



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



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

For the Fiscal Year Ended June 30, 2006

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

	<i>District No.</i>
<i>Beverly A. Slough, Vice-Chairman from 11-22-05</i>	<i>1</i>
<i>Thomas L. Allen, Jr.</i>	<i>2</i>
<i>Diane Lovell, Chairman to 11-21-05</i>	<i>3</i>
<i>William R. Fehling, Vice-Chairman to 11-21-05, Chairman from 11-22-05</i>	<i>4</i>
<i>Carla W. Wright</i>	<i>5</i>
 <i>Dr. Joseph G. Joyner, Superintendent</i>	

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The St. Johns County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

Summary of Audit Findings**Finding No. 1: Insurance Commissions and Fees - Health and Hospitalization**

The insurance consultant/third-party administrator (TPA) for the District's self-insured health and hospitalization plan was not competitively selected; receives compensation of approximately \$800,000 annually based on a combination of commissions and fees that are not identified or disclosed in the agreement with the District; and also acts as the District's broker for procuring health insurance services and receives its commissions from the same insurance providers it evaluates and recommends. In these circumstances, District records do not evidence that insurance consultant, TPA, and broker services were obtained in a fair and equitable manner, or that these services are being obtained at the lowest and best price consistent with desired quality.

Finding No. 2: Insurance Commissions - Property and Liability Coverages

The District has used the same firm to provide both insurance consultant and insurance broker services for its property and liability insurance coverages without entering into an agreement with the firm, or documentation, correspondence, or knowledge of compensation received by the firm. Without a fixed-price agreement specifically for insurance consulting services, the firm may have limited incentive to recommend insurance services at the lowest and best price consistent with desired quality.

Finding No. 3: Information Technology

An audit was performed of selected District information technology controls by our Information Technology Division. The findings and recommendations related to the District's information technology controls are included in our report No. 2007-141. The findings and recommendations included in that report addressed weaknesses in access authorization controls, needed enhancements in written policies and procedures, and other security control deficiencies and should be read for a detailed understanding of the findings and Management's responses.

Finding No. 4: Direct-Support Organization

The Board approved the creation of, and subsequently filled, a District position entitled Coordinator, Foundation and Grants, that functions as a personal services position of the St. Johns County Education Foundation. However, as of February 8, 2007, the Board had not approved the Foundation as a District direct-support organization and, contrary to law, had not adopted rules prescribing the conditions with which the Foundation must comply in order to use District property, facilities, or personal services.

Summary of Report on Federal Awards

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

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2006-153.

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

Audit Methodology

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

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

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

FINDINGS AND RECOMMENDATIONS

Reportable Conditions

Finding No. 1: Insurance Commissions and Fees – Health and Hospitalization

In our report No. 2006-153, we noted that the District transitioned its self-insured health and hospitalization plan (Plan) to Blue Cross and Blue Shield of Florida (BCBSF), effective June 1, 2005. In connection with this transition, the District's insurance consultant was also appointed the third-party administrator (TPA) for the Plan without using a competitive selection and negotiation process. The transition resulted in higher administrative fees for participation in the BCBSF network, but the related network discounts have improved the Plan's claims experience and financial stability.

As similarly noted in our previous report, our audit disclosed certain inconsistencies and deficiencies related to the District's arrangements with the insurance consultant/TPA, mainly related to other services provided above and beyond the District's participation in the BCBSF network. We noted the following:

- The insurance consultant/TPA was not competitively selected. Section 112.08(2)(a), Florida Statutes, provides, in part, that a school district may self-insure any plan for health, accident, and hospitalization coverage, and shall contract with an insurance company or qualified professional administrator to administer such a plan. In contracting for administrative services, the District would be required to follow its purchasing policies and procedures in selecting providers based on an evaluation of the services to be provided and the costs to be incurred.
- The insurance consultant/TPA is compensated based on a combination of commissions and fees that are not clearly identified and disclosed. The District entered into an agreement with the insurance consultant/TPA dated November 3, 2005, specifying the services to be provided and indicating that there would be no fee (\$0 per employee per month) for the services. However, our review disclosed that the insurance consultant/TPA may be receiving commissions and fees of approximately \$800,000 annually, as follows:
 - Approximately \$500,000 in commissions. In connection with our previous audit, the insurance consultant/TPA provided the District a schedule of commission percentages it receives from the District's insurance providers. The District had not, of record, calculated actual commissions earned. We calculated the potential commissions of \$500,000 by applying the commission percentages provided to the related Plan expenses reported by the District. We also provided details of our calculations to District personnel.
 - Approximately \$307,000 in fees paid through administration of the District's hospital indemnity plan (HIP). As noted in our previous report, the District pays the insurance consultant/TPA the same \$49.76 monthly administrative fee for HIP participants that it pays for employees enrolled in the BCBSF network. However, the insurance consultant/TPA pays another administrator only \$7 per employee per month for the approximately 600 HIP participants and retains the difference. Therefore, the difference of \$42.76 per employee per month, totaling approximately \$307,000 annually, is retained by the insurance consultant/TPA. District personnel advised us that the insurance committee and the Board approved the \$49.76 administrative fee for all Plan participants (BCBSF and HIP), and that the insurance consultant/TPA is paid for the various services it provides from within the \$49.76 fee. Under this arrangement, the HIP cost the District approximately \$360,000 in administrative fees during the 2005-06 fiscal year, although HIP claims paid during the same period totaled only \$11,558.

- The insurance consultant/TPA also acts as the District's broker for procuring health insurance services and receives commissions from the same insurance providers it evaluates and recommends to the insurance committee and the Board. In these circumstances, the insurance consultant/TPA may have limited incentive to recommend insurance services at the lowest and best price consistent with desired quality.

In the above circumstances, District records do not evidence that insurance consultant, TPA, and broker services were obtained in a fair and equitable manner, that commissions and fees are clearly disclosed and reasonable for the services provided, or that these services are being obtained at the lowest and best price consistent with desired quality.

Recommendation: The District should ensure that its insurance consultant, TPA, and broker for health and hospitalization insurance are competitively selected; the competitive selection process includes an evaluation of all services to be provided, commissions to be earned, and fees to be paid; and commissions and fees are clearly identified and disclosed in the related agreements.

Finding No. 2: Insurance Commissions – Property and Liability Coverages

The District has used the same firm to provide both insurance consultant and insurance broker services for more than 20 years for its property and liability insurance coverages, including student accident and workers' compensation. The firm assists in determining the best value for insurance coverages and performs various services for the District, such as development and analysis of bid specifications, renewal negotiations, and technical assistance, and also handles payments to certain carriers through billings to the District.

