, mainly from increased State funding directly related to an increase in student enrollment.
- Total expenditures increased by $10,003,786.17, or 5 percent, due mainly to increased salary and benefit costs.
- Total revenues exceeded total expenditures by $2,177,857.66, and net other financing sources, mainly from transfers in from the Capital Projects – Local Capital Improvement Fund, totaled $9,738,540.78.

The Special Revenue – Federal Economic Stimulus Fund is used to account for ARRA and other Federal stimulus funding. Because grant revenues are not recognized until expenditures are incurred, this fund does not maintain a fund balance. For the 2010-11 fiscal year, revenues and expenditures totaled $21,077,513.77 each.

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 certificates of participation. For the 2010-11 fiscal year, all available resources were used for current debt-related expenditures.

The Debt Service – ARRA Economic Stimulus Fund is used to account for the financial resources used to service principal, interest, and related costs for the Qualified School Construction Bonds. For the 2010-11 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 $35,798,755.35, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $7,816,162.08 has been encumbered for specific projects. The fund balance decreased by $10,050,311.20 in the current fiscal year. Expenditures of $14,492,015.07 were primarily for motor vehicle purchases and equipment, and various maintenance, remodeling, and renovation projects. Transfers out of $24,344,821.91 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 and other miscellaneous sources. The total fund balance increased by $1,474,771.42 in the current fiscal year to $30,291,743.44, at June 30, 2011. It should be noted that $2,485,766.30 of total fund balance has been encumbered for specific projects. Expenditures of $2,370,810.03 were primarily for various maintenance, remodeling, and renovation projects.

The Capital Projects – ARRA Economic Stimulus Fund is used to account for the financial resources of the $16,000,000 Certificates of Participation, Qualified School Construction Bonds, Series 2010-QSCB, issued during the fiscal year. The total fund balance at June 30, 2011, is $15,202,342.77. Expenditures of $797,705.46 were for construction on New Elementary School "L" and $13,741,347.35 was encumbered to complete the project.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $13,839,722.29. At the same time, final appropriations increased by $25,087,511.39 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, to increase facilities acquisition and construction for the 0.25 additional discretionary millage levy committed for maintenance and equipment needs, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are $30,298,393.07 less than anticipated, mainly because instruction, facilities acquisition and construction, operation of plant, community services, and day care and extended day care program expenditures were less than planned.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, is $506,202,735.69 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

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

- Completion of the Mill Creek Elementary and Hickory Creek Elementary school expansions, costing approximately $3.5 million and $1.8 million, respectively.
- Construction began on the $2.9 million Osceola Elementary school expansion, with construction in progress of approximately $1.2 million as of the close of the fiscal year.
- The planning phase for the construction of New Elementary School "L" was undertaken with construction in progress of approximately $600,000 as of the close of the fiscal year.

Additional information on the District's capital assets can be found in Notes 5 and 12 to the financial statements.

Long-Term Debt

At June 30, 2011, the District has total long-term debt outstanding of $143,813,364.96 related to the construction and acquisition of capital assets. This amount is comprised of $218,364.96 of obligation under capital lease; $135,270,000 of certificates of participation, and $8,325,000 of State school bonds. During the current fiscal year, the District's long-term debt increased a net amount of $5,673,881.89, or 4 percent. The net increase was comprised of the issuance of $16,000,000 Certificates of Participation, Qualified School Construction Bonds (QSCB),

Series 2010-QSCB and issuance of $740,000 of bonds, offset by decreases in long-term debt of $11,066,118.11 from scheduled principal payments.

Additional information on the District's long-term debt can be found in Notes 7 through 10 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 $5,438,717 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 21 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, 2011, 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, 2011

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 163,796,840.33	$ 1,748,678.00
Restricted Cash and Cash Equivalents	28,003,239.25	
Investments	227,624.26	48,563.00
Accounts Receivable, Net	249,136.06	306,553.00
Due from Component Units	92.00	
Due from Primary Government		513,844.00
Due from Other Agencies	3,815,108.91	
Pledges Receivable		3,188.00
Prepaid Items		276,767.00
Inventories	540,975.29	151,778.00
Capital Assets:		
Nondepreciable Capital Assets	38,643,658.60	
Depreciable Capital Assets, Net	467,559,077.09	2,718,105.00
TOTAL ASSETS	$ 702,835,751.79	$ 5,767,476.00
LIABILITIES		
Salaries and Benefits Payable	$ 2,528,120.46	$ 59,633.00
Payroll Deductions and Withholdings	198.43	
Accounts Payable	9,049,654.68	58,775.00
Matured Certificates of Participation Payable	9,940,000.00	
Matured Interest Payable	2,853,273.13	
Construction Contracts Payable	2,180,954.00	
Construction Contracts Payable - Retainage	194,589.50	
Due to Component Units	513,844.00	
Due to Primary Government		92.00
Due to Other Agencies	115,185.29	
Estimated Insurance Claims Payable	3,172,277.00	
Deposits Payable	185,607.70	
Deferred Revenue		280,428.00
Long-Term Liabilities:		
Portion Due Within One Year	13,096,684.99	353,218.00
Portion Due After One Year	190,558,764.21	258,546.00
Total Liabilities	234,389,153.39	1,010,692.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	381,731,717.30	2,718,105.00
Restricted for:		
State Required Carryover Programs	425,902.73	
Food Service	1,140,028.08	
Debt Service	227,624.26	
Capital Projects	69,598,217.07	
Other Purposes	85,783.43	337,050.00
Unrestricted	15,237,325.53	1,701,629.00
Total Net Assets	468,446,598.40	4,756,784.00
TOTAL LIABILITIES AND NET ASSETS	$ 702,835,751.79	$ 5,767,476.00

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, 2011

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	$ 160,281,143.64	$ 928,607.17	$	$
Pupil Personnel Services	15,648,973.17			
Instructional Media Services	4,665,654.46			
Instruction and Curriculum Development Services	6,918,908.94			
Instructional Staff Training Services	4,231,265.10			
Instruction Related Technology	4,585,612.41			
School Board	828,837.21			
General Administration	911,112.81			
School Administration	14,770,441.75			
Facilities Acquisition and Construction	14,570,383.52			5,476,630.48
Fiscal Services	1,809,451.61			
Food Services	10,190,739.10	6,781,231.43	3,606,762.46	
Central Services	10,704,206.04	7,649,454.94		
Pupil Transportation Services	12,635,262.07	594,259.04	7,569,262.00	
Operation of Plant	20,507,801.74			
Maintenance of Plant	8,365,885.10			
Administrative Technology Services	1,276,099.87			
Community Services	3,434,471.10	3,435,010.69		
Unallocated Interest on Long-Term Debt	6,538,767.60			1,320,272.95
Total Primary Government	$ 302,875,017.24	$ 19,388,563.27	$ 11,176,024.46	$ 6,796,903.43
Component Units				
First Coast Technical College	10,420,446.00	2,227,940.00	1,516,925.00	472,504.00
Nonmajor Component Units	1,766,714.00	40,058.00		69,799.00
Total Component Units	$ 12,187,160.00	$ 2,267,998.00	$ 1,516,925.00	$ 542,303.00

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	
$ (159,352,536.47)	$
(15,648,973.17)	
(4,665,654.46)	
(6,918,908.94)	
(4,231,265.10)	
(4,585,612.41)	
(828,837.21)	
(911,112.81)	
(14,770,441.75)	
(9,093,753.04)	
(1,809,451.61)	
197,254.79	
(3,054,751.10)	
(4,471,741.03)	
(20,507,801.74)	
(8,365,885.10)	
(1,276,099.87)	
539.59	
(5,218,494.65)	
(265,513,526.08)	
	(6,203,077.00)
	(1,656,857.00)
	(7,859,934.00)
124,940,871.76	
9,358.20	
28,559,447.21	
104,710,192.58	8,178,924.00
378,847.59	17,486.00
4,544,296.00	
263,143,013.34	8,196,410.00
(2,370,512.74)	336,476.00
470,817,111.14	4,420,308.00
$ 468,446,598.40	$ 4,756,784.00

