Basic Financial Statements With Required Supplementary Information and Single Audit Report in Accordance With OMB Circular A-133

St. Johns County District School Board
Year Ended June 30, 2013
With Report of Independent Certified Public Accountants

Ernst & Young LLP

Building a better working world

St. Johns County District School Board

Basic Financial Statements with Required Supplementary Information
and Single Audit Report in Accordance with OMB Circular A-133

Year Ended June 30, 2013

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Report of Independent Certified Public Accountants

Dr. Joseph Joyner, Superintendent, and
Members of the St. John's County District School Board
The School Board of St. John's County, Florida

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of St. Johns County District School Board (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit (St. John's County Education Foundation Inc.), which represents 100% of the assets and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis, the schedule of funding progress – other post-employment benefits plan and the schedule of revenues, expenditures and changes in fund balances – budget and actual general fund on pages 4 through 12 and 66 through 68, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 69 to 72, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 13, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering the District's internal control over financial reporting and compliance.

Ernst + Young LLP

March 13, 2014

St. Johns County District School Board

Management's Discussion and Analysis

For the Period Ended June 30, 2013

The management of the St. Johns County District School Board (the District) 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 information 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 2012-2013 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2013 by $441,117,631 (net position). After deducting net investment in capital assets and restricted net position, the District had a deficit unrestricted net position of $8,521,151.

- In total, net position decreased $5,159,701, which represents a 1.2% decrease from the 2011-12 fiscal year.

- General revenues total $247,240,592, or 85% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $44,983,866 or 15%.

- Expenses total $297,384,159; only $44,983,866 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total expenses exceeded total revenues by $5,159,701.

- 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 $56,764,320 at June 30, 2013 or 25% of total General Fund expenditures.

- The District's capital asset-related long-term debt increased by a net amount of $21,787,699, mainly because of the issuance of $35,000,000 Certificates of Participation for the construction of two K-8 schools.

- The District's Health and Hospitalization – Group Medical Self-Insurance Fund continues to have a deficit net position. The Fund's deficit net position is less than the previous fiscal year deficit because of the positive change in net position of $2,232,422, which is comprised of a $1,993,768 transfer from the District's Operating Fund. This transfer is further disclosed in Note 13 to the financial statements. To improve the Fund's net position, the District has implemented increases in employer contributions beginning September 15, 2012 and increased retiree premiums beginning October 1, 2012. Operating expenses have been reduced by increasing the deductible of the stop loss insurance beginning July 1, 2012, and through vendor fee reductions. In addition, effective May 1, 2013, copays and deductibles have increased, as well as a mandatory switch to generic prescriptions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

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

- Governmental activities – These represent most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component unit – The District presents aggregate financial information for one separate legal entity in this report: the St. Johns County Education Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

The District has another component unit, the St. Johns County School Board Leasing Corporation (Corporation) that is also a legally separate entity. The Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District, as further discussed in Note 7. Due to the substantive economic relationship between the District and the Corporation, the Corporation has been included as part of the primary government as a blended component unit.

Over a period of time, changes in the District's net position is an indication of improving or deteriorating financial condition. 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 entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This 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 balance provide a reconciliation of governmental funds to governmental activities.

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

Proprietary Funds. Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains internal service funds for its proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its health and hospitalization self-insurance programs, which includes group medical, dental and vision coverages, and its workers' compensation liability program. Because these services predominantly benefit governmental-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as certain escrowed moneys and the school and student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District's fiduciary fund includes an agency fund 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 position may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

Net Position, End of Year

	Governmental Activities	
	2013	**2012**
Current and other assets	$ 200,839,148	$ 161,806,208
Capital assets (net)	507,758,002	512,457,953
Total assets	708,597,150	674,264,161
Long-term liabilities	230,454,286	198,393,092
Other liabilities	37,025,233	29,593,737
Total liabilities	267,479,519	227,986,829
Net position:		
Net investment in capital assets	385,966,274	386,087,241
Restricted	63,672,508	60,943,371
Unrestricted deficit	(8,521,151)	(753,280)
Total net position	$ 441,117,631	$ 446,277,332

The largest portion of the District's net position (87%) reflects its net investment in capital assets (e.g., land, buildings, furniture and equipment), less any related outstanding debt used to acquire or construct those capital assets. 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 position (14%) represents resources that are subject to external restrictions on how they may be used. The District currently has a deficit unrestricted net position of $8,521,151.

The District's net position decreased by $5,159,701 during the 2012-2013 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 position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	2013	**2012**
Program revenues:		
Charges for services	$ 20,631,359	$ 19,685,961
Operating grants and contributions	11,740,415	11,611,790
Capital grants and contributions	12,612,092	7,871,805
General revenues:		
Property taxes, levied for operational purposes	109,605,169	117,952,145
Property taxes, levied for debt service	161	1,540
Property taxes, levied for capital projects	26,586,165	27,311,388
Grants and contributions not restricted to specific programs	105,766,468	87,959,836
Unrestricted investment earnings	358,579	382,110
Miscellaneous	4,924,050	3,681,097
Total revenues	292,224,458	276,457,672
Functions/program expenses:		
Instruction	157,997,830	154,917,563
Student personnel services	16,255,387	15,666,971
Instructional media services	4,624,282	4,482,159
Instruction and curriculum development services	6,650,112	6,724,688
Instructional staff training services	4,589,316	5,537,121
Instruction related technology	5,348,639	4,858,653
Board of education	811,347	776,477
General administration	857,608	802,006
School administration	14,196,372	14,085,674
Facilities acquisition and construction	11,401,141	16,169,015
Fiscal services	1,885,777	1,940,256
Food services	10,942,673	10,330,383
Central services	11,439,124	10,620,862
Pupil transportation services	12,789,656	12,778,049
Operation of plant	20,031,090	19,738,298
Maintenance of plant	8,088,888	8,173,519
Administrative technology services	915,741	1,122,670
Community services	3,429,051	3,442,864
Interest on long-term debt	5,130,125	6,459,711
Total functions/program expenses	297,384,159	298,626,939
Decrease in net position	$ (5,159,701)	$ (22,169,267)

The majority of the District's revenues for current operations are provided through the State's Florida Education Finance Program (FEFP), State categorical educational programs, and local property taxes. These revenues are included in the general revenues, which provide approximately 85% of total revenues, whereas program revenues provide approximately 15%. The majority of program revenues (85%) are in the facilities acquisition and construction, food services, central services, and pupil transportation services activities.

The FEFP funding formula is used to allocate State revenue sources for current District operations, and utilizing student enrollment data is designed to maintain equity in funding across all Florida school districts, considering funding ability based on taxable local property values. The District experienced increases in program revenue – capital grants and contributions and property taxes levied for capital projects. The increase in program revenue resulted mainly from an increase in State capital outlay funding and an increase in property taxes levied for capital projects and operating as a result of increasing property values.

Student full-time equivalent (FTE) enrollment increased by 1,024 students, from 31,353 in the 2011-12 fiscal year to 32,377 in the 2012-13 fiscal year. Grants and contributions not restricted to specific programs increased by $17,806,632 as compared to the prior fiscal year, mainly because of an increase in FEFP funding.

Instructional activities represent the majority of the District's expenses, totaling approximately 53% of total governmental expenses in both the 2011-12 and 2012-13 fiscal years. Instruction expenses increased by $3,080,267 or 2%, mainly as a result of hiring additional teachers to address the increase in student enrollment. Overall, total expenses decreased $1,242,780 or less than 1%, as compared to total revenues, which increased $15,766,785, or 6%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total assigned and unassigned fund balance is $56,764,320, while the total fund balance is $67,425,043. For the 2012-13 fiscal year, total fund balance increased by $419,247.

Key factors in these changes are as follows:

- Total revenues increased by $10,214,388, or 5%, mainly from an increase in the funding from the State's Florida Education Finance Program (FEFP).

- Total expenditures increased by $5,763,170, or 2.6%, due mainly to increased salary and benefit costs.

- Total revenues exceeded total expenditures by $419,247 and net other financing sources, mainly from transfers in from the Capital Project Funds.