The District has not entered into an agreement with the firm, and does not pay a fee for the services provided. District personnel advised us that the District has no documentation, correspondence, or knowledge of compensation received by the firm for acting as the District's insurance broker. During the 2005-06 fiscal year, the District remitted \$1,862,867 to the firm for purchasing property and casualty and student accident insurance coverages and, in addition, paid premiums of approximately \$560,000 directly to the insurance company recommended by the firm for the District's workers' compensation excess insurance. In these circumstances, the firm is receiving its compensation through commissions received from the insurance providers recommended to the Board.

In recent class action lawsuits in several states, including the State of Florida, various insurance companies, including the District's insurance providers, have been parties to agreements settling investigations of certain insurance industry practices, including receipt of contingent commissions. The contingent commissions were paid by insurers in connection with the placement of insurance and other risk solutions products. In connection with these settlements, insurance companies are improving their disclosure practices relating to contingent commissions, phasing out the payment of such commissions, and changing related industry practices.

Based on the results of these recent class action lawsuits, and without a fixed-price agreement specifically for insurance consulting services, the firm may have limited incentive to recommend insurance services at the lowest and best price consistent with desired quality.

Recommendation: The District should enter into a fixed-price agreement for future insurance consultant services to ensure its process for selecting insurance companies provides the lowest and best price consistent with desired quality. The District should also ensure that the acquisition of these services is in accordance with applicable purchasing policies and procedures.

Finding No. 3: Information Technology

An audit was performed of selected District information technology (IT) controls by our Information Technology Division. The scope of the audit focused on selected general and application information technology controls relevant to the District's Oracle financial application and the surrounding technology infrastructure during the period July 2005 through June 2006. The findings and recommendations related to the District's information technology controls are included in our report No. 2007-141. The findings and recommendations included in that report addressed weaknesses in access authorization controls, needed enhancements in written policies and procedures, and other security control deficiencies and should be read for a detailed understanding of the findings and Management's responses.

Additional Matter

Finding No. 4: Direct-Support Organization

Section 1001.453, Florida Statutes, provides, in part, that a district school board is authorized to permit the use of property, facilities, and personal services of a district by a direct-support organization, provided the district school board prescribes by rule the conditions with which the direct-support organization must comply and approves its board of directors. State Board of Education Rule 6A-1.0013, Florida Administrative Code, requires that the fiscal year of a district school board direct-support organization begin on July 1 and end on June 30, and that an annual audit be conducted and the audit report submitted to the board of directors, the school board, and the superintendent.

On June 13, 2006, the Board approved the creation of a District position entitled Coordinator, Foundation and Grants, that organizationally reports to the District's Director, Community Relations. The position description included the following responsibilities: plan, organize, implement, and evaluate the annual fund raising program for the St. Johns County Education Foundation (Foundation); work with the Foundation's Executive Board to recruit and train new board members and volunteers; coordinate certain Foundation programs; assist in the documentation and record keeping of all Foundation revenues and expenditures; develop meeting schedules, agendas, and minutes of all Foundation functions; coordinate production of the Foundation annual report; and assist in the development of Foundation policies and procedures.

On August 14, 2006, the Board approved filling the Coordinator, Foundation and Grants, position and provided work space and equipment in the District's administration building. However, as of February 8, 2007, the Board had not approved the Foundation as a District direct-support organization, and had not adopted rules prescribing

the conditions with which the Foundation must comply in order to use District property, facilities, or personal services.

Recommendation: The Board and District personnel should take appropriate actions to recognize the Foundation as a District direct-support organization and to ensure compliance with the requirements of Section 1001.453, Florida Statutes, and State Board of Education Rule 6A-1.0013, Florida Administrative Code.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2006-153.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the St. Johns County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 66 and 67.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

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

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

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

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

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Johns County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 9 percent of the assets and 28 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the

aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the St. Johns County District School Board as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis (pages 8 through 14) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



William O. Monroe, CPA
February 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 15 through 56.

FINANCIAL HIGHLIGHTS

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

- The District's assets exceed its liabilities at June 30, 2006, by \$297,309,777.65 (net assets). However, after deducting net assets invested in capital assets (net of related debt) and restricted net assets, the District has an unrestricted net assets deficit of \$6,735,578.58. This deficit is mainly attributable to the District's future liability for employee compensated absences.
- In total, net assets increased \$35,339,757.51, which represents a 13 percent increase from the 2004-05 fiscal year.
- General revenues total \$200,314,427.97, or 79 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$52,575,167.43, or 21 percent of all revenues.
- Expenses total \$217,549,837.89; only \$52,575,167.43 of these expenses were offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by \$35,339,757.51.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$9,484,113.51 at June 30, 2006, or 5 percent of total General Fund expenditures. The total fund balance of the General Fund is \$11,183,454.54, or 6 percent of total General Fund expenditures.
- The District's capital assets (net of depreciation) increased by \$7,104,513.93.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

Government-Wide Financial Statements

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

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

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

- Governmental activities – These represent most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents aggregate financial information for two separate legal entities in this report, the ABLE School, Inc., charter school, and the First Coast Technical Institute, Inc., charter technical career center. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

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

Fund Financial Statements

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

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

governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

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

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

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as school and student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets, End of Year	
	Governmental Activities	
	6-30-06	6-30-05
Current and Other Assets	\$ 77,837,613.91	\$ 55,110,135.05
Capital Assets	<u>302,847,320.55</u>	<u>295,742,806.62</u>
Total Assets	<u>380,684,934.46</u>	<u>350,852,941.67</u>
Long-Term Liabilities	68,189,918.88	70,358,737.22
Other Liabilities	<u>15,185,237.93</u>	<u>18,524,184.31</u>
Total Liabilities	<u>83,375,156.81</u>	<u>88,882,921.53</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	256,827,596.80	242,140,064.49
Restricted	47,217,759.43	30,360,488.97
Unrestricted Deficit	<u>(6,735,578.58)</u>	<u>(10,530,533.32)</u>
Total Net Assets	<u>\$ 297,309,777.65</u>	<u>\$ 261,970,020.14</u>

The largest portion of the District's net assets (86 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related outstanding debt. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the government's ongoing obligations to students, employees, and creditors. Under the long-term view provided by the government-wide statements, the District's unrestricted net assets balance is negative in amount, mainly because of the District's future liabilities for compensated absences; however, the District has sufficient current assets to meet its current obligations.