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund	Debt Service - ARRA Economic Stimulus Fund
ASSETS				
Cash and Cash Equivalents	$ 74,182,915.18	$ 163,450.19	$	$
Restricted Cash and Cash Equivalents			12,793,273.13	
Investments				
Accounts Receivable	117,390.86			
Due from Other Funds	469,350.20			
Due from Component Units	24,231.00			
Due from Other Agencies	194,209.12	252,448.09		
Inventories	405,046.52			
TOTAL ASSETS	$ 75,393,142.88	$ 415,898.28	$ 12,793,273.13	$
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$ 2,243,256.68	$ 182,436.75	$	$
Payroll Deductions and Withholdings		61.36		
Accounts Payable	3,525,911.65	2,711.23		
Matured Certificates of Participation Payable			9,940,000.00	
Matured Interest Payable			2,853,273.13	
Construction Contracts Payable				
Construction Contracts Payable - Retainage				
Due to Component Units	262,049.52	230,688.94		
Due to Other Agencies				
Due to Other Funds				
Deposits Payable				
Total Liabilities	6,031,217.85	415,898.28	12,793,273.13	
Fund Balances:				
Nonspendable	405,046.52			
Restricted	511,686.16			
Committed	10,416,994.71			
Assigned	25,867,464.46			
Unassigned	32,160,733.18			
Total Fund Balances	69,361,925.03			
TOTAL LIABILITIES AND FUND BALANCES	$ 75,393,142.88	$ 415,898.28	$ 12,793,273.13	$ 0.00

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	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$ 37,079,775.94	$ 30,681,270.96	$	$ 6,819,151.57	$ 148,926,563.84
		15,209,966.12		28,003,239.25
			227,624.26	227,624.26
			942.01	118,332.87
				469,350.20
				24,231.00
	439,986.56		2,928,465.14	3,815,108.91
			135,928.77	540,975.29
$ 37,079,775.94	$ 31,121,257.52	$ 15,209,966.12	$ 10,112,111.75	$ 182,125,425.62
$	$	$	$ 102,427.03	$ 2,528,120.46
			137.07	198.43
			34,931.75	3,563,554.63
				9,940,000.00
				2,853,273.13
1,281,020.59	733,165.93	7,332.25	159,435.23	2,180,954.00
	96,348.15		98,241.35	194,589.50
			45,243.54	537,982.00
			115,185.29	115,185.29
		291.10	355,528.37	355,819.47
			185,607.70	185,607.70
1,281,020.59	829,514.08	7,623.35	1,096,737.33	22,455,284.61
			135,928.77	540,975.29
35,798,755.35	27,173,622.21	15,202,342.77	8,879,445.65	87,565,852.14
				10,416,994.71
	3,118,121.23			28,985,585.69
				32,160,733.18
35,798,755.35	30,291,743.44	15,202,342.77	9,015,374.42	159,670,141.01
$ 37,079,775.94	$ 31,121,257.52	$ 15,209,966.12	$ 10,112,111.75	$ 182,125,425.62

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds		$ 159,670,141.01
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Non-Depreciable Capital Assets	$ 38,643,658.60	
Depreciable Capital Assets	467,559,077.09	506,202,735.69
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, less depreciable capital assets, net of accumulated depreciation.		
Total Assets - Internal Service Funds	$ 15,316,066.91	
Less, Total Liabilities - Internal Service Funds	(9,590,325.05)	
Less, Depreciable Assets, Net	(428,517.96)	5,297,223.90
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Obligation Under Capital Lease	$ 218,364.96	
Bonds Payable	8,325,000.00	
Certificates of Participation Payable	135,270,000.00	
Other Postemployment Benefits Payable	38,250,359.00	
Compensated Absences Payable	20,659,778.24	(202,723,502.20)
Total Net Assets - Governmental Activities		$ 468,446,598.40

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, 2011

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Debt Service Fund	Debt Service - ARRA Economic Stimulus Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 314,786.38	$ 47.08	$	$ 353,484.44
Federal Through State and Local		21,077,466.69		
State	80,787,420.24			
Local:				
Property Taxes	124,940,871.76			
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	9,456,337.38		33.43	
Total Revenues	215,499,415.76	21,077,513.77	33.43	353,484.44
Expenditures				
Current - Education:				
Instruction	128,618,908.16	10,030,819.24		
Pupil Personnel Services	10,520,898.05	1,464,503.01		
Instructional Media Services	4,008,563.65	120,062.94		
Instruction and Curriculum Development Services	3,242,314.92	1,266,061.79		
Instructional Staff Training Services	1,051,468.92	1,749,614.24		
Instruction Related Technology	4,102,251.90	90,000.00		
School Board	788,652.87			
General Administration	319,063.46	183,857.81		
School Administration	11,964,851.88	1,048,089.67		
Facilities Acquisition and Construction	6,694,531.13			
Fiscal Services	1,613,804.06			
Food Services				
Central Services	2,652,035.92			
Pupil Transportation Services	10,652,472.72	7,214.50		
Operation of Plant	15,222,181.01	4,083,009.77		
Maintenance of Plant	7,592,434.28	613.80		
Administrative Technology Services	543,045.07	695,638.24		
Community Services	3,062,495.43			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	283,713.67			
Other Capital Outlay	387,871.00	338,028.76		
Debt Service:				
Principal			9,940,000.00	
Interest and Fiscal Charges			5,716,046.26	353,484.44
Total Expenditures	213,321,558.10	21,077,513.77	15,656,046.26	353,484.44
Excess (Deficiency) of Revenues Over Expenditures	2,177,857.66		(15,656,012.83)	
Other Financing Sources (Uses)				
Transfers In	9,738,540.78		15,656,012.83	
Bonds Issued				
Premium on Sale of Bonds				
Certificates of Participation Issued				
Insurance Loss Recoveries	79,373.50			
Transfers Out				
Total Other Financing Sources (Uses)	9,817,914.28		15,656,012.83	
Net Change in Fund Balances	11,995,771.94			
Fund Balances, Beginning	57,366,153.09			
Fund Balances, Ending	$ 69,361,925.03	$ 0.00	$ 0.00	$ 0.00

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	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$ 1,044,044.66	$ 1,712,362.56
			12,536,725.97	33,614,192.66
	154,472.93		2,277,144.34	83,219,037.51
28,559,447.21			9,358.20	153,509,677.17
	3,696,568.60			3,696,568.60
			6,781,231.43	6,781,231.43
227,078.57	62,875.35	48.23	150,297.35	9,896,670.31
28,786,525.78	3,913,916.88	48.23	22,798,801.95	292,429,740.24
			5,033,650.21	143,683,377.61
			1,798,218.04	13,783,619.10
				4,128,626.59
			1,579,239.47	6,087,616.18
			979,578.19	3,780,661.35
				4,192,251.90
				788,652.87
			365,567.30	868,488.57
				13,012,941.55
6,262,348.26	316,646.08	17,910.69	1,050,585.94	14,342,022.10
				1,613,804.06
			9,566,283.47	9,566,283.47
			51,055.26	2,703,091.18
			137,832.25	10,797,519.47
			575.75	19,305,766.53
			24,073.74	7,617,121.82
				1,238,683.31
				3,062,495.43
8,147,762.37	2,054,163.95	663,910.71	6,737,426.16	17,886,976.86
			83,913.13	809,812.89
71,054.79			575,000.00	10,586,054.79
10,849.65		115,884.06	396,089.39	6,592,353.80
14,492,015.07	2,370,810.03	797,705.46	28,379,088.30	296,448,221.43
14,294,510.71	1,543,106.85	(797,657.23)	(5,580,286.35)	(4,018,481.19)
	9,403.57			25,403,957.18
			740,000.00	740,000.00
			53,586.20	53,586.20
		16,000,000.00		16,000,000.00
				79,373.50
(24,344,821.91)	(77,739.00)		(981,396.27)	(25,403,957.18)
(24,344,821.91)	(68,335.43)	16,000,000.00	(187,810.07)	16,872,959.70
(10,050,311.20)	1,474,771.42	15,202,342.77	(5,768,096.42)	12,854,478.51
45,849,066.55	28,816,972.02		14,783,470.84	146,815,662.50
$ 35,798,755.35	$ 30,291,743.44	$ 15,202,342.77	$ 9,015,374.42	$ 159,670,141.01

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, 2011

Net Change in Fund Balances - Governmental Funds		$ 12,854,478.51
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period:		
Capital Outlay Expenditures - Governmental Funds	$ 19,154,781.75	
Depreciation Expense - Governmental Fund Assets	(15,804,806.77)	
Donated Assets and Other Adjustments	440,959.14	3,790,934.12
Long-term debt proceeds are reported as other financing sources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The following details the amount of long-term bonded debt that was issued during the current period:		
Certificates of Participation	$ (16,000,000.00)	
Bonds Payable	(740,000.00)	(16,740,000.00)
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	$ 9,940,000.00	
Bonds Payable	575,000.00	
Note Payable	480,063.32	
Obligation Under Capital Lease	71,054.79	11,066,118.11
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 earned in excess of the amount used in the current fiscal year.		(188,884.48)
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(9,261,042.00)
Certain revenues, representing reimbursement of construction costs, were earned and accrued in government-wide statements in the prior fiscal year, but were accrued in the governmental fund statements in the current fiscal year because they provided current financial resources and were available to liquidate liabilities in the governmental funds.		(198,782.31)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities, except that capital assets acquisitions ($457,992) and depreciation expense ($29,474.04) are reported with governmental activities above.		(3,693,334.69)
Change in Net Assets - Governmental Activities		$ (2,370,512.74)