The Debt Service – Other Debt Service Fund is used to account for financial resources used to pay debt service principal, interest, and related costs for the Certificates of Participation. For the 2012-13 fiscal year, all available resources were used for current debt related expenditures.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources. The total fund balance increased by $38,725,105 in the current fiscal year to $72,164,104, at June 30, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2012-13 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $12,680,889. At the same time, final appropriations increased by $25,171,137 from the original budgeted amount. Budget revisions were necessary to recognize revenues and expenditures related to the District's charter technical career center and certain day care and extended day care programs, to increase instructional salaries and benefits costs, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are $30,450,010 less than anticipated, mainly because instruction, operation of plant, community services, day care and extended day care program, and salary and benefit expenditures were less than planned. Also, positive budget variances include amounts designated for budget cuts; carryover of noncategorical program, school, department, and other activity budgets; and medical plan recovery.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's net investment in capital assets for its governmental activities as of June 30, 2013, is $507,758,002. This net investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2013, the District had total long-term debt outstanding of $154,891,952 related to the construction and acquisition of capital assets. This amount is comprised of $66,952 of Obligation Under Capital Lease; $147,790,000 of Certificates of Participation; and $7,035,000 of State School Bonds. During the fiscal year, the District's long-term debt increased a net amount of $21,787,699, or 16% from the issuance and refunding of Certificates of Participation.

Additional information on the District's long-term debt can be found in Notes 6 through 10 to the financial statements.

REQUEST 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, FL 32084.

St. Johns County District School Board

Statement of Net Position

June 30, 2013

	Primary Government Governmental Activities	Component Unit
Assets		
Current assets:		
Cash and cash equivalents	$ 132,683,439	$ 674,147
Investments	5,207,243	57,383
Accounts receivable, net	302,758	35,601
Due from other agencies	3,597,525	–
Inventory	649,102	–
Prepaid items	–	3,273
Total current assets	142,440,067	770,404
Restricted and noncurrent assets:		
Investments	58,399,081	–
Total restricted and noncurrent assets	58,399,081	–
Capital assets:		
Land	34,488,948	–
Construction in progress	7,150,256	–
Improvements other than buildings	24,795,305	–
Less accumulated depreciation	(14,422,612)	–
Buildings and fixed equipment	597,446,683	–
Less accumulated depreciation	(152,604,252)	–
Furniture, fixtures, and equipment	25,055,142	3,500
Less accumulated depreciation	(20,986,145)	(500)
Motor vehicles	18,149,142	–
Less accumulated depreciation	(11,587,876)	–
Property under capital lease	667,231	–
Less accumulated depreciation	(661,671)	–
Audiovisual materials	26,359	–
Less accumulated depreciation	(14,617)	–
Computer software and other intangible assets	4,341,140	–
Less accumulated amortization	(4,085,031)	–
Total capital assets	507,758,002	3,000
Total assets	$ 708,597,150	$ 773,404

St. Johns County District School Board

Statement of Net Position (continued)

	Primary Government Governmental Activities	Component Unit
Liabilities and net position		
Current liabilities:		
Accrued salaries and benefits	$ 1,270,701	$ 9,059
Payroll deductions and withholdings	669,628	–
Accounts payable	5,789,488	20,745
Construction contracts payable	2,582,860	–
Construction contracts payable – retained percentage	421,812	–
Matured certificates of participation payable	20,125,000	–
Matured interest payable	2,992,206	–
Deposits payable	248,053	–
Due to other agencies	18,222	–
Estimated unpaid claims – self-insurance program	2,907,263	–
Total current liabilities	37,025,233	29,804
Long-term liabilities:		
Portion due within one year:		
Obligations under capital leases	66,952	–
Bonds payable	670,000	–
Liability for compensated absences	1,552,348	–
Certificates of participation payable	12,530,000	–
Estimated liability for long-term claims	62,175	–
Total due within one year	14,881,475	–
Portion due after one year:		
Bonds payable	6,365,000	–
Liability for compensated absences	22,115,761	–
Certificates of participation payable	135,260,000	–
Estimated liability for long-term claims	520,850	–
Other post-employment benefits liability	51,311,200	–
Total due in more than one year	215,572,811	–
Total long-term liabilities	230,454,286	–
Total liabilities	267,479,519	29,804
Net position		
Net investment in capital assets	385,966,274	3,000
Restricted for:		
Categorical carryover programs	326,697	–
Food service	868,194	–
Debt service	2,094,497	–
Capital projects	60,383,120	–
Other purposes	–	300,215
Unrestricted (deficit)	(8,521,151)	440,385
Total net position	$ 441,117,631	$ 743,600

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

St. Johns County District School Board

Statement of Activities

For the Year Ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Component Units**
Governmental activities:						
Instruction	$ 157,997,830	$ 972,222	$ –	$ –	$ (157,025,608)	
Student personnel services	16,255,387	–	–	–	(16,255,387)	
Instructional media services	4,624,282	–	–	–	(4,624,282)	
Instruction and curriculum development services	6,650,112	–	–	–	(6,650,112)	
Instructional staff training services	4,589,316	–	–	–	(4,589,316)	
Instructional-related technology	5,348,639	–	–	–	(5,348,639)	
Board	811,347	–	–	–	(811,347)	
General administration	857,608	–	–	–	(857,608)	
School administration	14,196,372	–	–	–	(14,196,372)	
Facilities acquisition and construction	11,401,141	–	–	11,624,794	223,653	
Fiscal services	1,885,777	–	–	–	(1,885,777)	
Food services	10,942,673	7,313,047	3,996,579	–	366,953	
Central services	11,439,124	8,153,733	–	–	(3,285,391)	
Student transportation services	12,789,656	536,743	7,743,836	–	(4,509,077)	
Operation of plant	20,031,090	–	–	–	(20,031,090)	
Maintenance of plant	8,088,888	–	–	–	(8,088,888)	
Administrative technology services	915,741	–	–	–	(915,741)	
Community services	3,429,051	3,655,614	–	–	226,563	
Interest on long-term debt	5,130,125	–	–	987,298	(4,142,827)	
Total governmental activities	$ 297,384,159	$ 20,631,359	$ 11,740,415	$ 12,612,092	$ (252,400,293)	
Component unit:						
Total nonmajor component unit	$ 804,830	$ –	$ 373,107	$ –		$ (431,723)
Total component unit	$ 804,830	$ –	$ 373,107	$ –		$ (431,723)
General revenues						
Taxes:						
Property taxes, levied for operational purposes					$ 109,605,169	$ –
Property taxes, levied for debt service					161	–
Property taxes, levied for capital projects					26,586,165	–
Grants and contributions not restricted to specific programs					105,766,468	404,711
Investment earnings					358,579	2,664
Miscellaneous					4,924,050	–
Total general revenues					247,240,592	407,375
Change in net position					(5,159,701)	(24,348)
Net position – July 1, 2012					446,277,332	767,948
Net position – June 30, 2013					$ 441,117,631	$ 743,600

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

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

St. Johns County District School Board

Balance Sheet – Governmental Funds

June 30, 2013

	General Fund	Other Debt Service Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 59,870,734	$ –	$ 41,554,817	$ 22,128,504	$ 123,554,055
Investments	5,022,249	23,144,356	32,629,789	2,809,930	63,606,324
Accounts receivable, net	93,321	–	–	23,455	116,776
Due from component unit	62,535	–	–	–	62,535
Due from other funds:					
Budgetary funds	5,376,742	–	–	–	5,376,742
Internal funds	121,725	–	–	–	121,725
Due from other agencies	398,863	–	1,278,071	1,920,591	3,597,525
Inventory	408,686	–	–	240,416	649,102
Total assets	$ 71,354,855	$ 23,144,356	$ 75,462,677	$ 27,122,896	$ 197,084,784
Liabilities and fund balances					
Liabilities:					
Accrued salaries and benefits	$ 1,207,357	$ –	$ –	$ 63,344	$ 1,270,701
Payroll deductions and withholdings	635,776	–	–	33,852	669,628
Accounts payable	1,965,739	–	3,599	374,340	2,343,678
Construction contracts payable	93,000	–	2,080,847	409,013	2,582,860
Construction contracts payable – retained percentage	–	–	421,812	–	421,812
Matured bonds payable	–	20,125,000	–	–	20,125,000
Matured interest payable	–	2,992,206	–	–	2,992,206
Due to component unit	25,499	–	–	79,354	104,853
Deposits payable	–	–	–	248,053	248,053
Due to other agencies	2,441	–	–	15,782	18,223
Due to other funds:					
Budgetary funds	–	–	792,315	1,644,377	2,436,692
Total liabilities	3,929,812	23,117,206	3,298,573	2,868,115	33,213,706