The District's net assets increased by \$35,339,757.51 during the 2005-06 fiscal year. The increase represents the degree to which ongoing revenues have exceeded ongoing expenses. The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2006, and June 30, 2005, are as follows:

Operating Results for the Fiscal Year Ended		
Governmental Activities		
	6-30-06	6-30-05
Program Revenues:		
Charges for Services	\$ 17,095,468.09	\$ 15,390,594.96
Operating Grants and Contributions	8,460,549.31	8,020,718.06
Capital Grants and Contributions	27,019,150.03	28,192,552.64
General Revenues:		
Property Taxes, Levied for Operational Purposes	101,223,094.68	83,496,885.66
Property Taxes, Levied for Debt Service	3,800,732.55	3,530,312.57
Property Taxes, Levied for Capital Projects	33,515,863.38	27,574,935.69
Grants and Contributions Not Restricted to Specific Programs	55,668,350.61	56,426,138.18
Unrestricted Investment Earnings	3,101,874.59	1,306,787.47
Miscellaneous	3,004,512.16	2,796,015.14
Total Revenues	252,889,595.40	226,734,940.37
Functions/Program Expenses:		
Instruction	110,484,185.04	101,845,910.50
Pupil Personnel Services	12,282,505.95	10,803,347.57
Instructional Media Services	3,979,565.25	3,536,149.01
Instruction and Curriculum Development Services	3,393,844.36	3,093,235.67
Instructional Staff Training Services	2,310,530.87	2,594,732.91
Instruction Related Technology	2,161,425.21	
Board of Education	854,328.75	644,876.65
General Administration	592,971.89	602,483.08
School Administration	10,644,299.36	9,420,222.86
Facilities Acquisition and Construction	5,532,799.22	5,202,508.13
Fiscal Services	1,495,167.50	1,321,195.74
Food Services	7,859,956.34	7,008,394.76
Central Services	2,279,846.92	11,614,633.98
Pupil Transportation Services	9,589,671.14	8,268,330.24
Operation of Plant	16,594,211.69	14,051,735.86
Maintenance of Plant	5,498,685.32	4,708,549.07
Administrative Technology Services	1,230,290.40	
Community Services	2,992,970.97	2,473,207.22
Interest on Long-Term Debt	1,660,814.72	1,994,625.86
Unallocated Depreciation Expenses	16,111,766.99	8,868,204.66
Total Functions/Program Expenses	217,549,837.89	198,052,343.77
Increase in Net Assets	\$ 35,339,757.51	\$ 28,682,596.60

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 79 percent of total revenues, whereas program revenues provide approximately 21 percent. The majority of program revenues (92 percent) are in the facilities acquisition and construction, food services, central services, and pupil transportation services activities.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts, considering funding ability based on taxable local property values. During the 2005-06 fiscal year, the District experienced increases in local property tax revenues of \$23,937,556.69, or 21 percent. Student enrollment increased by 1,452 students, from 24,121 in the 2004-05 fiscal year to 25,573 in the 2005-06 fiscal year, and categorical educational program funding increased by \$6,773,706.64 as compared to the 2004-05 fiscal year. Because of the substantial

increases in local property values, the FEFP funding formula produced a decrease in State FEFP funding of \$4,824,042.

Instructional activities represent the majority of the District's expenses, totaling approximately 51 percent of total governmental expenses in the 2004-05 and 2005-06 fiscal years. Overall total expenses increased \$19,497,494.12, or 10 percent, as compared to total revenues which increased \$26,154,655.03, or 12 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$9,484,113.51, while the total fund balance is \$11,183,454.54. The unreserved fund balance increased by \$4,281,196.58, while the total fund balance increased by \$4,522,690.99 during the fiscal year. The unreserved fund balance represents 5 percent of total General Fund expenditures, while the total fund balance represents 6 percent of such expenditures.

Key factors in this growth are as follows:

- Total revenues increased by \$20,597,876.79, or 14 percent, mainly from increases in local property tax revenue.
- Total expenditures increased by \$16,975,042.38, or 11 percent, due mainly to increased salary and benefit costs.

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 2005-06 fiscal year, all available resources were used for current debt related expenditures and, at June 30, 2006, there was no fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$23,408,915.47, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$9,682,463.68 in the current year as the District accumulated resources for new school construction. Expenditures and transfers out during the fiscal year were primarily for equipment purchases and various maintenance, construction, remodeling, and renovation projects.

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 \$3,326,704.91 in the current year to \$10,633,011.76 at June 30, 2006. Expenditures were mainly for new school construction.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2005-06 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$15,975,439.75. At the same time, final appropriations increased by \$18,780,938.55 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 programs, to increase instructional salaries and benefit costs, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are \$10,219,461.54 less than anticipated, mainly because instruction and extended day care program expenditures were less than planned.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2006, is \$302,847,320.55 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included completion of the South Woods Elementary wastewater treatment plant and the Crookshank Elementary transportation loop, and planning and construction related to new elementary, middle, and high schools and a ninth grade center at an existing high school.

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

Long-Term Debt

At June 30, 2006, the District has total long-term debt outstanding of \$46,019,723.75 related to the construction and acquisition of capital assets. This amount is comprised of \$1,162,966.82 of Installment-Purchase Payable; \$536,756.93 of Obligation Under Capital Lease; \$21,950,000 of Certificates of Participation; \$7,620,000 of State School Bonds; and \$14,750,000 of District General Obligation Refunding Bonds. During the year, the District retired debt totaling \$9,217,757.39. The District's long-term debt also decreased by \$120,000 during the year as a result of refunding debt issued to defease a portion of the District's State Board of Education Bonds, Series 1998A and Series 2000A.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the St. Johns County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, St. Johns County District School Board, 40 Orange Street, St. Augustine, FL 32084.