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 June 30, 2011

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	$ 14,870,276.49
Accounts Receivable	17,272.46
Total Current Assets	14,887,548.95
Noncurrent Assets:	
Buildings and Fixed Equipment	299,292.00
Less, Accumulated Depreciation	(12,470.50)
Furniture, Fixtures, and Equipment	158,700.00
Less, Accumulated Depreciation	(17,003.54)
Total Noncurrent Assets	428,517.96
TOTAL ASSETS	$ 15,316,066.91
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 5,486,101.05
Estimated Insurance Claims Payable	3,249,077.47
Total Current Liabilities	8,735,178.52
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	855,146.53
TOTAL LIABILITIES	9,590,325.05
NET ASSETS	
Invested in Capital Assets	428,517.96
Unrestricted	5,297,223.90
TOTAL NET ASSETS	5,725,741.86
TOTAL LIABILITIES AND NET ASSETS	$ 15,316,066.91

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, 2011

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	$ 33,264,009.92
OPERATING EXPENSES	
Insurance Claims	29,238,430.80
Contracted Healthcare Clinic	2,027,280.29
Purchased Workers' Compensation Insurance	1,050,407.00
Excess Insurance Premiums	942,461.72
Employee Purchased Disability Insurance	172,408.77
Depreciation Expense	29,474.04
Administrative Fees and Other	3,098,340.71
Total Operating Expenses	36,558,803.33
Operating Loss	(3,294,793.41)
NONOPERATING REVENUES	
Interest	29,976.68
Change in Net Assets	(3,264,816.73)
Total Net Assets - Beginning	8,990,558.59
Total Net Assets - Ending	$ 5,725,741.86

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, 2011

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	$ 33,264,009.92
Cash Payments to Vendors for Goods and Services	(4,080,321.10)
Cash Payments for Insurance Claims	(29,392,650.80)
Net Cash Used by Operating Activities	(208,961.98)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES	
Acquisition and Construction of Capital Assets	(457,992.00)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	29,976.68
Net Decrease in Cash	(636,977.30)
Cash, Beginning of Year	15,507,253.79
Cash, End of Year	$ 14,870,276.49
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (3,294,793.41)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	29,474.04
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	245,707.56
Decrease in Due from Excess Insurance Carrier	393,513.76
Increase in Accounts Payable	2,571,356.07
Decrease in Estimated Insurance Claims Payable	(154,220.00)
Total Adjustments	3,085,831.43
Net Cash Used by Operating Activities	$ (208,961.98)

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, 2011

		Agency Funds
ASSETS		
Cash	$	3,021,969.00
TOTAL ASSETS	$	3,021,969.00
LIABILITIES		
Due to Other Funds	$	113,530.73
Internal Accounts Payable		2,908,438.27
TOTAL LIABILITIES	$	3,021,969.00

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ **Reporting Entity**

The St. Johns County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The St. Johns County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of St. 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 the application of 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 8. 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, 2011. The audit reports are filed in the District's administrative offices.

The District also considered the Therapeutic Learning Center Charter School and the St. Johns Community Campus 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, the charter schools do not meet the criteria for inclusion as District component units. The charter schools' 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 District 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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- 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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- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs of Qualified School Construction Bonds (QSCBs).
- 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.
- Capital Projects – ARRA Economic Stimulus Fund – to account for the financial resources of the QSCBs to be used for certain capital construction.

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 60 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 GASB.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the internal service funds are charges to the District and employees for health, dental, vision, and workers' compensation insurance premiums. The principal operating expenses include insurance claims, insurance premiums for excess insurance, purchased workers' compensation and employee disability insurance, contracted healthcare clinic costs, 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned 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 Foundation 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**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the Florida Education Investment Trust Fund (FEITF). The statement of cash flows considers cash as those accounts used as demand deposit accounts.

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed in FEITF, and those made locally.

The District's investments in the FEITF, a Securities and Exchange Commission Rule 2a7 external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

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, including QSCBs, 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 Cash and Cash Equivalents**

Certain 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 the applicable debt covenants or represent proceeds from the sale of Qualified School Construction Bonds (QSCBs). These assets consist of $12,793,273.13 restricted for the repayment of certificates of participation

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

principal and interest, all of which is payable on July 1, 2011, and reported as current liabilities on the statement of net assets, and $15,209,966.12 restricted for construction of New Elementary School "L".

- **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 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 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
Intangible Assets	5 years

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

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- **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 premiums on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability 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 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 restricted in the governmental fund financial statements for the 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 year is presented in a subsequent note.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **District Property Taxes**

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

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

The Board adopted the 2010 tax levy on September 28, 2010. 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 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 was most recently amended in March 2005, when Ordinance 2005-27 established, in part, revised rates to be collected. The educational impact fee is collected by the County for most new residential construction. 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.

- **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

- **Budgetary Information**

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

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

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- 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.

➢ **Deficit Net Assets in Proprietary Funds – Internal Service Fund**

The following internal service fund has a deficit net asset balance at June 30, 2011:

	Beginning Net Assets	Change in Net Assets	Ending Net Assets
Health and Hospitalization - Group Medical Self-Insurance Fund	$ 3,070,295.22	$ (4,035,166.71)	$ (964,871.49)

The decrease in the Health and Hospitalization – Group Medical Self-Insurance Fund's net assets resulted from increased claims expenses relative to premium revenues. To improve the Fund's net asset position, the District reduced certain operating expenses and, effective January 1, 2012, increased employer contributions, employee deductibles, employee maximum yearly out-of-pocket expenses, and employee co-pay and retiree premiums. Collectively, the self-insured medical, dental, and vision funds have a positive unrestricted net asset balance of $1,168,124.76 at June 30, 2011.

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
Dreyfus Treasury Prime Cash Management Fund (1) (2)	52 Day Average	$ 28,003,239.25
Florida Education Investment Trust Fund (2)	48 Day Average	5,000,466.16
State Board of Administration Debt Service Accounts	6 Months	227,624.26
Total Investments, Primary Government		$ 33,231,329.67

Notes: (1) These investments are held under a trust agreement in connection with the Certificates of Participation, Series 2003A, 2006, and 2010-QSCB financing agreements (see Note 8).

(2) The investment is reported as a cash equivalent for financial statement reporting purposes.

Interest Rate Risk

➢ Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes the 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 and the Florida Education Investment Trust Fund (FEITF) are designed to maintain a $1 per share net asset value and provide immediate liquidity to meet cash flow needs.

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Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, 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, 2011, the District's investments in the Florida Education Investment Trust Fund was rated AAAm by Standard and Poor's and the investments in Dreyfus Treasury Prime Cash Management Fund is rated AAAm by Standard and 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 $3,815,108.91 reported as due from other agencies primarily consists of $2,928,465.14 due from the Florida Department of Education in the other governmental funds, Capital Projects – Public Education Capital Outlay Fund, for construction, renovation, remodeling, and repair projects of District facilities and may not be entirely collected within one year. The remaining amount primarily represents amounts due from the Florida Department of Education for reimbursement of Federal grant expenditures.

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JUNE 30, 2011

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance 7-1-10	Additions	Deletions	Balance 6-30-11
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 34,483,710.33	$ 6,787.50	$	$ 34,490,497.83
Construction in Progress	610,024.80	8,935,648.58	5,392,512.61	4,153,160.77
Total Capital Assets Not Being Depreciated	35,093,735.13	8,942,436.08	5,392,512.61	38,643,658.60
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,795,305.46			24,795,305.46
Buildings and Fixed Equipment	556,046,609.14	11,797,377.58		567,843,986.72
Furniture, Fixtures, and Equipment	28,773,130.74	2,015,773.76	2,350,571.28	28,438,333.22
Motor Vehicles	16,674,517.13	1,853,134.49	489,420.00	18,038,231.62
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	4,312,638.03	379,531.59	37,244.67	4,654,924.95
Total Capital Assets Being Depreciated	631,269,431.50	16,045,817.42	2,877,235.95	644,438,012.97
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	12,486,191.23	638,309.76		13,124,500.99
Buildings and Fixed Equipment	114,896,276.63	11,511,052.72		126,407,329.35
Furniture, Fixtures, and Equipment	23,470,830.52	1,904,720.63	2,350,571.28	23,024,979.87
Motor Vehicles	8,886,775.73	1,355,802.73	489,420.00	9,753,158.46
Property Under Capital Lease	461,501.46	66,723.10		528,224.56
Audio Visual Materials and Computer Software	3,749,789.49	328,197.83	37,244.67	4,040,742.65
Total Accumulated Depreciation	163,951,365.06	15,804,806.77	2,877,235.95	176,878,935.88
Total Capital Assets Being Depreciated, Net	467,318,066.44	241,010.65		467,559,077.09
Governmental Activities Capital Assets, Net	$ 502,411,801.57	$ 9,183,446.73	$ 5,392,512.61	$ 506,202,735.69

The class of property under capital lease is presented in Note 7.