St. Johns County District School Board

Balance Sheet – Governmental Funds (continued)

	General Fund	Other Debt Service Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund balances					
Nonspendable:					
Inventory	$ 408,686	$ –	$ –	$ 240,416	$ 649,102
Total nonspendable fund balance	408,686	–	–	240,416	649,102
Restricted for:					
State required carryover programs	326,697	–	–	–	326,697
Debt service	–	27,150	–	2,067,347	2,094,497
Capital projects	–	–	70,178,793	21,319,240	91,498,033
Restricted for special revenue – food service	–	–	–	627,778	627,778
Restricted for other restrictions	85,145	–	–	–	85,145
Total restricted fund balance	411,842	27,150	70,178,793	24,014,365	94,632,150
Committed to:					
Economic stabilization	6,508,903	–	–	–	6,508,903
Committed for .25 discretionary millage	3,331,292	–	–	–	3,331,292
Total committed fund balance	9,840,195	–	–	–	9,840,195
Assigned to:					
Capital projects	–	–	1,985,311	–	1,985,311
Assigned for other	34,230,880	–	–	–	34,230,880
Total assigned fund balance	34,230,880	–	1,985,311	–	36,216,191
Total unassigned fund balance	22,533,440	–	–	–	22,533,440
Total fund balances	67,425,043	27,150	72,164,104	24,254,781	163,871,078
Total liabilities and fund balances	$ 71,354,855	$ 23,144,356	$ 75,462,677	$ 27,122,896	$ 197,084,784

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

St. Johns County District School Board

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position

June 30, 2013

Total fund balances – governmental funds		$ 163,871,078
Amounts reported for governmental activities in the statement of net position are different because:		
Net investment in capital assets, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		507,758,002
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 position.		(640,188)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Obligation under capital lease	$ 66,952	
Bonds payable	7,035,000	
Certificates of participation payable	147,790,000	
Compensated absences payable	23,668,109	
Postemployment healthcare benefits payable	51,311,200	(229,871,261)
Total net position – governmental activities		$ 441,117,631

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

St. Johns County District School Board

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Other Debt Service Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Federal direct	$ 279,737	$ –	$ –	$ 1,783,578	$ 2,063,315
Federal through state and local	–	–	–	16,492,355	16,492,355
State sources	98,787,660	–	117,127	1,293,552	100,198,339
Local sources:					
Property taxes levied, tax redemptions, and excess fees for operational purposes	109,605,169	–	–	–	109,605,169
Property taxes levied, tax redemptions, and excess fees for debt service	–	–	–	161	161
Property taxes levied, tax redemptions, and excess fees for capital projects	–	–	–	26,586,165	26,586,165
Charges for service – food service	–	–	–	7,313,047	7,313,047
Impact fees	–	–	11,252,793	–	11,252,793
Other local revenue	10,028,267	–	83,801	220,166	10,332,234
Total local sources	119,633,436	–	11,336,594	34,119,539	165,089,569
Total revenues	218,700,833	–	11,453,721	53,689,024	283,843,578
Expenditures					
Current:					
Instruction	135,486,545	–	–	6,235,470	141,722,015
Student personnel services	12,377,702	–	–	2,006,975	14,384,677
Instructional media services	4,093,340	–	–	5,662	4,099,002
Instruction and curriculum development services	3,198,626	–	–	2,682,760	5,881,386
Instructional staff training services	2,532,496	–	–	1,594,151	4,126,647
Instructional-related technology	4,828,095	–	–	128,177	4,956,272
Board	771,199	–	–	–	771,199
General administration	343,177	–	–	473,079	816,256
School administration	12,533,483	–	–	6,985	12,540,468
Facilities acquisition and construction	3,987,054	–	237,219	7,027,537	11,251,810
Fiscal services	1,690,579	–	–	–	1,690,579
Food services	–	–	–	10,258,058	10,258,058
Central services	2,789,244	–	–	108,053	2,897,297
Student transportation services	10,860,111	–	–	97,115	10,957,226
Operation of plant	18,689,919	–	–	96,445	18,786,364
Maintenance of plant	7,375,059	–	–	1,132	7,376,191
Administrative technology services	879,687	–	–	–	879,687
Community services	3,054,957	–	–	14,763	3,069,720
Debt service:					
Retirement of principal	–	20,125,000	77,301	640,000	20,842,301
Interest	–	5,414,159	4,604	1,150,627	6,569,390
Dues and fees	–	528,855	–	21,279	550,134
Capital outlay:					
Facilities acquisition and construction	122,400	–	3,914,120	8,201,359	12,237,879
Other capital outlay	313,784	–	–	140,139	453,923
Total expenditures	225,927,457	26,068,014	4,233,244	40,889,766	297,118,481
Excess (deficiency) of revenues over (under) expenditures	(7,226,624)	(26,068,014)	7,220,477	12,799,258	(13,274,903)

St. Johns County District School Board

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (continued)

	General Fund	Other Debt Service Fund	Other Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Other financing sources (uses)					
Proceeds of lease-purchase agreements	$ –	$ 9,510,000	$ 33,480,000	$ –	$ 42,990,000
Premium on lease-purchase agreements	–	469,400	1,520,000	–	1,989,400
Loss recoveries	97,198	–	–	–	97,198
Transfers in	9,542,441	16,115,764	161	941,177	26,599,543
Transfers out	(1,993,768)	–	(3,495,533)	(23,104,010)	(28,593,311)
Total other financing sources (uses)	7,645,871	26,095,164	31,504,628	(22,162,833)	43,082,830
Net change in fund balances	419,247	27,150	38,725,105	(9,363,575)	29,807,927
Fund balances, July 1, 2012	67,005,796	–	33,438,999	33,618,356	134,063,151
Fund balances, June 30, 2013	$ 67,425,043	$ 27,150	$ 72,164,104	$ 24,254,781	$ 163,871,078

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

St. Johns County District School Board

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities

For the Year Ended June 30, 2013

Net change in fund balances – governmental funds		$ 29,807,927
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period:		
Capital outlay expenditures	$ 12,691,803	
Depreciation expense	(17,503,925)	
Donations and adjustments	112,173	(4,699,949)
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 position. The following details the amount of long-term bonded debt that was issued during the current period:		
Certificates of participation	(33,480,000)	
Refunding of certificates of participation	(9,510,000)	
Refunding of bonds payable	(360,000)	(43,350,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment long-term liabilities in the statement of net position. The following details the amount of long-term debt principal repaid in the current period:		
Certificates of participation payable	20,125,000	
Bonds payable	1,000,000	
Capital lease payable	77,301	21,202,301
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of vacation and sick leave used in excess of the amount earned in the current period.		(3,130,514)
Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year.		(7,179,368)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.		2,189,902
Change in net position of governmental activities		$ (5,159,701)

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

St. Johns County District School Board

Statement of Net Position (Deficit) – Proprietary Funds

June 30, 2013

		Governmental Activities – Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	$	9,129,385
Accounts receivable, net		56,077
Total current assets		9,185,462
Capital assets:		
Buildings and fixed equipment		299,292
Accumulated depreciation		(42,400)
Furniture, fixtures and equipment		158,700
Accumulated depreciation		(63,004)
Other capital assets, net of depreciation		352,588
Total capital assets		352,588
Total assets	$	9,538,050
Liabilities		
Current liabilities:		
Accounts payable	$	3,395,312
Due to budgetary funds		2,940,050
Estimated unpaid claims – self-insurance program		3,490,288
Total current liabilities		9,825,650
Total liabilities		9,825,650
Net position (deficit)		
Net investment in capital assets		352,588
Unrestricted		(640,188)
Total net position (deficit)		(287,600)
Total liabilities and net position (deficit)	$	9,538,050