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

	Primary Governmental Activities	Component Units
ASSETS		
Cash	\$ 1,087,533.37	\$ 232,446.00
Investments	69,877,874.36	122,655.00
Accounts Receivable	491,775.90	232,614.00
Due from Component Units	151,036.00	
Due from Primary Government		229,410.00
Due from Other Agencies	1,864,283.97	
Due from Excess Insurance Carrier	18,859.78	
Prepaid Items		7,595.00
Inventories	480,279.90	116,296.00
Restricted Assets:		
Investments	3,865,970.63	
Capital Assets:		
Land	19,621,289.38	
Construction in Progress	4,001,496.30	
Improvements Other Than Buildings, Net	14,023,252.75	
Buildings and Fixed Equipment, Net	251,706,302.83	5,000.00
Furniture, Fixtures, and Equipment, Net	9,072,319.34	1,141,692.00
Motor Vehicles, Net	3,347,460.97	16,934.00
Property Under Capital Lease, Net	467,061.68	
Audio Visual Materials and Computer Software, Net	608,137.30	
		1,372,051.00
TOTAL ASSETS	\$ 380,684,934.46	\$ 3,476,693.00
LIABILITIES		
Salaries and Benefits Payable	\$ 1,445,546.82	\$ 8,612.00
Payroll Deductions and Withholdings	266,286.45	
Accounts Payable	4,462,438.65	546,196.00
Construction Contracts Payable	1,880,509.27	
Construction Contracts Payable - Retainage	154,206.80	
Due to Component Units	229,410.00	
Due to Primary Government		151,036.00
Due to Other Agencies	138,005.31	
Deferred Revenue		117,594.00
Matured Certificates of Participation Payable	3,465,000.00	
Matured Interest Payable	400,970.63	
Estimated Insurance Claims Payable	2,742,864.00	
Noncurrent Liabilities:		
Portion Due Within One Year:		
Estimated Insurance Claims Payable	857,384.73	
Note Payable		60,000.00
Installment-Purchase Payable	577,617.50	
Obligation Under Capital Lease	51,280.60	
Bonds Payable	3,990,000.00	
Certificates of Participation Payable	3,535,000.00	
Compensated Absences Payable	458,748.42	177,589.00
Portion Due After One Year:		
Estimated Insurance Claims Payable	1,551,615.27	
Installment-Purchase Payable	585,349.32	
Obligation Under Capital Lease	485,476.33	
Bonds Payable	18,380,000.00	
Certificates of Participation Payable	18,415,000.00	
Compensated Absences Payable	16,250,128.71	937,221.00
Postemployment Health Care Benefits Payable	3,052,318.00	
Total Liabilities	83,375,156.81	1,998,248.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	256,827,596.80	2,535,677.00
Restricted for:		
State Categorical Programs	944,005.40	
Debt Service	4,146,092.39	
Capital Projects	42,127,661.64	
Unrestricted	(6,735,578.58)	(1,057,232.00)
Total Net Assets	297,309,777.65	1,478,445.00
TOTAL LIABILITIES AND NET ASSETS	\$ 380,684,934.46	\$ 3,476,693.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 110,484,185.04	\$ 473,719.68		\$
Pupil Personnel Services	12,282,505.95			
Instructional Media Services	3,979,565.25			
Instruction and Curriculum Development Services	3,393,844.36			
Instructional Staff Training Services	2,310,530.87			
Instruction Related Technology	2,161,425.21			
Board of Education	854,328.75			
General Administration	592,971.89			
School Administration	10,644,299.36			
Facilities Acquisition and Construction	5,532,799.22			26,228,277.40
Fiscal Services	1,495,167.50			
Food Services	7,859,956.34	5,768,194.64	2,461,725.31	
Central Services	2,279,846.92	7,605,903.34		
Pupil Transportation Services	9,589,671.14	425,998.41	5,998,824.00	
Operation of Plant	16,594,211.69			
Maintenance of Plant	5,498,685.32			
Administrative Technology Services	1,230,290.40			
Community Services	2,992,970.97	2,821,652.02		
Interest on Long-Term Debt	1,660,814.72			790,872.63
Unallocated Depreciation Expenses	16,111,766.99			
Total Primary Government	\$ 217,549,837.89	\$ 17,095,468.09	\$ 8,460,549.31	\$ 27,019,150.03
 Component Units				
Charter Schools	<u>\$ 10,850,649.00</u>	<u>\$ 2,104,818.00</u>	<u>\$ 1,213,929.00</u>	<u>\$ 756,397.00</u>
 General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Debt Service				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - July 1, 2005				
Net Assets - June 30, 2006				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (110,010,465.36)	\$
(12,282,505.95)	
(3,979,565.25)	
(3,393,844.36)	
(2,310,530.87)	
(2,161,425.21)	
(854,328.75)	
(592,971.89)	
(10,644,299.36)	
20,695,478.18	
(1,495,167.50)	
369,963.61	
5,326,056.42	
(3,164,848.73)	
(16,594,211.69)	
(5,498,685.32)	
(1,230,290.40)	
(171,318.95)	
(869,942.09)	
<u>(16,111,766.99)</u>	
<u>(164,974,670.46)</u>	
	<u>(6,775,505.00)</u>
101,223,094.68	
3,800,732.55	
33,515,863.38	
55,668,350.61	6,827,921.00
3,101,874.59	13,531.00
<u>3,004,512.16</u>	<u>323,315.00</u>
<u>200,314,427.97</u>	<u>7,164,767.00</u>
35,339,757.51	389,262.00
<u>261,970,020.14</u>	<u>1,089,183.00</u>
<u>\$ 297,309,777.65</u>	<u>\$ 1,478,445.00</u>

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

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash	\$ 517,736.35	\$	\$
Investments	7,650,183.11	3,865,970.63	30,921,079.87
Accounts Receivable	130,813.93		
Due from Other Funds	7,549,067.44		
Due from Other Agencies	87,610.80		
Inventories	281,111.30		
Due from Component Units	151,036.00		
	<u>16,367,558.93</u>	<u>3,865,970.63</u>	<u>30,921,079.87</u>
TOTAL ASSETS	\$ 16,367,558.93	\$ 3,865,970.63	\$ 30,921,079.87
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,309,673.79	\$	\$
Payroll Deductions and Withholdings	252,190.14		
Accounts Payable	1,648,184.07		
Construction Contracts Payable			264,418.42
Construction Contracts Payable - Retainage			
Due to Component Units	183,022.34		
Due to Other Agencies	130,817.20		
Due to Other Funds	1,660,216.85		7,247,745.98
Matured Certificates of Participation Payable		3,465,000.00	
Matured Interest Payable		400,970.63	
	<u>5,184,104.39</u>	<u>3,865,970.63</u>	<u>7,512,164.40</u>
Total Liabilities	5,184,104.39	3,865,970.63	7,512,164.40
Fund Balances:			
Reserved for:			
State Categorical Programs	944,005.40		
Encumbrances	474,224.33		23,408,915.47
Inventories	281,111.30		
Debt Service			
Unreserved, Reported in:			
General Fund	9,484,113.51		
Special Revenue Funds			
Capital Projects Funds			
	<u>11,183,454.54</u>	<u>3,865,970.63</u>	<u>23,408,915.47</u>
Total Fund Balances	11,183,454.54	3,865,970.63	23,408,915.47
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,367,558.93	\$ 3,865,970.63	\$ 30,921,079.87

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

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

Total Fund Balances - Governmental Funds \$ 59,180,155.29

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 302,847,320.55

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 3,472,220.69

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:

Estimated Insurance Claims Payable	\$ 2,409,000.00	
Obligation Under Capital Lease	536,756.93	
Installment-Purchase Payable	1,162,966.82	
Bonds Payable	22,370,000.00	
Certificates of Participation Payable	21,950,000.00	
Compensated Absences Payable	16,708,877.13	
Postemployment Health Care Benefits Payable	3,052,318.00	(68,189,918.88)