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JUNE 30, 2011

	Beginning Balance	Additions	Deletions	Ending Balance
MAJOR COMPONENT UNIT -				
FIRST COAST TECHNICAL COLLEGE				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	$ 2,204,749	$ 309,093	$	$ 2,513,842
Motor Vehicles	94,721	62,259		156,980
Leasehold Improvements	1,977,042	148,784		2,125,826
Intangible Assets		8,860		8,860
Total Capital Assets Being Depreciated	4,276,512	528,996		4,805,508
Less Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	1,140,734	170,376		1,311,110
Motor Vehicles	81,703	19,138		100,841
Leasehold Improvements	602,463	141,094		743,557
Intangible Assets		1,772		1,772
Total Accumulated Depreciation	1,824,900	332,380		2,157,280
Major Component Unit Capital Assets, Net	$ 2,451,612	$ 196,616	$ 0.00	$ 2,648,228

Depreciation expense was charged to functions as follows:

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Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 9,239,327.21
Pupil Personnel Services	1,009,180.75
Instructional Media Services	290,539.05
Instruction and Curriculum Development Services	449,740.17
Instructional Staff Training Services	243,782.47
Instruction Related Technology	212,813.14
School Board	21,740.25
General Administration	23,060.27
School Administration	950,830.40
Facilities Acquisition and Construction	83,629.30
Fiscal Services	105,847.86
Food Services	337,838.60
Central Services	203,780.78
Pupil Transportation Services	1,355,802.73
Operation of Plant	650,316.64
Maintenance of Plant	405,090.65
Administrative Technology Services	20,242.84
Community Services	201,243.66
Total Depreciation Expense - Governmental Activities	$ 15,804,806.77
MAJOR COMPONENT UNIT - FIRST COAST TECHNICAL COLLEGE	
Instruction	$ 95,350.00
Pupil Personnel Services	24,404.00
School Administration	5,536.00
Central Services	524.00
Operation of Plant	38,641.00
Maintenance of Plant	164,594.00
Community Services	3,331.00
Total Depreciation Expense - Major Component Unit	$ 332,380.00

6. DUE TO COMPONENT UNITS

The $513,844 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.

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7. 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
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	$ 232,062.58	$ 218,364.96	$ 13,697.62

8. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2011, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2003A	$ 12,515,000	3.50 - 4.10	2018	$ 23,230,000
Series 2006	106,755,000	3.90 - 5.25	2021	145,000,000
Series 2010-QSCB	16,000,000	4.94 (1)	2027	16,000,000
Total Minimum Lease Payments	$ 135,270,000			

Note: (1) Series 2010-QSCB (Qualified School Construction Bonds) are primarily principal only bonds, repaid by the District. The QSCBs 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 entire 4.94 percent stated interest rate is eligible for direct cash subsidy from the United States Treasury.

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 lease 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

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benefit of the securers of the certificates the remaining term of the ground leases or until the certificates are paid in full.

The QSCBs were issued through the American Recovery and Reinvestment Act (ARRA) on September 20, 2010. For the Series 2010-QSCB, the principal portion of the basic lease payment, $16,000,000, is due on September 1, 2027. The sinking fund payments are due on September 1 during each period, commencing on September 1, 2011. The Series 2010-QSCB sinking fund payments made by the District will be deposited by the Trustee into the Series 2010 Sinking Fund Account pursuant to the Trust Agreement. Such funds will be invested in permitted investments in accordance with the Trust Agreement. The Board may offset sinking fund payments with the interest earnings on amounts in the Sinking Fund Account and must make supplemental payments to the Sinking Fund Account to cure any deficiency between the amount on deposit and the required scheduled amount. In addition, the District may enter into a sinking fund investment agreement to better manage the sinking fund cash flow requirements, provided the agreement is entered into on or before September 1, 2012. Sinking fund payments on deposit in the Sinking Fund Account will be retained therein until transferred to the Series 2010 Principal Account and applied to the payment of the $16,000,000 principal component due on the Series 2010-QSCB Certificates at maturity (September 1, 2027) or upon earlier payment. The QSCBs are primarily issued as principal only and provide for a direct cash subsidy payment from the United States Treasury for the interest. The entire Series 2010-QSCBs stated interest rate of 4.94 percent is eligible for direct subsidy from the United States Treasury.

A summary of the lease terms are as follows:

Certificates	Lease Terms
Series 2003A	Earlier of the date paid in full or July 1, 2023
Series 2006	Earlier of the date paid in full or July 1, 2021
Series 2010-QSCB	Earlier of the date paid in full or September 1, 2027

The District properties included in the ground lease under this arrangement 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
Series 2010-QSCB	Construction of New Elementary School "L"

Except for the QSCBs, the lease payments are payable by the District semiannually, on July 1 and January 1, and must be remitted as of the 15th day of the month preceding the payment dates. The QSCBs are payable March 1 and September 1. 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
2012	$ 16,433,616.26	$ 10,345,000.00	$ 6,088,616.26
2013	16,439,306.26	10,805,000.00	5,634,306.26
2014	16,440,406.26	11,230,000.00	5,210,406.26
2015	16,435,556.26	11,670,000.00	4,765,556.26
2016	16,437,058.76	12,145,000.00	4,292,058.76
2017-2021	75,961,350.00	63,075,000.00	12,886,350.00
2022-2026	3,952,000.00		3,952,000.00
2027-2028	17,185,600.00	16,000,000.00	1,185,600.00
Total Minimum Lease Payments	$ 179,284,893.80	$ 135,270,000.00	$ 44,014,893.80

9. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2003A	$ 410,000	3.00 - 4.25	2023
Series 2004A	590,000	3.750 - 4.625	2024
Series 2005A	210,000	4.0 - 5.0	2025
Series 2005B, Refunding	3,265,000	5.0	2020
Series 2006A	430,000	4.000 - 4.625	2026
Series 2008A	1,330,000	3.50 - 5.00	2028
Series 2009A, Refunding	755,000	4.0 - 5.0	2019
Series 2009A	610,000	4.0 - 5.0	2029
Series 2010A	725,000	4.0 - 5.0	2030
Total Bonds Payable	$ 8,325,000		

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, investments 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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JUNE 30, 2011

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	$ 998,022.50	$ 610,000.00	$ 388,022.50
2013	1,000,360.00	640,000.00	360,360.00
2014	1,005,978.75	675,000.00	330,978.75
2015	993,853.75	695,000.00	298,853.75
2016	1,005,133.75	740,000.00	265,133.75
2017-2021	3,539,188.75	2,725,000.00	814,188.75
2022-2026	1,857,587.50	1,505,000.00	352,587.50
2027-2030	799,087.50	735,000.00	64,087.50
Total State School Bonds	$ 11,199,212.50	$ 8,325,000.00	$ 2,874,212.50

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	$ 1,144,884.00	$	$ 212,937.00	$ 931,947.00	$ 76,800.47
Obligation Under Capital Lease	289,419.75		71,054.79	218,364.96	74,111.98
Note Payable	480,063.32		480,063.32		
Bonds Payable	8,160,000.00	740,000.00	575,000.00	8,325,000.00	610,000.00
Certificates of Participation Payable	129,210,000.00	16,000,000.00	9,940,000.00	135,270,000.00	10,345,000.00
Compensated Absences Payable	20,470,893.76	2,179,657.02	1,990,772.54	20,659,778.24	1,990,772.54
Other Postemployment Benefits Payable	28,989,317.00	11,359,774.00	2,098,732.00	38,250,359.00	
Total Governmental Activities	$ 188,744,577.83	$ 30,279,431.02	$ 15,368,559.65	$ 203,655,449.20	$ 13,096,684.99
MAJOR COMPONENT UNIT					
Compensated Absences Payable	$ 1,016,085.00	$ 43,474.00	$ 447,795.00	$ 611,764.00	$ 353,218.00

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.

11. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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The District reports its governmental fund balances in the following categories:

- **Nonspendable**

  The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventories, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

- **Restricted**

  The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances, other than General Fund, as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

- **Committed**

  The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts.