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 Position (Deficit) – Proprietary Funds

For the Year Ended June 30, 2013

	Governmental Activities – Internal Service Funds
Operating revenues	
Premium revenue	$ 36,715,241
Other operating revenues	462,343
Total operating revenues	37,177,584
Operating expenses	
Purchased services	2,351,923
Materials and supplies	7,003
Capital outlay	315
Other	34,639,979
Depreciation and amortization expense	37,979
Total operating expenses	37,037,199
Operating income	140,385
Nonoperating revenues	
Investment income	17,773
Total nonoperating revenues	17,773
Income before operating transfers	158,158
Transfers in	1,993,768
Change in net position	2,151,926
Net position (deficit) – July 1, 2012	(2,439,526)
Net position (deficit) – June 30, 2013	$ (287,600)

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 Year Ended June 30, 2013

	Governmental Activities – Proprietary Funds
Operating activities	
Receipts from customers and users	$ 37,177,584
Payments to suppliers	(8,554,053)
Payments for interfund services used	(30,306,988)
Net cash used in operating activities	(1,683,457)
Noncapital financing activities	
Transfers from other funds	1,993,768
Net cash provided by noncapital financing activities	1,993,768
Investing activities	
Interest and dividends received	17,773
Net cash provided by investing activities	17,773
Net increase in cash and cash equivalents	328,084
Cash and cash equivalents – July 1, 2012	8,801,301
Cash and cash equivalents – June 30, 2013	$ 9,129,385
Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 140,385
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation/Amortization expense	37,979
Change in assets and liabilities:	
Decrease in accounts receivable	44,665
Decrease in accounts payable	(2,125,086)
Increase in due to other funds	946,282
Decrease in estimated unpaid claims – Self-Insurance Programs	(727,682)
Total adjustments	(1,823,842)
Net cash used in operating activities	$ (1,683,457)

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 – Agency Funds

June 30, 2013

		Total Agency Funds
Assets		
Cash and cash equivalents	$	3,553,265
Total assets	$	3,553,265
Liabilities		
Due to budgetary funds	$	121,725
Internal accounts payable		3,431,540
Total liabilities		3,553,265
Total liabilities and net position	$	3,553,265

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

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 School 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.

The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* (GASB 61), effective for reporting periods after June 15, 2012. The statement clarifies the criteria for reporting discretely presented component units. Upon our further analysis of GASB Statement No. 14, *The Financial Reporting Entity*, and our analysis of the newly effective GASB 61, the charter schools do not qualify as component units.

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 7. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the 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 one component unit as follows:

1. Summary of Significant Accounting Policies (continued)

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 reported as a component unit.

The financial data reported on the accompanying statements for the Foundation, represents a compilation of their audited financial statements for the fiscal year ended June 30, 2013.

Basis of Presentation

Government-Wide Financial Statements – Government-wide financial statements, i.e., the statement of net position 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 unit.

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.

1. Summary of Significant Accounting Policies (continued)

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

The District reports the following major governmental funds:

- *General Fund* – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- *Debt Service* – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the certificates of participation.

- *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 renovations and remodeling projects.

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

- *Internal Service Funds* – to account for the District's self-insured health and hospitalization programs, which include medical, dental, and vision plans, and the District's self-insured workers' compensation program (for claims incurred prior to June 30, 2008).

- *Agency Funds* – to account for resources of the school internal funds, which are used to administer monies collected at several schools in connection with school, student athletic, class, and club activities.

1. Summary of Significant Accounting Policies (continued)

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 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.

1. Summary of Significant Accounting Policies (continued)

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 Foundation is shown as a discretely presented component unit, 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 monies, 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 approximates 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 Note 3.

1. Summary of Significant Accounting Policies (continued)

Restricted Investments

Certain assets held by a trustee under a trust agreement, in the name of the District, in connection with certificates of participation financing arrangements, including Qualified School Construction Bonds (QSCBs), are classified as restricted assets on the statement of net position because they are set aside for repayment of maturing debt or represent proceeds for the construction of certain projects as required by applicable debt covenants. These assets consist of $23,144,356 restricted for the repayment of certificates of participation principal and interest, all of which is payable on July 1, 2013, and reported as current liabilities on the statement of net position, $1,882,353 restricted for the repayment of QSCBs principal that is maintained in a sinking fund account, $32,629,789 of certificate of participation proceeds for the construction of two K-8 schools in north St. Johns County, and $742,583 of QSCBs proceeds restricted for the construction of Palencia Elementary.

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 their acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost 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.

1. Summary of Significant Accounting Policies (continued)

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 (or life of lease, if shorter)
Audio visual materials and computer software	5 years
Intangible assets	5 years

Current year information relative to changes in capital assets is described in Note 5.

Long-Term Liabilities

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

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 Note 10.

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

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 categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that 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.

1. Summary of Significant Accounting Policies (continued)

A schedule of revenue from State sources for the current fiscal year is presented in Note 14.

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 School Board adopted the 2012 tax levy on September 18, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4% for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the St. 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 Note 15.

1. Summary of Significant Accounting Policies (continued)

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 updated 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.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration, and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District's financial statements.

1. Summary of Significant Accounting Policies (continued)

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No 14 and No. 34.* GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financial accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The District has implemented this statement for fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and A/CPA Pronouncements.* GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is affective for periods beginning after December 15, 2011. The adoption of GASB 62 did not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The District has implemented this statement for fiscal year 2013.

In June 2011, the GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for period beginning after June 15, 2011. The adoption of GASB 64 does not have any impact on the District's current financial statements.

1. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement 65, *Items Previously Reporting as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows or resources, certain items that were previously reporting as assets and liabilities and recognizes, as outflows or resources or inflows or resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2012, the GASB issued Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASB 66 is not expected to impact the District's financial statements.

In June 2012, the GASB issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that were within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. This Statement will not impact the District's financial statements.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement* 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

1. Summary of Significant Accounting Policies (continued)

In January 2013, the GASB issued Statement 69, *Government Combinations and Disposals of Government Operations*. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for financial statements for fiscal years beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment to GASB Statement 68*. GASB 71 improves accounting and financial reporting by addressing an issue in Statement 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement is effective for fiscal years beginning after June 15, 2014, and the provision of this Statement should be applied simultaneously with the provisions of Statement 68. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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, as described below:
  - By July 1 (or the Date of Certification, whichever is later) the property appraiser provides certified tax values within the jurisdiction of the school district.

2. Budgetary Compliance and Accountability (continued)

- Within 24 days of the certification of taxable value, the Superintendent sends the budget to the school board for approval.

- Within 29 days of the certification of taxable value, the school district advertises its intent to adopt a tentative budget and millage rates.

- Within 2 to 5 days of the ads for the tentative budget hearing, the school district holds a public hearing on the tentative budget and millage. At this hearing, the school district adopts the tentative millage rates and tentative budget, and publicly announces the percent, if any, by which the millage rates exceed the rolled-back rate.

- Within 65 to 80 days of certification of value, the school district will hold a public hearing on the final budget and millage rates. At this meeting, the school district amends the tentatively adopted budget and millage rate, and publicly announces the percent, if any, by which the re-computed millage exceeds the rolled-back rate, and adopts a final millage and budget.

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.

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 Position in Proprietary Funds – Internal Service Fund

The following Internal Service Fund has a deficit net position balance at June 30, 2013:

	Beginning Net Position	**Change in Net Position Fiscal Year 2012-13**	**Ending Net Position**
Health and hospitalization – group medical self-insurance fund	$ (9,997,459)	$ 2,232,422	$ (7,765,037)

2. Budgetary Compliance and Accountability (continued)

The Health and Hospitalization – Group Medical Self-Insurance Fund continues to have a deficit net position. The Fund's deficit net position is less than the previous fiscal year deficit because of the positive change in net position of $2,232,422, which is primarily comprised of a $1,993,768 transfer from the District's Operating Fund. This transfer is further disclosed in Note 13. To improve the Fund's net position, the District has implemented increases in employer contributions beginning September 15, 2012 and increased retiree premiums beginning October 1, 2012. Operating expenses have been reduced by increasing the deductible of the stop loss insurance beginning July 1, 2012 and through vendor fee reductions. In addition, effective May 1, 2013, copays and deductibles have increased, as well as a mandatory switch to generic prescriptions.

3. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investment	Maturities	Fair Value
Dreyfus Treasury Prime Cash Management Fund [(1)]	52 Day Average	$ 58,399,081
Florida Education Investment Trust Fund [(2)]	44 Day Average	5,022,249
State Board of Administration debt service accounts	6 Months	184,994
Total Investments, Primary Government		$ 63,606,324

Notes:

(1) These investments are held under a trust agreement in connection with the Certificates of Participation, Series 2003A, 2006, 2010-QSCB, and 2013 financing agreements (see Note 7) and are reported as restricted cash equivalents for financial reporting purposes.

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

3. Investments (continued)

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 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the 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, 2013, the District's investments in the Florida Education Investment Trust Fund were rated AAAm by Standard and Poor's and the investments in Dreyfus Treasury Prime Cash Management Fund were 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 $ 3,597,525 reported as due from other agencies primarily consists of $1,600,960 due from the Florida Department of Education for reimbursement of Federal grant expenditures, and $1,256,942 due from St. Johns County for the collection of educational impact fees.

5. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated:				
Land	$ 34,488,948	$ –	$ –	$ 34,488,948
Construction in progress	13,032,401	6,789,232	12,671,377	7,150,256
Total capital assets not being depreciated	47,521,349	6,789,232	12,671,377	41,639,204
Capital assets being depreciated:				
Improvements other than buildings	24,795,305	–	–	24,795,305
Buildings and fixed equipment	580,065,187	17,381,496	–	597,446,683
Furniture, fixtures, and equipment	27,225,234	1,108,042	3,278,134	25,055,142
Motor vehicles	18,573,103	128,834	552,795	18,149,142
Property under capital lease	667,231	–	–	667,231
Audio – visual materials and	26,359	–	–	26,359
Intangible assets	33,187	–	–	33,187
Computer software	4,514,298	67,748	274,093	4,307,953
Total capital assets being depreciated	655,899,904	18,686,120	4,105,022	670,481,002
Less accumulated depreciation for:				
Improvements other than buildings	13,773,222	649,390	–	14,422,612
Buildings and fixed equipment	139,239,400	13,364,852	–	152,604,252
Furniture, fixtures, and equipment	22,488,750	1,775,529	3,278,134	20,986,145
Motor vehicles	10,721,491	1,419,180	552,795	11,587,876
Property under capital lease	594,948	66,723	–	661,671
Audio – visual materials and	7,908	6,709	–	14,617
Computer software	4,118,764	214,904	274,093	4,059,575
Intangible assets	18,817	6,639	–	25,456
Total accumulated depreciation	190,963,300	17,503,926	4,105,022	204,362,204
Total capital assets being depreciated, net	464,936,604	1,182,194	–	466,118,798
Governmental activities capital assets, net	$ 512,457,953	$ 7,971,426	$ 12,671,377	$ 507,758,002

The class of property under capital lease is presented in Note 6.

5. Changes in Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental activities	
Instruction	$ 10,136,769
Pupil personnel services	1,165,099
Instructional media services	327,150
Instruction and curriculum development services	478,772
Instructional staff training services	288,155
Instruction related technology	244,370
School board	25,005
General administration	25,754
School administration	1,031,316
Facilities acquisition and construction	93,005
Fiscal services	121,5720
Food services	426,386
Central services	256,035
Pupil transportation services	1,419,179
Operation of plant	775,230
Maintenance of plant	443,876
Administrative technology services	22,455
Community services	223,795
Total depreciation expenses – governmental activities	$ 17,503,925

6. 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%. 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:

	Total	Principal	Interest
Fiscal year ending June 30, 2014	$ 68,254	$ 66,952	$ 1,301

7. Certificates of Participation

Certificates of Participation at June 30, 2013, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2006	$ 88,860,000	3.90 – 5.25	2021	$ 145,000,000
Series 2010-QSCB	16,000,000	4.94[1]	2027	16,000,000
Series 2012, Refunding	9,450,000	3.50 – 4.10	2018	9,510,000
Series 2013	33,480,000	2.00 – 5.00	2033	33,480,000
Total Minimum Lease Payments	$ 147,790,000			

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. At the time the bonds were issued, the entire 4.94% stated interest rate was eligible for direct cash subsidy from the United States Treasury. However, due to Sequestration, beginning with the fiscal year 2013-14, the direct subsidy interest payment from the United States Treasury will be reduced by 8.7%.

7. Certificates of Participation (continued)

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 benefit of the securers of the certificates for 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. 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. At the time the bonds were issued, the entire Series 2010-QSCBs stated interest rate of 4.94% was eligible for direct subsidy from the United States Treasury. However, due to Sequestration, beginning with the fiscal year 2013-14, the direct subsidy interest payments from the United States Treasury will be reduced by 8.7%.

7. Certificates of Participation (continued)

On December 20, 2012, the District issued advanced refunding Certificates of Participation in the amount of $9,510,000 with an interest rate of 1.08% and a final maturity date coterminous with the outstanding refunded certificates of July 1, 2018. The advanced refunding certificates were issued through a private placement bid process and the purpose of the issuance was to lower interest costs to maturity by capitalizing on the net present value savings.

On January 9, 2013, the District issued Certificates of Participation in the amount of $33,480,000 with interest rates ranging from 2.0% to 5.0% and a final maturity on July 1, 2033. The purpose of these certificates was to build two new K-8 Schools in the northern tier of the county.

A summary of the lease terms are as follows:

Certificates	Lease Term
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
Series 2012, Refunding	Earlier of the date paid in full or July 1, 2018
Series 2013	Earlier of the date paid in full or July 1, 2033

The District properties included in the ground leases under this arrangement include:

Certificates	Description of Properties
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 Palencia Elementary
Series 2012, Refunding	Construction of Timberlin Creek Elementary School and South Woods Elementary School
Series 2013	Construction of two K-8 schools

7. Certificates of Participation (continued)

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:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	$ 18,728,795	$ 12,530,000	$ 6,198,795
2015	18,727,485	12,955,000	5,772,485
2016	18,731,642	13,410,000	5,321,642
2017	18,730,180	13,950,000	4,780,180
2018	18,726,852	14,465,000	4,261,852
2019-2023	56,741,458	44,485,000	12,256,458
2024-2028	31,631,675	25,090,000	6,541,675
2029-2033	12,080,588	10,905,000	1,175,588
Total Minimum Lease Payments	$ 194,098,673	$ 147,790,000	$ 46,308,673

8. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2004A	$ 520,000	4.000–4.625	2024
Series 2005A	190,000	4.0–5.0	2025
Series 2005B, Refunding	2,500,000	5.0	2020
Series 2006A	390,000	4.000–4.625	2026
Series 2008A	1,250,000	3.5–5.0	2028
Series 2009A, Refunding	590,000	4.0–5.0	2019
Series 2009A	580,000	4.0–5.0	2029
Series 2010A	695,000	3.5–5.0	2030
Series 2011A, Refunding	320,000	3.0–5.0	2023
Total Bonds Payable	$ 7,035,000		

8. Bonds Payable (continued)

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	$ 1,001,004	$ 670,000	$ 331,004
2015	988,704	690,000	298,704
2016	999,784	735,000	264,784
2017	1,003,609	775,000	228,609
2018	980,409	790,000	190,409
2019-2023	2,362,659	1,790,000	572,659
2024-2028	1,586,375	1,365,000	221,375
2029-2030	231,988	220,000	11,988
Total State School Bonds	$ 9,154,530	$ 7,035,000	$ 2,119,530

9. Defeased Debt

Refunding State School Bonds. In prior year, the Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2011A, dated January 5, 2012, to advance-refund callable portions of the District's State School Bonds, Series 2003A. The Refunding Bonds were issued to advance-refund the $360,000 principal amount of the District's State School Bonds, Series 2003A, that matures on January 1, 2014. On January 1, 2013, the $360,000 principal amount of the State School Bonds, Series 2003A, was considered defeased in substance and the liability was removed from the government-wide financial statements as of June 30, 2013.