Total Net Assets - Governmental Activities \$ 297,309,777.65

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

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

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 336,423.15	\$	\$
Federal Through State	62,603,333.83		
Local	<u>107,570,551.22</u>	<u>47.58</u>	<u>34,587,537.71</u>
Total Revenues	<u>170,510,308.20</u>	<u>47.58</u>	<u>34,587,537.71</u>
Expenditures			
Current - Education:			
Instruction	101,550,227.38		
Pupil Personnel Services	9,092,218.10		
Instructional Media Services	3,721,488.89		
Instruction and Curriculum Development Services	2,088,809.24		
Instructional Staff Training Services	1,002,778.53		
Instruction Related Technology	2,096,184.08		
Board of Education	838,834.54		
General Administration	397,143.86		
School Administration	9,969,261.02		
Facilities Acquisition and Construction	2,246,455.25		3,205,293.02
Fiscal Services	1,424,708.94		
Food Services			
Central Services	2,165,140.48		
Pupil Transportation Services	8,580,677.75		
Operation of Plant	16,229,695.01		
Maintenance of Plant	5,288,416.87		
Administrative Technology Services	1,188,967.36		
Community Services	2,848,504.09		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	10,000.00		12,183,749.43
Other Capital Outlay	638,608.00		
Debt Service:			
Principal	1,250,985.20	3,465,000.00	591,772.19
Interest and Fiscal Charges	<u>38,174.74</u>	<u>806,691.26</u>	<u>18,087.44</u>
Total Expenditures	<u>172,667,279.33</u>	<u>4,271,691.26</u>	<u>15,998,902.08</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,156,971.13)</u>	<u>(4,271,643.68)</u>	<u>18,588,635.63</u>
Other Financing Sources (Uses)			
Transfers In	9,450,001.48	4,264,638.91	2,783,729.43
Inception of Installment Purchase			1,754,739.01
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payment to Escrow Agent for Refunded Bonds			
Insurance Loss Recoveries	13,390.07		
Transfers Out	<u>(2,783,729.43)</u>		<u>(13,444,640.39)</u>
Total Other Financing Sources (Uses)	<u>6,679,662.12</u>	<u>4,264,638.91</u>	<u>(8,906,171.95)</u>
Net Change in Fund Balances	4,522,690.99	(7,004.77)	9,682,463.68
Fund Balances, July 1, 2005	<u>6,660,763.55</u>	<u>7,004.77</u>	<u>13,726,451.79</u>
Fund Balances, June 30, 2006	<u>\$ 11,183,454.54</u>	<u>\$ 0.00</u>	<u>\$ 23,408,915.47</u>

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

EXHIBIT - E

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>	<u> </u>
\$	\$	\$
	957,348.28	1,293,771.43
	10,780,749.55	10,780,749.55
60,912.42	6,833,162.79	69,497,409.04
<u>7,590,332.00</u>	<u>10,074,997.52</u>	<u>159,823,466.03</u>
<u>7,651,244.42</u>	<u>28,646,258.14</u>	<u>241,395,396.05</u>
	3,722,968.52	105,273,195.90
	2,554,457.79	11,646,675.89
	68,279.23	3,789,768.12
	1,133,466.48	3,222,275.72
	1,234,827.76	2,237,606.29
		2,096,184.08
		838,834.54
	178,381.22	575,525.08
	117,878.92	10,087,139.94
37,968.24	4,104.00	5,493,820.51
		1,424,708.94
	7,664,842.13	7,664,842.13
	7,177.00	2,172,317.48
	24,084.43	8,604,762.18
	892.56	16,230,587.57
	4,050.48	5,292,467.35
		1,188,967.36
		2,848,504.09
4,286,571.27	2,628,723.35	19,109,044.05
	609,576.22	1,248,184.22
	3,910,000.00	9,217,757.39
	797,861.28	1,660,814.72
<u>4,324,539.51</u>	<u>24,661,571.37</u>	<u>221,923,983.55</u>
<u>3,326,704.91</u>	<u>3,984,686.77</u>	<u>19,471,412.50</u>
		16,498,369.82
		1,754,739.01
	4,070,000.00	4,070,000.00
	396,172.94	396,172.94
	(4,450,859.84)	(4,450,859.84)
		13,390.07
	<u>(270,000.00)</u>	<u>(16,498,369.82)</u>
	(254,686.90)	1,783,442.18
3,326,704.91	3,729,999.87	21,254,854.68
<u>7,306,306.85</u>	<u>10,224,773.65</u>	<u>37,925,300.61</u>
<u>\$ 10,633,011.76</u>	<u>\$ 13,954,773.52</u>	<u>\$ 59,180,155.29</u>

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

Net Change in Fund Balances - Governmental Funds \$ 21,254,854.68

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 expenses in the current period. 3,607,632.55

Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds. This is the value of land donated by developers during the current period. 3,545,000.00

The cost of land disposed of during the current period is expensed in the statement of activities. In the governmental funds, the cost of the asset was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the cost of the disposed land. (48,118.62)

Proceeds of refunding bonds are reported as other financing sources in the governmental funds, while payments to the escrow agent for the advance-refunding of outstanding bonds are shown as other financing uses. Government-wide statements are affected only to the extent these amounts differ. The inception of installment purchases is reported as other financing sources in the governmental funds, but increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 7,583,018.38

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 earned in excess of the amount used in the current period. (1,711,533.54)

The net change in the liability for estimated insurance claims related to certain workers' compensation claims is reported in the government-wide statements, but not in the governmental fund statements. (650,348.50)

The net change in the liability for postemployment health care benefits is reported in the government-wide statements, but not in the governmental fund statements. (3,052,318.00)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 4,811,570.56

Change in Net Assets - Governmental Activities \$ 35,339,757.51

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

EXHIBIT - G
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Governmental Activities - Internal Service Funds
<hr/>		
ASSETS		
Current Assets:		
Cash	\$	480,450.43
Investments		8,450,700.75
Accounts Receivable		35,202.31
Due from Excess Insurance Carrier		18,859.78
		<hr/>
TOTAL ASSETS	\$	8,985,213.27
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Accounts Payable		2,770,128.58
Estimated Insurance Claims Payable		2,742,864.00
		<hr/>
Total Liabilities		5,512,992.58
		<hr/>
NET ASSETS		
Unrestricted		3,472,220.69
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	8,985,213.27
		<hr/> <hr/>

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

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

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	\$ 23,378,757.67
OPERATING EXPENSES	
Insurance Claims	15,101,425.40
Excess Insurance Premiums	960,589.08
Employee Disability Purchased Insurance	125,333.22
Fees and Other	2,622,550.87
Total Operating Expenses	18,809,898.57
Operating Income	4,568,859.10
NONOPERATING REVENUES	
Interest	242,711.46
Change in Net Assets	4,811,570.56
Total Net Assets, July 1, 2005	(1,339,349.87)
Total Net Assets, June 30, 2006	\$ 3,472,220.69