  Economic Stabilization Arrangement. Board Rule 7.01, *School District Budget System*, provides that the Board shall commit an amount equal to 3 percent of its estimated revenue from the first Florida Education Finance Program calculation under a stabilization arrangement for use in an emergency situation. The District classifies the stabilization arrangement moneys as committed fund balance and defines the circumstances that constitute an emergency as non-routine in nature and specifically include the following:

  - Failure to pay loans or debt service when due as a result of lack of funds;
  - Failure to pay uncontested claims to creditors within ninety (90) days due to lack of funds;
  - Failure to transfer taxes, social security or retirement/benefits for employees; and
  - Failure for one pay period to pay wages, salaries, or retirement benefits to employees.

  In accordance with Section 1011.71(3)(b), Florida Statutes, the District levied an additional 0.25 discretionary millage for critical operating needs. The School Board adopted the additional discretionary millage on September 28, 2010, and specified that the moneys be used to support the maintenance and equipment needs of its educational facilities. The unspent portion of the additional discretionary millage moneys is classified as committed fund balance.

- **Assigned**

  The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific

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purposes based on actions of the Superintendent or the Superintendent's designee as authorized by Board Rule 7.01, *School District Budget System*, and not included in other categories.

- **Unassigned**

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

The following is a schedule of fund balances by category at June 30, 2011:

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Capital Projects - Local Capital Improvement	Capital Projects - Other Capital Projects	Capital Projects - ARRA Economic Stimulus		
Fund Balances:						
Nonspendable:						
Inventories	$ 405,046.52	$	$	$	$ 135,928.77	$ 540,975.29
Spendable:						
Restricted:						
State Required Carryover Programs	425,902.73					425,902.73
Full Service Schools	67,882.61					67,882.61
Dori Slosberg Driver Education	17,900.82					17,900.82
Debt Service					227,624.26	227,624.26
Capital Projects		35,798,755.35	27,173,622.21	15,202,342.77	7,647,722.08	85,822,442.41
Food Service					1,004,099.31	1,004,099.31
Total Restricted	511,686.16	35,798,755.35	27,173,622.21	15,202,342.77	8,879,445.65	87,565,852.14
Committed:						
Economic Stabilization	5,746,671.33					5,746,671.33
0.25 Discretionary Millage	4,670,323.38					4,670,323.38
Total Committed	10,416,994.71					10,416,994.71
Assigned:						
2011-12 Budget Shortfalls	19,106,131.61					19,106,131.61
Program and Services	4,576,850.14					4,576,850.14
Extended Day	1,609,854.01					1,609,854.01
Schools	513,786.37					513,786.37
School Concurrency	36,438.45					36,438.45
Departments	24,403.88					24,403.88
Capital Projects			3,118,121.23			3,118,121.23
Total Assigned	25,867,464.46		3,118,121.23			28,985,585.69
Unassigned	32,160,733.18					32,160,733.18
Total Fund Balances	$ 69,361,925.03	$ 35,798,755.35	$ 30,291,743.44	$ 15,202,342.77	$ 9,015,374.42	$ 159,670,141.01

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
General	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Capital Projects - Other Capital Projects	Capital Projects - ARRA Economic Stimulus		
$ 1,887,016.56	$ 9,744.32	$ 7,816,162.08	$ 2,485,766.30	$ 13,741,347.35	$ 2,049,699.23	$ 27,989,735.84

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Construction Contracts. Encumbrances include the following construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
New Elementary School "L":			
Architect	$ 841,000.00	$ 558,250.00	$ 282,750.00
Contractor	12,797,000.00		12,797,000.00
Osceola Elementary Expansion:			
Architect	92,002.50	50,887.13	41,115.37
Contractor	1,833,208.26	585,841.43	1,247,366.83
Direct Purchases	1,007,791.69	459,727.18	548,064.51
Hartley Elementary Expansion:			
Architect	249,000.00	207,367.20	41,632.80
Contractor	2,004,786.83	1,645,759.06	359,027.77
Direct Purchases	620,000.00	401,084.89	218,915.11
Total	$ 19,444,789.28	$ 3,908,916.89	$ 15,535,872.39

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 469,350.20	$
Capital Projects:		
ARRA Economic Stimulus		291.10
Nonmajor Governmental		355,528.37
Agency		113,530.73
Total	$ 469,350.20	$ 469,350.20

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.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 9,738,540.78	$
Debt Service:		
Other Debt Service	15,656,012.83	
Capital Projects:		
Local Capital Improvement		24,344,821.91
Other Capital Projects	9,403.57	77,739.00
Nonmajor Governmental		981,396.27
Total	$ 25,403,957.18	$ 25,403,957.18

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 funds were to reimburse the General Fund for expenses related to school food service operations and to transfer remaining District General Obligation Bonds debt service funds to the Capital Projects – Other Capital Projects Fund. The transfer out of the Capital Projects – Other Capital Projects Fund was to transfer revenue to the General Fund for subsequent disbursement to charter schools.

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14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

Source	Amount
Florida Education Finance Program (FEFP):	
Transportation	$ 7,569,262.00
Supplemental Academic Instruction	5,984,541.00
Instructional Materials	2,487,103.00
Comprehensive Reading Plan	1,171,297.00
Safe Schools	595,029.00
Florida Teachers Lead	383,613.00
Other FEFP	21,764,169.95
Categorical Educational Program - Class Size Reduction	32,899,241.00
Workforce Development Program	5,438,717.00
School Recognition	1,884,026.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,159,750.25
Gross Receipts Tax (Public Education Capital Outlay)	1,068,402.00
Discretionary Lottery Funds	114,448.00
Adults with Disabilities	101,176.00
Mobile Home License Tax	71,596.24
Food Service Supplement	66,188.00
Miscellaneous	460,478.07
Total	$ 83,219,037.51

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

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll and amounts budgeted and collected for the 2010-11 fiscal year:

	Millages	Taxes		
		Taxes	Budgeted (1) (2)	Collected (2)
GENERAL FUND				
Nonvoted School Tax:				
Required Local Effort	5.571	$ 109,545,149.33	$ 105,402,346.56	$ 105,402,346.56
Basic Discretionary Local Effort	0.748	14,708,269.92	14,152,029.29	14,152,029.29
Critical Operating Needs	0.250	4,915,865.61	4,729,956.33	4,729,956.33
CAPITAL PROJECTS FUNDS				
Nonvoted Tax:				
Local Capital Improvements	1.500	29,495,193.68	28,379,737.90	28,379,737.90
Total	8.069	$ 158,664,478.54	$ 152,664,070.08	$ 152,664,070.08

Notes: (1) The District initially budgets about 96 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 budget 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 2010-11 fiscal year to satisfy prior years' unpaid taxes.

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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, 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.

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.

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FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled $12,301,221.90, $12,335,849.53, and $14,114,868.20, respectively, which were equal to the required contributions for each fiscal year. There were 539 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled $1,884,465.15.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

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

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$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 $906,293 during the 2010-11 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 this 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 (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 337 retirees received other postemployment benefits. The District provided required contributions of $2,098,732 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 $1,436,088. Retiree contributions represent 1.2 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	$ 6,527,813
Amortization of Unfunded Actuarial Accrued Liability	4,571,982
Interest on Normal Cost and Amortization	215,380
Annual Required Contribution	11,315,175
Interest on Net OPEB Obligation	1,159,573
Adjustment to Annual Required Contribution	(1,114,974)
Annual OPEB Cost (Expense)	11,359,774
Contribution Toward the OPEB Cost	(2,098,732)
Increase in Net OPEB Obligation	9,261,042
Net OPEB Obligation, Beginning of Year	28,989,317
Net OPEB Obligation, End of Year	$ 38,250,359

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, 2011, and the preceding two years, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
2010-11	11,359,774	2,098,732	18.5%	38,250,359

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.

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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, 2011, and the District's 2010-11 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, 2011, was 24 years.

19. 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, broiler and machinery, and other coverage deemed necessary by the members of the Trust. Section 1001.42(12)(k), Florida Statues, 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

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 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 $200,000 per insured per year. 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.

A liability in the amount of $3,172,277 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2011, 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
2009-10	$ 2,971,115.00	$ 28,185,449.52	$ (28,043,004.52)	$ 3,113,560.00
2010-11	3,113,560.00	29,374,567.33	(29,315,850.33)	3,172,277.00

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 $150,000 or $250,000 per occurrence, depending on the year of occurrence, and by aggregate excess insurance per plan year, ranging from $1,000,000 to $3,211,800, 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 $931,947 was actuarially determined to cover the District's liability at June 30, 2011 (for plan years ending June 30, 2008, and prior), and is reported net of excess insurance recoverable on unpaid claims.