Refunding Certificates of Participation. The District issued Certificates of Participation 2012, dated December 20, 2012, to advance-refund callable portions of the District's Certificates of Participation, Series 2003A. The Refunding Bonds are being issued to advance-refund the

9. Defeased Debt (continued)

$9,260,000 principal amount of the District's Certificate of Participation, Series 2003A, that matures on July 1 in the years 2014 through 2018. These bonds are considered to be in-substance defeased and the liability was removed from the government-wide financial statements as of June 30, 2013.

The Series 2012 Certificates of Participation bonds were issued to reduce the total debt service payments over the next five years by approximately $872,003 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $675,278.

10. Changes in Long-Term Liabilities

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

Description	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
Governmental activities:					
Estimated insurance claims payable	$ 619,413	$ –	$ 36,388	$ 583,025	$ 62,175
Obligation under capital lease	144,253	–	77,301	66,952	66,952
Bonds payable	8,035,000	–	1,000,000	7,035,000	670,000
Certificates of participation payable	124,925,000	42,990,000	20,125,000	147,790,000	12,530,000
Compensated absences payable	20,537,594	4,682,862	1,552,348	23,668,109	1,552,348
Other postemployment benefits payable	44,131,832	8,836,418	1,657,050	51,311,200	–
Total governmental activities	$198,393,092	$ 56,509,280	$ 24,448,086	$230,454,286	$ 14,881,475

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.

The increase in the District's compensated absences accrual for the fiscal year ended June 30, 2013, is mainly due to the District incorporating a forfeiture rate for sick leave payments when estimating compensated absences at year end.

11. Fund Balance Reporting

The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, to account for its governmental funds' fund balances. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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 provision, 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 those in the 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 7l01, School District Budget System, provides that the Board shall commit an amount equal to 3% 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 monies as committed fund balance and defines the circumstances that constitute an emergency as non-routine in nature and to specifically include the following:

– Failure to pay loans or debt service when due as a result of lack of funds;

11. Fund Balance Reporting (continued)

- 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.

Discretionary Millage. In accordance with Section 1011.71(1), 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 monies be used to support the maintenance and equipment needs of its educational facilities. The unspent portion of the additional discretionary millage monies 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 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.

11. Fund Balance Reporting (continued)

The following is a schedule of fund balances by category at June 30, 2013:

	Major Funds				
	General	Capital Projects – Other Capital Projects	Debt Service – COPS	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund balances					
Nonspendable:					
Inventories	$ 408,686	$ –	$ –	$ 240,416	$ 649,102
Spendable:					
Restricted for:					
State required carryover programs	326,697	–	–	–	326,697
Full service schools	85,145	–	–	–	85,145
Debt service	–	–	27,150	2,067,347	2,094,497
Capital projects	–	70,178,793	–	21,319,240	91,498,033
Food service	–	–	–	627,778	627,778
Committed to:					
Economic stabilization	6,508,903	–	–	–	6,508,903
0.25 discretionary millage	3,331,292	–	–	–	3,331,292
Assigned to:					
13-14 budget shortfalls	20,054,654	–	–	–	20,054,654
Programs and Services	4,539,983	–	–	–	4,539,983
Schools	3,429,542	–	–	–	3,429,542
13-14 medical plan recovery	2,940,050	–	–	–	2,940,050
Extended day	2,305,738	–	–	–	2,305,738
New school opening	617,919	–	–	–	617,919
Departments	286,713	–	–	–	286,713
School concurrency	36,419	–	–	–	36,419
Beverage program	19,862	–	–	–	19,862
Capital projects	–	1,985,311	–	–	1,985,311
Total assigned	34,230,880	1,985,311	–	–	36,216,191
Unassigned	22,533,440	–	–	–	22,533,440
Total fund balances	$ 67,425,043	$ 72,164,104	$ 27,150	$ 24,254,781	$ 163,871,078

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.

12. Construction and Other Significant Commitments (continued)

The following is a schedule of encumbrances at June 30, 2013.

Major Funds		Other	
General	Capital Projects – Other Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
$ 721,538	$ 39,463,484	$ 5,094,069	$ 45,279,091

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

Project	Contract Amount	Completed to Date	Balance Committed
Durbin K-8 School "HH":			
Architect	$ 1,314,265	$ 1,045,383	$ 268,882
Contractor	18,520,291	2,401,352	16,118,939
Direct Purchases	3,598,512	892,954	2,705,558
Sub Total	23,433,068	4,339,690	19,093,378
Nocatee K-8 School "H":			
Architect	713,310	432,218	281,093
Contractor	17,905,191	1,816,770	16,088,421
Direct Purchases	4,205,243	435,162	3,770,081
Sub Total	22,823,744	2,684,150	20,139,595
Total	$ 46,256,812	$ 7,023,839	$ 39,232,973

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	$ 5,498,467	$ –
Special revenue:		
Capital projects:		
Other capital projects	–	792,315
Nonmajor governmental	–	1,644,377
Proprietary fund:		
Internal service fund – medical	–	2,940,050
Agency	–	121,725
Total	$ 5,498,467	$ 5,498,467

Interfund balances generally arise due to the District's General Fund paying for goods or services on behalf of other District funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 9,542,441	$ 1,993,768
Debt service:		
Other debt service	16,115,764	–
Capital projects:		
Other capital projects	161	3,495,533
Nonmajor governmental	941,177	23,104,010
Proprietary fund:		
Internal service fund – medical	1,993,768	–
Total	$ 28,593,311	$ 28,593,311

13. Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers represent permanent transfers of monies between funds. The transfer out of the General Fund was to fund the expenditures of the District's Health and Hospitalization-Group Medical Self-Insurance Fund. 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 transfer 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, and to provide for debt service payments.

14. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

Source	**Amount**
Florida Education Finance Program (FEFP):	
Transportation	$ 7,743,836
Supplemental academic instruction	6,252,795
Instructional materials	2,489,872
Comprehensive reading plan	1,551,126
Safe schools	570,246
Florida teachers lead	385,285
Other FEFP	37,517,918
Categorical educational program – class size reduction	34,429,631
Workforce development program	5,371,752
School recognition	2,016,898
Motor vehicle license tax (capital outlay and debt service)	1,247,126
Adults with disabilities	85,834
Mobile home license tax	67,453
Food service supplement	64,894
Miscellaneous	403,673
Total	$ 100,198,339

15. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll and amounts budgeted and collected for the 2012-2013 fiscal year:

		Taxes		
	Millages	Taxes	Budgeted (1) (2)	Collected (2)
General Fund				
Nonvoted school tax:				
Required local effort	5.435	$ 99,522,110	$ 96,000,595	$ 96,000,595
Basic discretionary local effort	.748	13,696,879	13,212,225	13,212,225
Other operating needs	.000	–	–	–
Capital Projects Funds				
Nonvoted tax:				
Local capital improvements	1.500	27,467,004	26,368,090	26,495,105
Total	7.683	$ 140,685,993	$ 135,580,910	$ 135,707,925

Notes:

(1) The District initially budgets about 96% 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 budgets, as amended.

(2) The budgeted and collected columns do not include delinquent tax receipts reported as revenue in the 2012-13 fiscal year to satisfy prior years' unpaid taxes.

16. Florida Retirement System

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

16. Florida Retirement System (continued)

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.

16. Florida Retirement System (continued)

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2012-13 fiscal year, contribution rates were as follows:

	Percent of Gross Salary	
Class or Plan	**Employee**	**Employer (A)**
Florida Retirement System, regular	3.00	5.18
Florida Retirement System, elected county officers	3.00	10.23
Florida Retirement System, senior management service	3.00	6.30
Deferred retirement option program-applicable to members from all of the above classes	0.00	5.44
Employees terminated from DROP and FRS	0.00	1.11
Florida Retirement System, reemployed retiree	(B)	(B)

Notes:

(A) Employer rates include 1.11% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03% 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, 2011, June 30, 2012, and June 30, 2013, totaled $14,114,868, $6,115,413 and $6,630,916 respectively, which were equal to the required contributions for each fiscal year. There were 586 PEORP participants during the 2012-13 fiscal year. Required contributions made to PEORP totaled $990,007.

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.