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

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

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 23,378,757.67
Cash Payments to Vendors for Goods and Services	(750,176.24)
Cash Payments for Insurance Claims	(16,385,598.40)
	6,242,983.03
Net Cash Provided by Operating Activities	6,242,983.03
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(13,416,553.41)
Proceeds from Sale of Investments	6,904,578.02
Interest Income	242,711.46
	(6,269,263.93)
Net Cash Used by Investing Activities	(6,269,263.93)
Net Decrease in Cash	(26,280.90)
Cash, Beginning of Year	506,731.33
Cash, End of Year	\$ 480,450.43
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 4,568,859.10
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	135,843.29
Decrease in Due from Excess Insurance Carrier	507,759.32
Increase in Accounts Payable	2,314,694.32
Decrease in Estimated Insurance Claims Payable	(1,284,173.00)
	1,674,123.93
Total Adjustments	1,674,123.93
Net Cash Provided by Operating Activities	\$ 6,242,983.03

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

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

	Agency Funds
ASSETS	
Cash	\$ 2,176,954.00
Due from Other Funds	44,126.00
TOTAL ASSETS	\$ 2,221,080.00
LIABILITIES	
Due to Other Funds	\$ 301,321.46
Internal Accounts Payable	1,919,758.54
TOTAL LIABILITIES	\$ 2,221,080.00

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Blended Component Unit.** The St. Johns County School Board Leasing Corporation (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 St. Johns County District School Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- **Discretely Presented Component Units.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the ABLE School, Inc., a charter school established pursuant to Section 1002.33, Florida Statutes, and the First Coast Technical Institute, Inc., a charter technical career center established pursuant to Section 1002.34, Florida Statutes. The charter school and the center are organized as separate not-for-profit corporations pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and operate under charters approved by their sponsor, the St. Johns County District School Board. The financial data reported on the accompanying financial statements for the First Coast Technical Institute, Inc., was derived from the audited financial statements of the center for the fiscal year ended June 30, 2006. The financial data reported on the accompanying financial statements for the ABLE School, Inc., was derived from a compilation of the school's financial data.

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

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

➤ **Basis of Presentation**

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- 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 Series 2003 and 2003A.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.
- Capital Projects – Other Capital Projects Funds – to account mainly for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the internal service funds are charges to the District and employees for health, dental, and vision insurance premiums. The principal operating expenses include insurance claims, insurance premiums for excess insurance and employee disability purchased insurance coverages, and administrative expenses and fees. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

The ABLE School, Inc., a charter school, and the First Coast Technical Institute, Inc., a charter technical career center, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts, including interest-bearing money market accounts.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Maintenance, transportation, and purchased food inventories are stated at last invoice price, which approximates the first-in, first-out basis, and warehouse inventories are stated at weighted-average cost. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Restricted Assets**

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

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Some of the values for land and buildings acquired or constructed prior to June 30, 1971, were based on appraised values when historical costs could not be determined.

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

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

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

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

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

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

➤ **District Property Taxes**

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

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

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

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

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

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

➤ **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.

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➤ **Budgetary Information**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

As shown in Note 20, the following Internal Service Fund has a deficit net asset balance at June 30, 2006:

	Net Assets 7-1-05	Change in Net Assets Fiscal Year 2005-06	Net Assets 6-30-06
Health and Hospitalization - Group Dental Self-Insurance Fund	\$ 367,438.61	\$ (554,323.36)	\$ (186,884.75)

The decrease in the Health and Hospitalization – Group Dental Self-Insurance Fund’s net assets resulted from an increase in claims expenses relative to premium revenues. Effective August 18, 2006, the District implemented a five percent premium increase for the 2006-07 plan year to restore the net assets to a positive balance.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, the money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

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

Investments with a fair value of \$73,541,515.45 at June 30, 2006, are in the State Board of Administration investment pool with an average maturity of 27 days. These investments include \$4,298,599.47 held by a trustee under a trust agreement, in the name of the District, in connection with the Certificates of Participation, Series 2003 and 2003A, financing arrangements (see Note 7). The District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.

In addition, the District reports investments totaling \$202,329.54 at June 30, 2006, in the State Board of Administration Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed at the State Board of Administration for managing credit risk for this account.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

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

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 13,736,939.39	\$ 5,932,468.61	\$ 48,118.62	\$ 19,621,289.38
Construction in Progress	2,733,520.94	11,928,468.62	10,660,493.26	4,001,496.30
Total Capital Assets Not Being Depreciated	<u>16,470,460.33</u>	<u>17,860,937.23</u>	<u>10,708,611.88</u>	<u>23,622,785.68</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	22,724,443.99	1,317,295.31	185,179.67	23,856,559.63
Buildings and Fixed Equipment	321,838,338.38	9,343,197.95	1,296,314.21	329,885,222.12
Furniture, Fixtures, and Equipment	27,637,197.38	3,785,376.89	1,243,765.57	30,178,808.70
Motor Vehicles	9,590,519.80	1,351,712.63	974,221.51	9,968,010.92
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	3,333,353.56	904,201.52	10,120.75	4,227,434.33
Total Capital Assets Being Depreciated	<u>385,791,084.11</u>	<u>16,701,784.30</u>	<u>3,709,601.71</u>	<u>398,783,266.70</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,245,520.00	772,966.55	185,179.67	9,833,306.88
Buildings and Fixed Equipment	72,190,129.79	7,285,103.71	1,296,314.21	78,178,919.29
Furniture, Fixtures, and Equipment	15,259,993.80	7,090,261.13	1,243,765.57	21,106,489.36
Motor Vehicles	6,956,942.73	637,828.73	974,221.51	6,620,549.95
Property Under Capital Lease	133,446.20	66,723.12		200,169.32
Audio Visual Materials and Computer Software	2,732,705.30	896,712.48	10,120.75	3,619,297.03
Total Accumulated Depreciation	<u>106,518,737.82</u>	<u>16,749,595.72</u>	<u>3,709,601.71</u>	<u>119,558,731.83</u>
Total Capital Assets Being Depreciated, Net	<u>279,272,346.29</u>	<u>(47,811.42)</u>		<u>279,224,534.87</u>
Governmental Activities Capital Assets, Net	<u>\$ 295,742,806.62</u>	<u>\$ 17,813,125.81</u>	<u>\$ 10,708,611.88</u>	<u>\$ 302,847,320.55</u>

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

Depreciation expenses were charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 637,828.73
Unallocated	<u>16,111,766.99</u>
Total Depreciation Expenses - Governmental Activities	<u>\$ 16,749,595.72</u>