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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
2009-10	$ 2,289,970.00	$ (759,197.94)	$ (385,888.06)	$ 1,144,884.00
2010-11	1,144,884.00	(136,136.53)	(76,800.47)	931,947.00

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

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2010-11 fiscal year:

	Self-Insurance Funds				Total
	Health and Hospitalization			Workers'	
	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance	Compensation Liability Insurance	
Total Assets	$ 7,030,180.34	$ 2,619,641.16	$ 595,834.27	$ 5,070,411.14	$ 15,316,066.91
Liabilities and Net Assets:					
Accounts Payable	$ 5,114,469.83	$ 313,316.42	$ 48,949.80	$ 9,365.00	$ 5,486,101.05
Estimated Insurance Claims Payable	2,880,582.00	257,413.00	34,282.00	931,947.00	4,104,224.00
Net Assets:					
Invested in Capital Assets	428,517.96				428,517.96
Unrestricted Net Assets	(1,393,389.45)	2,048,911.74	512,602.47	4,129,099.14	5,297,223.90
Total Liabilities and Net Assets	$ 7,030,180.34	$ 2,619,641.16	$ 595,834.27	$ 5,070,411.14	$ 15,316,066.91
Revenues:					
Insurance Premiums	$ 28,587,356.64	$ 2,954,996.71	$ 541,606.22	$ 1,180,050.35	$ 33,264,009.92
Interest Income	14,257.72	4,559.48	1,057.16	10,102.32	29,976.68
Total Revenues	28,601,614.36	2,959,556.19	542,663.38	1,190,152.67	33,293,986.60
Total Expenses	(32,636,781.07)	(2,295,350.00)	(484,132.91)	(1,142,539.35)	(36,558,803.33)
Change in Net Assets	$ (4,035,166.71)	$ 664,206.19	$ 58,530.47	$ 47,613.32	$ (3,264,816.73)

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

21. 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 $5,438,717 workforce development program appropriation. In addition, the District processes and pays the salaries and benefits of FCTC employees, which are subsequently reimbursed by FCTC.

Summary information derived from the component units' June 30, 2011, financial data comprising the component unit columns reported on the government-wide financial statements is shown below:

STATEMENT OF NET ASSETS
ALL COMPONENT UNITS

	First Coast Technical College (Major Component Unit)	Aggregate Nonmajor Component Units	Total
ASSETS			
Cash	$ 855,614	$ 893,064	$ 1,748,678
Investments		48,563	48,563
Accounts Receivable	294,606	11,947	306,553
Due from Primary Government	513,844		513,844
Pledges Receivable		3,188	3,188
Inventories	151,778		151,778
Prepaid Items	244,175	32,592	276,767
Capital Assets:			
Depreciable Capital Assets, Net	2,648,228	69,877	2,718,105
TOTAL ASSETS	$ 4,708,245	$ 1,059,231	$ 5,767,476
LIABILITIES			
Salaries and Benefits Payable	$	$ 59,633	$ 59,633
Accounts Payable	48,875	9,900	58,775
Due to Primary Government		92	92
Deferred Revenue	280,428		280,428
Long-Term Liabilities:			
Portion Due Within One Year:			
Compensated Absences Payable	353,218		353,218
Portion Due After One Year:			
Compensated Absences Payable	258,546		258,546
Total Liabilities	941,067	69,625	1,010,692
NET ASSETS			
Invested in Capital Assets	2,648,228	69,877	2,718,105
Restricted		337,050	337,050
Unrestricted	1,118,950	582,679	1,701,629
Total Net Assets	3,767,178	989,606	4,756,784
TOTAL LIABILITIES AND NET ASSETS	$ 4,708,245	$ 1,059,231	$ 5,767,476

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

STATEMENT OF ACTIVITES
ALL COMPONENT UNITS

	First Coast Technical College (Major Component Unit)	Aggregate Nonmajor Component Units	Total
EXPENSES			
Instruction	$ 4,662,091	$ 1,269,682	$ 5,931,773
Pupil Personnel Services	2,794,444		2,794,444
Instruction and Curriculum Development Services		4,605	4,605
General Administration		492,427	492,427
School Administration	696,476		696,476
Fiscal and Community Services	1,033,011		1,033,011
Central Services	117,029		117,029
Operation of Plant	993,672		993,672
Maintenance of Plant	123,723		123,723
Total Expenses	10,420,446	1,766,714	12,187,160
PROGRAM REVENUES			
Charges for Services	2,227,940	40,058	2,267,998
Operating Grants and Contributions	1,516,925		1,516,925
Capital Grants and Contributions	472,504	69,799	542,303
Total Program Revenues	4,217,369	109,857	4,327,226
Net Expense	(6,203,077)	(1,656,857)	(7,859,934)
GENERAL REVENUES			
Grants and Contributions, Not Restricted to Specific Programs	6,511,162	1,667,762	8,178,924
Unrestricted Investment Earnings	5,773	11,713	17,486
Total General Revenues	6,516,935	1,679,475	8,196,410
Change in Net Assets	313,858	22,618	336,476
Net Assets - Beginning	3,453,320	966,988	4,420,308
Net Assets - Ending	$ 3,767,178	$ 989,606	$ 4,756,784

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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, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 275,961.00	$ 314,786.38	$ 314,786.38	$
Federal Through State and Local	600,000.00	600,000.00		(600,000.00)
State	73,598,458.50	80,759,647.32	80,787,420.24	27,772.92
Local:				
Property Taxes	123,979,871.00	124,284,332.18	124,940,871.76	656,539.58
Miscellaneous	2,342,962.17	8,678,209.08	9,456,337.38	778,128.30
Total Revenues	200,797,252.67	214,636,974.96	215,499,415.76	862,440.80
Expenditures				
Current - Education:				
Instruction	129,916,603.93	147,286,867.79	128,618,908.16	18,667,959.63
Pupil Personnel Services	11,517,051.04	10,599,133.92	10,520,898.05	78,235.87
Instructional Media Services	4,039,329.04	4,034,799.97	4,008,563.65	26,236.32
Instruction and Curriculum Development Services	3,010,593.40	3,284,643.71	3,242,314.92	42,328.79
Instructional Staff Training Services	229,031.68	1,098,798.66	1,051,468.92	47,329.74
Instruction Related Technology	4,157,680.25	4,783,945.00	4,102,251.90	681,693.10
School Board	668,985.00	794,996.33	788,652.87	6,343.46
General Administration	329,620.00	335,989.44	319,063.46	16,925.98
School Administration	12,842,925.62	12,469,258.53	11,964,851.88	504,406.65
Facilities Acquisition and Construction	3,609,024.00	11,269,933.84	6,694,531.13	4,575,402.71
Fiscal Services	1,528,658.18	1,628,151.10	1,613,804.06	14,347.04
Central Services	2,929,922.23	3,046,116.25	2,652,035.92	394,080.33
Pupil Transportation Services	10,580,852.00	11,096,513.87	10,652,472.72	444,041.15
Operation of Plant	19,742,099.85	16,414,513.68	15,222,181.01	1,192,332.67
Maintenance of Plant	12,565,551.31	8,283,522.98	7,592,434.28	691,088.70
Administrative Technology Services	745,807.75	1,538,904.23	543,045.07	995,859.16
Community Services	118,704.50	4,982,277.20	3,062,495.43	1,919,781.77
Fixed Capital Outlay:				
Facilities Acquisition and Construction		283,713.67	283,713.67	
Other Capital Outlay		387,871.00	387,871.00	
Total Expenditures	218,532,439.78	243,619,951.17	213,321,558.10	30,298,393.07
Excess (Deficiency) of Revenues Over Expenditures	(17,735,187.11)	(28,982,976.21)	2,177,857.66	31,160,833.87
Other Financing Sources (Uses)				
Transfers In	9,293,095.35	9,989,645.01	9,738,540.78	(251,104.23)
Insurance Loss Recoveries			79,373.50	79,373.50
Total Other Financing Sources (Uses)	9,293,095.35	9,989,645.01	9,817,914.28	(171,730.73)
Net Change in Fund Balances	(8,442,091.76)	(18,993,331.20)	11,995,771.94	30,989,103.14
Fund Balances, Beginning	8,442,091.76	65,925,578.54	57,366,153.09	(8,559,425.45)
Fund Balances, Ending	$ 0.00	$ 46,932,247.34	$ 69,361,925.03	$ 22,429,677.69