16. Florida Retirement System (continued)

Effective July 1, 2011, all members of the FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3% of compensation to the 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% 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% of final salary times the number of years of St. Johns County District School Board service or $10,000, whichever is less, provided that the employee retires by the end of the first fiscal year of eligibility.

- The Board's collective bargaining agreement with the St. Johns Education Association provides for the payment of a special retirement incentive of 30% 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 $680,214 during the 2012-13 fiscal year.

18. Other Post-Employment Health Care Benefits

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

Funding Policy. Contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 408 retirees received other postemployment benefits. The District provided required contributions of $1,657,050 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 $2,105,262. Retiree contributions represent 1.2% of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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.

18. Other Post-Employment Health Care Benefits (continued)

Description	Amount
Normal cost (service cost for one year)	$ 5,390,363
Amortization of unfunded actuarial accrued liability	3,860,344
Annual required contribution	9,250,707
Interest on net OPEB obligation	1,323,955
Adjustment to annual required contribution	(1,738,244)
Annual OPEB cost (expense)	8,836,418
Contribution toward the OPEB cost	(1,657,050)
Increase in net OPEB obligation	7,179,368
Net OPEB obligation, beginning of year	44,131,832
Net OPEB obligation, end of year	$ 51,311,200

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, 2013, and the preceding two years, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 11,359,774	$ 2,098,732	18.5%	$ 38,250,359
2011-12	8,465,466	2,583,993	30.5%	44,131,832
2012-13	8,836,418	1,657,050	18.8%	51,311,200

Funded Status and Funding Progress. As of January 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $93,305,724, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $93,305,724, and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was $124,302,642, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 75%.

18. Other Post-Employment Health Care Benefits (continued)

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 the 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, 2012, OPEB actuarial valuation, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and the District’s 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3% 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 3.5% per year, and an annual healthcare cost trend rate of 8.5% initially for the 2012-13 fiscal year, reduced by 0.5% per year, to an ultimate rate of 4.5% 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, 2013, was 23 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, boiler and machinery, and other coverage deemed necessary by the members of the Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. If a member district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to the member district. The Board of Directors for the Trust is mainly composed of school board members and a district level business officer selected from participating districts.

The District's health and hospitalization self-insurance program, which includes medical, dental, and vision coverage, is being provided on a self-insured basis up to specified limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above $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 District's 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 $2,907,263 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2013, and is reported net of excess insurance recoverable on unpaid claims.

19. Risk Management Programs (continued)

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
2011-12	$ 3,172,277	$ 34,202,045	$ (33,775,765)	$ 3,598,557
2012-13	3,598,557	29,553,519	(30,244,813)	2,907,263

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 $583,025 was actuarially determined to cover the District's liability at June 30, 2013 (for plan years ending June 30, 2008 and prior), and is reported net of excess insurance recoverable on unpaid claims.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	$ 931,947	$ (210,976)	$ (101,558)	$ 619,413
2012-13	619,413	25,787	(62,175)	583,025

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 2012-13 fiscal year:

	Self-Insurance Funds				
	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance	Workers' Compensation Liability Insurance	Total
Total assets	$ 934,514	$ 2,837,768	$ 750,427	$ 5,015,343	$ 9,538,050
Liabilities and net position (deficit):					
Accounts payable	$ 3,030,987	$ 309,145	$ 50,770	$ 4,410	$ 3,395,312
Due to budgetary	2,940,050	–	–	–	2,940,050
Estimated insurance claims payable	2,728,513	142,534	36,216	583,025	3,490,288
Net position (deficit):					
Net investment in capital assets	352,589	–	–	–	352,588
Unrestricted net position (deficit)	(8,117,625)	2,386,089	663,440	4,427,908	(640,188)
Total liabilities and net position (deficit)	$ 934,514	$ 2,837,768	$ 750,427	$ 5,015,343	$ 9,538,050
Revenues:					
Insurance premiums	$ 32,977,662	$ 2,193,290	$ 614,510	$ 1,392,121	$ 37,177,584
Transfers in	1,993,768	–	–	–	1,993,768
Interest income	571	6,098	1,383	9,721	17,773
Total revenues	34,972,001	2,199,388	615,894	1,401,842	39,189,125
Total expenses	(32,739,579)	(2,509,389)	(530,878)	(1,257,353)	(37,037,199)
Change in net position	$ 2,232,422	$ (310,001)	$ 85,016	$ 144,489	$ 2,151,926

21. Litigation

The District is involved in pending and threatened legal actions. In the opinion of District management, based upon consultation with legal counsel, the potential loss for such actions should not materially affect the financial condition of the District.

Required Supplementary Information

St. Johns County District School Board

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual General Fund

For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget – Positive
	Original	Final	Amounts	(Negative)
Revenues				
Federal Direct	$ 239,898	$ 279,737	$ 279,737	$ –
Federal through state and local	300,000	–		–
State sources	93,127,184	98,790,208	98,787,660	(2,548)
Local sources:				
Property taxes levied, tax redemptions, and excess fees for operational purposes	109,013,369	109,605,169	109,605,169	–
Other local revenue	1,137,465	7,823,691	10,028,267	2,204,576
Total local sources	110,150,834	117,428,860	119,633,436	2,204,576
Total revenues	203,817,916	216,498,805	218,700,833	2,202,028
Expenditures				
Current:				
Instruction	142,559,996	154,805,244	135,486,545	19,318,699
Student personnel services	12,535,051	12,530,997	12,377,702	153,295
Instructional media services	4,351,242	4,111,940	4,093,340	18,600
Instruction and curriculum development services	4,032,463	3,370,573	3,198,626	171,947
Instructional staff training services	345,973	2,626,746	2,532,496	94,250
Instructional-related technology	4,759,951	5,008,618	4,828,095	180,523
Board	688,298	779,367	771,199	8,168
General administration	303,161	347,725	343,177	4,548
School administration	12,596,650	13,128,113	12,533,483	594,630
Facilities acquisition and construction	3,905,019	6,798,885	3,987,054	2,811,831
Fiscal services	1,895,379	1,818,314	1,690,579	127,735
Central services	3,116,147	3,149,457	2,789,244	360,213
Student transportation services	11,267,112	11,697,513	10,860,111	837,402
Operation of plant	20,286,129	20,461,038	18,689,919	1,771,119
Maintenance of plant	7,694,566	8,278,629	7,375,059	903,570
Administrative technology services	690,533	1,008,789	879,687	129,102
Community services	116,421	5,553,934	3,054,957	2,498,977
Capital outlay:				
Facilities acquisition and construction	1,000	480,802	122,400	358,402
Other capital outlay	61,242	420,784	313,784	107,000
Total expenditures	231,206,333	256,377,468	225,927,457	30,450,011
Excess (deficiency) of revenues over (under) expenditures	(27,388,417)	(39,878,663)	(7,226,624)	(28,247,983)
Other financing sources (uses)				
Loss recoveries	–	–	97,198	(97,198)
Transfers in	8,438,980	9,542,441	9,542,441	–
Transfers out	–	(1,993,768)	(1,993,768)	–
Total other financial sources (uses)	8,438,980	7,548,673	7,645,871	(97,198)
Net change in fund balances	(18,949,437)	(32,329,990)	419,247	(28,345,181)
Fund balances, July 1, 2012	18,949,437	30,336,447	67,005,796	36,669,348
Fund balances, July 1, 2013	$ –	$ (1,993,543)	$ 67,425,043	$ 8,324,167

Budget Legal Compliance

The Board follows procedures established by State statues and State Board of Education rules in establishing budget balances for governmental funds.

- Budgets are prepared in accordance with procedures and time intervals prescribed by law and State Board of Education rules, as described below:

  – By July 1 (or the Date of Certification, whichever is later) the property appraiser provides certified tax values within the jurisdiction of the school district.

  – Within 24 days of the certification of taxable value, the Superintendent sends the budget to the school board for approval.

  – Within 29 days of the certification of taxable value, the school district advertises its intent to adopt a tentative budget and millage rates.

  – Within 2 to 5 days of the ads for the tentative budget hearing, the school district holds a public hearing on the tentative budget and millage. At this hearing, the school district adopts the tentative millage rates and tentative budget, and publicly announces the percent, if any, by which the millage rates exceed the rolled-back rate.