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

5. INSTALLMENT-PURCHASE PAYABLE

The Board entered into an installment-purchase agreement dated February 14, 2006, to purchase personal computers costing \$1,754,739.01 under the provisions of Section 1011.14, Florida Statutes. The interest rate on the outstanding payments is 4.22 percent. Remaining payments are payable annually through February 1, 2008. Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 609,859.63	\$ 577,617.50	\$32,242.13
2008	<u>609,859.63</u>	<u>585,349.32</u>	<u>24,510.31</u>
Total Minimum Installment-Purchase Payments	<u>\$1,219,719.26</u>	<u>\$1,162,966.82</u>	<u>\$56,752.44</u>

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 1011.14, Florida Statutes. The District borrowed \$667,231 at a stated interest rate of 4.22 percent. Payments are payable monthly through April 16, 2014. Future minimum capital lease payments and the present value of the minimum lease payments as June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 71,230.47	\$ 51,280.60	\$19,949.87
2008	81,904.44	62,619.30	19,285.14
2009	81,904.44	65,313.55	16,590.89
2010	81,904.44	68,123.73	13,780.71
2011	81,904.44	71,054.79	10,849.65
2012-2014	<u>232,062.58</u>	<u>218,364.96</u>	<u>13,697.62</u>
Total Minimum Lease Payments	<u>\$630,910.81</u>	<u>\$536,756.93</u>	<u>\$94,153.88</u>

7. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on November 15, 2003, characterized as a lease-purchase agreement, with the St. Johns County School Board Leasing Corporation (Corporation), whereby the District secured financing of various educational facilities in the total amount of \$23,230,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2003A, to be repaid from the proceeds of rents paid by the District.

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

On November 15, 2003, the District entered into a refunding arrangement to advance-refund the Certificates of Participation, Series 1993, issued on behalf of the District by the Corporation. The refunding, in the total amount of \$8,155,000, was accomplished through the issuance of Certificates of Participation, Series 2003, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given a ground lease on District property to the Corporation, with a rental fee of \$10 per year. The Series 2003A lease commenced on November 15, 2003, and runs until the earlier of: (a) the date on which the Series 2003A Certificates have been paid or provisions for payment have been made, or (b) July 1, 2023. The Series 2003 lease commenced on November 15, 2003, and runs until the earlier of: (a) the date on which the Series 2003 Certificates have been paid, or (b) July 1, 2012. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the Certificates until such time as the Certificates are paid in full.

The Series 2003A ground lease includes the Timberlin Creek Elementary School property located on a 35 acre site off County Road 210 in northwest St. Johns County and the South Woods Elementary School property located on a 34.7 acre site at County Road 206 and Cowpen Branch Road in southern St. Johns County. The Series 2003 ground lease includes properties at Cunningham Creek Elementary and Gamble Rogers Middle Schools and the Minnie K. Young Center located at Webster Elementary School.

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.0 to 4.1 percent for the Series 2003A Certificates and 2.0 percent for the Series 2003 Certificates. The lease payments must be remitted by the District as of the 15th day of the month preceding the payment dates. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,267,641.00	\$ 3,535,000.00	\$ 732,641.00
2008	2,076,941.00	1,415,000.00	661,941.00
2009	2,078,689.00	1,450,000.00	628,689.00
2010	2,076,764.00	1,495,000.00	581,764.00
2011	2,078,409.00	1,540,000.00	538,409.00
2012-2016	10,383,204.00	8,600,000.00	1,783,204.00
2017-2018	<u>4,155,390.00</u>	<u>3,915,000.00</u>	<u>240,390.00</u>
Total Minimum Lease Payments	<u><u>\$27,117,038.00</u></u>	<u><u>\$21,950,000.00</u></u>	<u><u>\$5,167,038.00</u></u>

8. BONDS PAYABLE

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1998A, (Partially Refunded)	\$ 380,000	4.5	2008
Series 1999A	1,180,000	4.00 - 4.75	2019
Series 2000A, (Partially Refunded)	480,000	5.000 - 5.125	2010
Series 2003A	535,000	3.0 - 5.0	2023
Series 2004A	735,000	3.000 - 4.625	2024
Series 2005A	260,000	3.0 - 5.0	2025
Series 2005B, Refunding	4,050,000	5.0	2020
District General Obligation Bonds:			
Refunding Bonds, Series 2003	<u>14,750,000</u>	2.0 - 4.5	2010
Total Bonds Payable	<u><u>\$ 22,370,000</u></u>		

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

➤ **State School Bonds**

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

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➤ **District General Obligation Bonds**

General Obligation Refunding Bonds, Series 2003, are authorized by Sections 132.33 through 132.47, Florida Statutes, and other applicable provisions of law, and secured by a pledge of property taxes levied pursuant to Chapter 1011, Florida Statutes.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2007	\$ 783,788.75	\$ 425,000.00	\$ 358,788.75
2008	779,713.75	440,000.00	339,713.75
2009	790,338.75	470,000.00	320,338.75
2010	788,476.25	490,000.00	298,476.25
2011	770,238.75	495,000.00	275,238.75
2012-2016	3,918,950.00	2,925,000.00	993,950.00
2017-2021	2,306,413.75	2,020,000.00	286,413.75
2022-2025	<u>386,381.25</u>	<u>355,000.00</u>	<u>31,381.25</u>
Total State School Bonds	<u>10,524,301.25</u>	<u>7,620,000.00</u>	<u>2,904,301.25</u>
District General Obligation Bonds:			
2007	3,902,362.50	3,565,000.00	337,362.50
2008	3,903,037.50	3,640,000.00	263,037.50
2009	3,884,175.00	3,715,000.00	169,175.00
2010	<u>3,886,993.75</u>	<u>3,830,000.00</u>	<u>56,993.75</u>
Total District General Obligation Bonds	<u>15,576,568.75</u>	<u>14,750,000.00</u>	<u>826,568.75</u>
Total	<u><u>\$26,100,870.00</u></u>	<u><u>\$22,370,000.00</u></u>	<u><u>\$3,730,870.00</u></u>

9. DEFEASED DEBT

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A and 2000A. The Refunding Bonds are being issued to advance-refund the \$2,740,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009, and \$1,450,000 principal amount of the District's State School Bonds, Series 2000A, that mature on or after January 1, 2011. The District's pro rata share of net proceeds totaling \$4,450,859.84 (after deduction of \$15,313.10 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, State School Bonds, Series 1998A and 2000A, totaling \$4,190,000,

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are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2005B bonds were issued to reduce the total debt service payments over the next 15 years by approximately \$343,638.21 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$240,778.93.