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 20,938.45	$ 47.08	$ 47.08	$
14,207,463.07	21,318,511.16	21,077,466.69	(241,044.47)
14,228,401.52	21,318,558.24	21,077,513.77	(241,044.47)
9,783,285.17	10,137,762.52	10,030,819.24	106,943.28
462,994.64	1,486,350.29	1,464,503.01	21,847.28
	120,062.94	120,062.94	
1,147,771.53	1,289,457.28	1,266,061.79	23,395.49
1,686,719.84	1,830,485.37	1,749,614.24	80,871.13
	90,000.00	90,000.00	
183,376.03	190,682.01	183,857.81	6,824.20
	1,048,089.67	1,048,089.67	
7,255.75	8,374.80	7,214.50	1,160.30
	4,083,011.36	4,083,009.77	1.59
63.56	615.00	613.80	1.20
956,935.00	695,638.24	695,638.24	
	338,028.76	338,028.76	
14,228,401.52	21,318,558.24	21,077,513.77	241,044.47
$ 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) (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	$ 47,133,660	$ 47,133,660	0.0%	$ 74,022,750	63.7%
10/1/2007	0	101,836,119	101,836,119	0.0%	110,357,392	92.3%
10/1/2007, revised	0	79,372,892	79,372,892	0.0%	110,357,392	71.9%
1/1/2009	0	112,079,956	112,079,956	0.0%	121,342,166	92.4%

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

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 the previous valuation. This change substantially increased 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 were 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, increasing 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 decreased 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, substantially decreasing 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, 2011

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	$ 609,949.78	$
National School Lunch Program	10.555	300	2,538,557.32	
Summer Food Service Program for Children	10.559	323	45,045.74	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	347,021.62	
Total United States Department of Agriculture			3,540,574.46	
United States Department of Labor:				
Indirect:				
First Coast Workforce Development, Inc.:				
ARRA - WIA Youth Activities	17.259	None	88,395.59	
United States Department of Transportation:				
Direct:				
Highway Research and Development Program	20.200	N/A	35,162.72	
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	2,617,401.99	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	850,295.71	
Total Title I, Part A Cluster			3,467,697.70	
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	4,408,052.77	
Special Education - Preschool Grants	84.173	267	127,336.97	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	2,939,917.67	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	91,368.53	
University of South Florida:				
Special Education - Grants to States	84.027	1725-1040-00-A	9,258.53	
Volusia County District School Board:				
Special Education - Grants to States	84.027	7751	1,602.58	
Total Special Education Cluster			7,577,537.05	
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	13,444.83	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	11,347.76	
Total Education for Homeless Children and Youth Cluster			24,792.59	
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	72,015.67	
ARRA - School Improvement Grants, Recovery Act	84.388	126	473,905.52	
Total School Improvement Grants Cluster			545,921.19	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	10,116,314.00	372,164.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	213,365.48	
Total State Fiscal Stabilization Fund Cluster			10,329,679.48	372,164.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	155,385.00	155,385.00
Career and Technical Education - Basic Grants to States	84.048	161	474,755.52	222,203.96
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	11,316.41	
English Language Acquisition Grants	84.365	102	31,087.94	
Improving Teacher Quality State Grants	84.367	224	920,417.31	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	29,106.16	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	8,690.86	
Education Jobs Fund	84.410	541	6,343,155.00	
Total United States Department of Education			29,919,542.21	749,752.96
United States Department of Health and Human Services:				
Direct:				
Head Start Cluster:				
Head Start	93.600 (3)	N/A	1,008,881.94	
ARRA - Head Start	93.708 (4)	N/A	47.08	
Total United States Department of Health and Human Services			1,008,929.02	
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	75,961.00	
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	65,680.40	
Total Corporation for National and Community Service			141,641.40	

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011

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 Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	$ 72,040.72	$
Air Force Junior Reserve Officers Training Corps	None	N/A	64,821.80	
Navy Junior Reserve Officers Training Corps	None	N/A	112,265.81	
Total United States Department of Defense			249,128.33	
Total Expenditures of Federal Awards			$ 34,983,373.73	$ 749,752.96

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 $33,273.24 for grant number/program year 04CH0594/13 and $975,608.70 for grant number/program year 04CH0594/14.
(4) Head Start - ARRA. Expenditures include $47.08 for grant number/program year 04SE0594/01.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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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, 2011, 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 28, 2012

AUDITOR GENERAL
STATE OF FLORIDA

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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, 2011. 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 $2,582,631 in Federal Awards for the fiscal year ended June 30, 2011. 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 OMB Circular A-133.

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

In our opinion, the District complied, in all material respects, with the 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, 2011. 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 No. 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 finding 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 28, 2012

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388-ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 34.394–ARRA and 84.397–ARRA); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	$1,049,501
Auditee qualified as low-risk auditee?	Yes

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),[1] required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to 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 (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included 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 (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District generally established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010). While the school administrator performance assessments were based primarily on student performance, District records did not sufficiently evidence a correlation between student performance and instructional personnel performance assessments or that student performance was the primary factor for the overall evaluation rating of instructional personnel. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that they delayed revisions to performance assessments for instructional personnel until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our report No. 2011-166.

Recommendation: The District should document that performance assessments of instructional personnel consider student performance as required by law.

[1] Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

Finding No. 2: 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 (2010),[2] provided 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 (2010), required 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 was required to provide 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 to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and 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 (2010). 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 2010-11 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators 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 (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), 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 evidence 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

[2] Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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 (2010). District personnel indicated that the salary schedule lacked differentiated pay for critical shortage areas because there were none; however, District records did not evidence that any criteria had been established for determining critical shortage areas of school-based administrators. To document this process, records could evidence the number of applicants, personnel turnover rates, and other factors relating to hiring and retaining administrators.

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, 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 correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-166.

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. 3: 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, and 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, provided, 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 on employee applications; new employee information sheets; forms for retirement contributions, withholding taxes, and background checks; volunteer application forms; and on student applications. However, because of oversights, the District did not always follow the statutorily required procedures when collecting SSNs from individuals. For example, the forms for applying to enroll in the Federal Head Start Program and for potential contractors submitting requests for bids, proposals, or quotes required providing SSNs; however, the forms

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.

Subsequent to our inquiries, the District removed the SSN request from the form used for the Federal Head Start Program and updated the form used for bids, proposals, and quotes to include the required disclosures. 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. A similar finding was noted in our report No. 2011-166.

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

Finding No. 4: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

The Board established an agreement with a bank to provide various services, including EFTs, and the agreement contained signatures of the Board chair and the superintendent. During the 2010-11 fiscal year, the District made electronic disbursements for vendors, the health self-insurance program, debt service, direct deposit of employee pay and other payroll related activity. While the District used informal processes to control the electronic transmission of funds, the Board had not adopted written policies prescribing the accounting and control procedure for EFTs, contrary to Section 1010.11, Florida Statutes. Further, the bank agreement did not contain the names or signatures of the employees authorized to initiate and authorize EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that controls are in place, such as the use of an encrypted user authentication service, independent reviews of EFT transactions and related records, and independent bank reconciliations, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without properly established policies and procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

Recommendation: The Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules.

Follow-up to Management's Response

The District's response indicates that obtaining Board approval of EFT procedures would not enhance internal controls and that the bank agreement documented the delegation of authority to a specified position. However, the point of our finding is that Florida statutes require the Board to adopt written policies prescribing EFT accounting and control procedures and State Board rules require that bank agreements contain names and signatures of the employees authorized to initiate and authorize EFTs. Without adherence to these requirements, there is an increased risk that errors or fraud could occur and not be timely detected.

Finding No. 5: Facilities Management

The facilities new construction, planning and growth management (facilities) department is responsible for managing construction and renovation projects. During the 2010-11 fiscal year, the facilities department employed 11 full-time employees, including construction and energy management personnel, and the department's operating cost was approximately $3.4 million. Also, during this fiscal year, the District had expenditures totaling approximately $18 million for capital projects fund construction and renovation projects and, as shown on the Five-Year Facilities Work Plan approved by the Board on September 14, 2010, the District planned to spend an additional $74.5 million on these projects over the next four years. At June 30, 2011, the historical cost of the District's educational and ancillary facilities was approximately $597 million and, as shown in the Florida Department of Education (FDOE) Florida Inventory of School Houses data, District facilities had an average age of approximately 23 years.

The facilities maintenance (maintenance) department is responsible for ensuring facilities are safe and suitable for their intended use. The maintenance department performed heating, ventilation, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2010-11 fiscal year, this department employed 89 employees and the department's operating cost was approximately $7.6 million.