  – Within 65 to 80 days of certification of value, the school district will hold a public hearing on the final budget and millage rates. At this meeting, the school district

    A. Amends the tentatively adopted budget and millage rate, and publicly announces the percent, if any, by which the re-computed millage exceeds the rolled-back rate.

    B. Adopts a final millage and budget.

- 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.

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.

St. Johns County District School Board

Schedule of Funding Progress – Other Post-Employment Benefits Plan

June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
July 1, 2005	$ –	$ 47,133,660	$ 47,133,660	0.00%	$ 74,022,750	63.7%
October 1, 2007	$ –	$ 101,836,119	$ 101,836,119	0.00%	$ 110,357,392	92.3%
October 1, 2007	$ –	$ 79,372,892	$ 79,372,892	0.00%	$ 110,357,392	71.9%
January 1, 2009	$ –	$ 112,079,956	$ 112,079,956	0.00%	$ 121,342,166	92.4%
January 1, 2012 (1)	$ –	$ 93,305,724	$ 93,305,724	0.00%	$ 124,302,642	75.1%

(1) The significant changes, which caused the unfunded actuarial liability to decrease from $112,079,956 to $93,305,724, are discussed below.

- The average cost of coverage for retirees for the fiscal year beginning July 1, 2012, is less than projected for that year at the time the prior valuation was performed.
- The required retiree contribution increased by $150 (doubled) to $300 per month as of July 1, 2012.
- The assumption increased pertaining to the rate that retirees becoming eligible for Medicare benefits will discontinue the District's plan and migrate to the more affordable group Medicare health insurance option.

St. Johns County District School Board

Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 674,220	$ –
Florida Department of Education:				
National School Lunch Program	10.555	300	2,745,578	–
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555	None	441,099	–
Total CFDA 10.555			3,186,677	–
Florida Department of Education:				
Summer Food Service Program for Children	10.559	323	70,787	–
Total Child Nutrition Cluster and United States Department of Agriculture			3,931,684	–
United States Department of Education				
Indirect:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212,223,226	3,280,377	–
Special Education Cluster:				
Florida Department of Education:				
Special Education – Grants to States	84.027	263	5,787,329	–
Volusia County District School Board:				
Special Education – Grants to States	84.027	7751	1,194	–
			5,788,523	–
Florida Department of Education:				
Special Education – Preschool Grants	84.173	267	148,759	–
Total Special Education Cluster			5,937,282	–
Florida Department of Education:				
Education of Homeless Children and Youth	84.196	127	60,946	–
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	146,990	–
ARRA – School Improvement Grants, Recovery Act	84.388	126	702,554	–
Total School Improvement Grants Cluster			849,544	–

St. Johns County District School Board

Schedule of Expenditures of Federal Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
Florida Department of Education:				
Adult Education – Basic Grants to States	84.002	191,193	$ 285,992	$ 285,992
Career and Technical Education – Basic Grants to States	84.048	161	489,779	163,577
English Language Acquisition Grants	84.365	102	40,598	–
Improving Teacher Quality State Grants	84.367	224	715,757	–
Education Jobs Fund	84.410	541	93,738	–
ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL1,RS6,RG3,RD2	806,659	–
Total United States Department of Education			12,560,672	449,569
United States Department of Health and Human Services				
Direct:				
Head Start	93.600	N/A	978,414	–
Total United States Department of Health and Human Services			978,414	–
Corporation for National and Community Service				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	60,064	–
Total Corporation for National and Community Service			60,064	–
Total Expenditures of Federal Awards			$ 17,530,834	$ 449,569

See accompanying notes.

Compliance Section

St. Johns County District School Board

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal award programs of the St. Johns County District School Board (District) for the year ended June 30, 2013. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the accompanying Schedule. The District's reporting entity is defined in Note 1 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements.

3. Non-Cash Assistance

Amounts reported as passed through the Florida Department of Agriculture and Consumer Service for the National School Lunch Program represent the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

4. Head Start Expenditures

The amounts reported as expenditures for Head Start during the fiscal year include expenditures for the following grant numbers/program years:

Grant Number / Program Year	Expenditure Amount
04CH0594 / 15	$ 11,338
04CH0594 / 16	$ 967,076

5. Grant Contingencies

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

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Report of Independent Certified Public Accountants 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*

Dr. Joseph Joyner, Superintendent, and Members of the St. Johns
County District School Board
The School Board of St. Johns County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the St. Johns County School Board (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report includes a reference to other auditors who audited the financial statements of The Foundation as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Building a better working world

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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

March 13, 2014

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Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Dr. Joseph Joyner, Superintendent, and
Members of the St. Johns County District School Board
The School Board of St. Johns County, Florida

Report on Compliance for Each Major Federal Program

We have audited St. Johns County School District (the District)'s compliance with the types of compliance requirements described in the US 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 year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Building a better working world

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-1 related to the CFDA 84.367 – Improving Teacher Quality State Grants major federal program and the period of availability of federal funds compliance requirement. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Building a better working world

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-1 related to the CFDA 84.367 – Improving Teacher Quality State Grants major federal program and the period of availability of federal funds compliance requirement that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ernst + Young LLP

March 13, 2014

St. Johns County District School Board

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Part I – Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued (unmodified, qualified, adverse, or disclaimer):	**Unmodified**	
Internal control over financial reporting:		
Material weakness(es) identified?	___ **Yes**	X **No**
Significant deficiency(ies) identified?	___ **Yes**	X **None reported**
Noncompliance material to financial statements noted?	___ **Yes**	X **No**

Federal Awards Section

Internal control over major programs:		
Material weakness(es) identified?	___ **Yes**	X **No**
Significant deficiency(ies) identified?	X **Yes**	___ **None reported**
Type of auditor's report issued on compliance for major programs (unmodified, qualified, adverse, or disclaimer):	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	X **Yes**	___ **No**

St. Johns County District School Board

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Grants to Local Educational Agencies
84.377/ARRA – 84.388	School Improvement Grants Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants, Recovery Act
84.367	Improving Teacher Quality State Grants
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs: $ 525,925

Auditee qualified as low-risk auditee? X **Yes** ______ **No**

Part II – Financial Statement Findings Section

No matters were reported.

Part III – Federal Award Findings and Questioned Costs Section

Finding 13-1 – Period of Availability of Federal Funds

Federal Program Information

United States Department of Education Improving Teacher Quality State Grants – CFDA No. 84.367

Criteria

United States Code of Federal Regulations (CFR) Section 215.28 *Period of availability of funds* states "Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency.

Condition

We selected 25 transactions totaling $52,164 out of a total population of 1,334 transaction totaling $715,757. We noted two expenditures totaling $20,383 incurred outside of the period of availability as follows:

Reference	Dollar Amount	Dollar Amount Outside of Period of Availability
232168	$ 36,608	$ 18,304
69034	2,079	2,079

Questioned Costs

$20,383.

Effect

This could result in the District having to return funding for expenditures incurred outside of the period of availability to the Department of Education.

Part III – Federal Award Findings and Questioned Costs Section (continued)

Cause

The District does not have an effective procedure for determining that federal expenditures eligible for reimbursement are incurred within the period of availability.

Recommendation

The District should enhance its procedures related to review of federal reimbursable expenditures to ensure that all expenditures submitted for reimbursement are incurred within the period of availability.

Views of Responsible Officials and Planned Corrective Action

Corrected. The District has enhanced procedures to ensure that underlying obligations occur within the period of availability for federal awards.

Summary Schedule of Prior Audit Findings

Status of Prior Years' Findings

Fiscal 2012:

There were no federal award audit findings reported for the fiscal year ended June 30, 2012.

Fiscal 2011:

Finding 2012-171 (1) – Allowable Costs/Cost Principles

Federal Program Information

United States Department of Education ARRA School Improvement Grants – CFDA No. 84.388

Criteria

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 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 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.

Condition

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 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.

Questioned Costs

Not applicable.

Current Status

Corrected. The District has enhanced its procedures to ensure that semi-annual certifications for the School Improvement Grants Program are maintained to support employees paid 100% as required by federal regulations.

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