Contracted internal auditors previously conducted performance audits of the facilities and maintenance departments, and the auditors submitted reports for facilities new construction and maintenance services dated March 2008 and October 2010, respectively. These reports identified certain deficiencies and provided recommendations for improvement, such as recommendations for District adherence to the facilities maintenance best practices developed by the Florida Office of Program Policy Analysis and Government Accountability and adopted by FDOE.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establishes procedures to evaluate the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks. Such procedures could include written policies and procedures documenting processes for evaluating facilities construction methods and maintenance techniques before commitment of significant resources to the most cost effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations and measurable objectives or benchmarks that are clearly defined to document the extent to which goals are achieved and accountability for facilities and maintenance department employees. While our review of District procedures indicated that procedures were generally adequate, we noted the following procedural enhancements could be made:

- **Construction Planning**. School districts benefit from long-range facilities construction planning activities that include consideration of stakeholder input, including District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders. A committee comprised of such individuals may help the District with facility construction decisions based on actual or anticipated commercial or residential expansion efforts and population demographics.

  The District communicates information regarding long range planning and the status of the facilities program through Board-approved educational plant surveys, which are completed every five years and FDOE-required five-year facilities and work plans, which are updated each year. In addition, these documents and other concerns, such as safety and energy management, are discussed at meetings with school administrators, educational personnel, developers, design committees, and other groups. However, the District has not established committees with the responsibility of developing long-range construction priorities. The use of a long-range facilities construction planning committee may help the District establish facility planning opportunities and cost savings not considered by the District's current process.

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that evaluations were performed and presentations made to the Board in the 2006-07 fiscal year describing the methods for obtaining construction services, including the advantages and challenges of each. Based upon the evaluations of various construction methods, District personnel indicated that traditional design-bid-build was the best method for obtaining construction services because it provided owner control, was typically the lowest price, resulted in a quality product, was beneficial for prototype construction, and has historically been used by the District. District personnel also recognized possible challenges to the traditional design-bid-build method, such as a reduced number of potential contractors, increased number of change orders, more time consuming, and lack of contractor involvement in the design phase. However, written policies and procedures had not been established for evaluating the various construction methods or maintenance-related job techniques. While the District's evaluations may have been appropriate considering the District's typical construction projects and the local construction environment at the time of the evaluations, without Board-approved policies and procedures, and documented evaluations on a periodic or major project basis, there is an increased risk that future District projects may not use the most cost-effective and beneficial construction method or maintenance technique. Similar matters were noted in the above-mentioned internal audit reports for facilities new construction and maintenance services.

- **Accountability.** The facilities and maintenance departments have established short-term and long-term goals; however, our review disclosed that these goals did not address accountability for these departments. For example, the goals for these departments included such objectives as providing training and staff development, providing a safe and secure learning environment for all staff by promoting an awareness of all aspects of building safety, increasing efficiency through technology and continued training, increasing efforts to ensure that the District energy guidelines are met, completing all projects on-time and within budget as specified in the five-year work plan, coordinating the school concurrency system with the county and municipal governments, and continuing the use of environmentally friendly building designs. However, the goals of these departments did not sufficiently identify efficiency or cost-effectiveness outcomes, as similarly noted in the above-mentioned internal audit report for maintenance services.

  To adequately establish outcome measures, the departments could set goals such as completing construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because an aspect of a project did not initially meet building code requirements, and to compare project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goal could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance departments are operating as effectively and as cost-efficiently as possible.

Recommendation: The District should establish a long-range facilities planning committee comprised of various stakeholders to periodically meet and assist the District in identifying long-range construction needs. Also, the District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and techniques for performing significant maintenance-related jobs, and document these evaluations. In addition, the District should develop additional goals and objectives for the facilities and maintenance departments to identify efficiency or cost-effectiveness outcomes for department personnel.

Finding No. 6: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain District security controls related to user authentication needed improvement. We are not disclosing the specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve its security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: ARRA School Improvement Grants (CFDA No. 84.388)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Allowable Costs/Cost Principles – Compensation of Personnel Services. United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1, provides in part, that costs must be adequately documented to be allowable under Federal awards. In addition, OMB Circular A-87 provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official. Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification.

The District recorded salary and benefit expenditures for the ARRA School Improvement Grants (SIG) program totaling $372,642. Our tests of the salary and benefit payments totaling $255,724 for four employees paid 100 percent from the SIG program disclosed that the District did not maintain the required semiannual certifications to support these expenditures, contrary to Federal requirements. District personnel initially provided a semiannual certification indicating that two employees worked solely for, and one employee worked 50 percent for, the Title I program, but

did not provide a certification for the other employee. We compared position titles and descriptions in the SIG program application with personnel records for the four employees and determined that the salaries and benefits were proper program charges of the SIG program. Subsequent to our inquiry, District personnel provided semiannual certifications that confirmed the four employees worked solely for the SIG program. When personnel activity reports or other evidence to delineate the job responsibilities and work activities are not properly maintained, there is an increased risk that personnel costs may be inappropriately charged to a Federal program.

Recommendation: The District should enhance its procedures to ensure that employees who perform services for Federal programs maintain the required documentation to support salary and benefit expenditures.

District Contact Person: Martha Mickler, Deputy Superintendent for Academic Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2011-166.

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, 2011

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

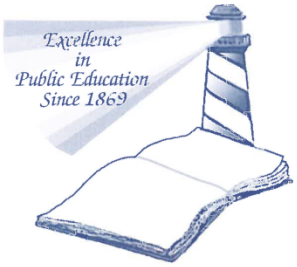
Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2011-166 (1)	State Fiscal Stabilization Fund - Education State Grants, Recovery Act (CFDA No. 84.394 - ARRA) - Subrecipient Monitoring	The District had not established adequate procedures for monitoring Federal funds passed through to the First Coast Technical College to ensure compliance with applicable Federal requirements.	Corrected.	

EXHIBIT A

MANAGEMENT'S RESPONSE

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

Joseph G. Joyner, Ed.D.
Superintendent



March 21, 2012

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 Responses to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2011

Dear Mr. Martin:

The purpose of this letter is to submit the District's responses to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2011. Those responses are as follows:

Finding No. 1 – Performance Assessments

District Response:
In alignment with Race to the Top objectives, the District developed and is currently using the new evaluation system. Although we believe principals have always used student data as an indicator for annual assessments; the new evaluation system clearly reflects that the assessment for instructional personnel is primarily based on student performance.

Finding No. 2 – Compensation and Salary Schedules

District Response:
The District has formed a committee to develop formal policies and procedures to determine the categories and specific teachers/administrators who are awarded differentiated pay. The committee will identify differentiated pay categories through clearly defined criteria that can be applied annually.

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

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

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 3 – Collection of Social Security Numbers

District Response:
As stated in the audit, the District has removed the SSN request from the form used for the Federal Head Start program and has updated the form used for bids, proposals and quotes to include the required disclosures found in F.S. 119.071(5)(a).

Finding No. 4 – Electronic Funds Transfers

District Response:
The District respectfully disagrees with this finding in that the Finance Department has procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic funds transfers. Obtaining Board approval for these procedures would not further enhance the Finance Department's internal controls over electronic funds transfers or further mitigate the risk that errors or fraud could occur and not be detected timely. The fact that no unauthorized transactions were disclosed during the audit is a direct correlation to the Finance Department's procedures governing electronic funds transfers. In addition, while specific individuals were not referenced in the bank agreement, the bank agreement did specifically document the delegation of authority to the person holding a specific position and was approved by the Chief Financial Officer. Furthermore, it should be noted that the SBE Rule referenced in this finding was published by the State on December 4, 1979 and has not been updated since.

Finding No. 5 – Facilities Management

District Response:
Construction Planning – the District will establish a long-range facilities construction planning committee of various stakeholders to meet and provide input in identifying long-range construction needs.

Alternative Construction Methods or Maintenance Techniques – the District will consider the periodic evaluation of alternative facilities construction methods consistent with type of work and scope of our capital projects program. Based on the fact that we continue to experience extremely low change order rates, our school and construction projects are not extremely complex, and that our designs are consistent and well-developed on the front-end, we believe that our district will continue to achieve the best value through our current Design/Bid/Build delivery method.

Accountability – the District will develop departmental goals to measure efficiency and effectiveness of the maintenance department.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 6 – Information Technology – Security Controls – User Authentication

District Response:

The District plans to improve the security controls related to User Authentication.

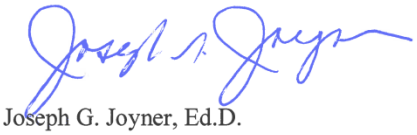
Federal Awards Finding No. 1 – ARRA School Improvement Grants (CFDA No. 84.338)

District Response:

The District will enhance its procedures to ensure that semi-annual certifications are maintained to support employees paid 100 percent, as required by federal regulations.

Please feel free to contact my office if you have any questions concerning this matter.

Sincerely,



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

cc: School Board Members
Cabinet