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 1,758,651.50	\$ 1,507,733.23	\$ 857,384.73	\$ 2,409,000.00	\$ 857,384.73
Note Payable	1,184,670.00		1,184,670.00		
Installment-Purchase Payable		1,754,739.01	591,772.19	1,162,966.82	577,617.50
Obligation Under Capital Lease	603,072.13		66,315.20	536,756.93	51,280.60
Bonds Payable	26,400,000.00	4,070,000.00	8,100,000.00	22,370,000.00	3,990,000.00
Certificates of Participation	25,415,000.00		3,465,000.00	21,950,000.00	3,535,000.00
Compensated Absences Payable	14,997,343.59	2,170,281.96	458,748.42	16,708,877.13	458,748.42
Postemployment Health Care Benefits Payable		3,052,318.00		3,052,318.00	
Total Governmental Activities	\$70,358,737.22	\$12,555,072.20	\$14,723,890.54	\$68,189,918.88	\$9,470,031.25

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

11. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$7,549,067.44	\$1,660,216.85
Capital Projects:		
Local Capital Improvement		7,247,745.98
Other Capital Projects	1,616,090.85	
Agency	<u>44,126.00</u>	<u>301,321.46</u>
Total	<u><u>\$9,209,284.29</u></u>	<u><u>\$9,209,284.29</u></u>

Interfund balances generally result from expenditures being paid from the General Fund but recorded in the fund incurring the expenditure, with corresponding receivable and payable entries between funds. The interfund amounts represent temporary loans and are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 9,450,001.48	\$ 2,783,729.43
Debt Service - Other	4,264,638.91	
Capital Projects:		
Local Capital Improvement	2,783,729.43	13,444,640.39
Nonmajor Governmental		<u>270,000.00</u>
Total	<u><u>\$16,498,369.82</u></u>	<u><u>\$16,498,369.82</u></u>

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the General Fund were to restore capital outlay tax levy funds to the Capital Projects – Local Capital Improvement Fund for certain unallowed expenditures reimbursed in the prior fiscal year. The transfers out of the Capital Projects – Local Capital Improvement Fund were to provide for debt service payments and to fund certain expenditures of the District’s facilities, information technology, and maintenance departments.

13. SCHEDULE OF STATE REVENUE SOURCES

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

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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 27,638,717.00
Categorical Educational Programs:	
Class Size Reduction	14,201,993.00
Transportation	5,998,824.00
Instructional Materials	2,711,775.00
School Recognition Funds	1,654,377.00
Discretionary Lottery Funds	1,220,177.00
Excellent Teaching Program	1,147,544.16
Other	1,039,584.88
Workforce Development Program	6,261,787.00
Gross Receipts Tax (Public Education Capital Outlay)	4,283,961.00
Classrooms for Kids	1,503,125.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	992,365.80
Pari-Mutuel Tax	206,750.00
Mobile Home License Tax	85,046.48
Food Service Supplement	61,747.00
Miscellaneous	489,634.72
	<hr/>
Total	<u><u>\$ 69,497,409.04</u></u>

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

14. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.332	\$ 93,125,138.00
Basic Discretionary Local Effort	0.510	8,907,317.00
Supplemental Discretionary Local Effort	0.154	2,689,660.00
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1, Interest and Sinking	0.230	4,017,067.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	34,930,652.00
Total	<u><u>8.226</u></u>	<u><u>\$143,669,834.00</u></u>

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15. STATE RETIREMENT PROGRAM

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

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

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

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

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$6,328,416.87, \$6,805,069.33, and \$8,570,770.96, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 342 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$760,626.60.

Pension Reporting. 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, may be obtained from the Florida Department of Management Services, Division of Retirement.

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16. SPECIAL TERMINATION BENEFITS

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

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

In addition to payments for accrued leave and regular termination benefits, the District reported expenditures for special retirement benefits totaling \$742,383.25 during the 2005-06 fiscal year.

17. POSTEMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2005-06 fiscal year, the District elected to early implement Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits provided by the District. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$47,133,360 at the July 1, 2005, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District or its major component unit, First Coast Technical Institute, Inc., and eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical, prescription drug, dental, and vision coverages. 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

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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. The benefits provided under this defined benefit 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.

Funding Policy. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2005-06 fiscal year, 269 retirees received postemployment health care benefits. The District provided required contributions of \$875,762 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,090,617.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 2,205,878
Amortization of Unfunded Actuarial Accrued Liability	1,571,122
Interest on Normal Cost and Amortization	<u>151,080</u>
Annual Required Contribution	3,928,080
Interest on Net OPEB Obligation	-0-
Adjustment to Annual Required Contribution	<u>-0-</u>
Annual OPEB Cost (Expense)	3,928,080
Contribution Toward the OPEB Cost	<u>(875,762)</u>
Increase in Net OPEB Obligation	3,052,318
Net OPEB Obligation, Beginning of Year	<u>-0-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 3,052,318</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2006 (first year of implementation), was as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-05 2005-06	\$ -0- 3,928,080	22.3%	\$ -0- 3,052,318

Funded Status and Funding Progress. As of June 30, 2006, the actuarial accrued liability for benefits was \$3,052,318, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,052,318. The covered payroll (annual payroll of active participating employees) was \$74,022,750 for the 2005-06 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4 percent.

Actuarial Methods and Assumptions. 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 the 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. 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 initial OPEB actuarial valuation as of July 1, 2005, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2006, and the frozen entry age normal cost actuarial method to estimate the District's 2005-06 fiscal year annual required contribution. These methods were selected because they produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2005-06 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5 percent after five 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, 2006, is 29 years.

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18. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Bartram Trail 9th Grade Center:			
Architect	\$ 595,374.00	\$ 446,530.00	\$ 148,844.00
Contractor	12,013,000.00		12,013,000.00
New Elementary School "K":			
Architect	379,642.00	265,749.40	113,892.60
Contractor	14,899,000.00	1,542,068.00	13,356,932.00
Direct Purchases	511,426.99	72,361.48	439,065.51
New Middle School "FF":			
Architect	990,000.00	742,500.00	247,500.00
Contractor	26,869,000.00		26,869,000.00
New High School "CCC":			
Architect	1,997,500.00		1,997,500.00
New High School "DDD":			
Architect	<u>2,040,000.00</u>	<u>1,020,000.00</u>	<u>1,020,000.00</u>
Total	<u>\$ 60,294,942.99</u>	<u>\$ 4,089,208.88</u>	<u>\$ 56,205,734.11</u>

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 District is a member of the Preferred Governmental Insurance Trust (Trust) under which local governmental entities have established a combined limited self-insurance program for property and liability insurance coverages. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Board of Trustees for the Trust is comprised of elected or appointed officials from the participating members. The Trust is administered by Public Risk Underwriters.

The District makes premium contributions to the Trust to pay for its property protection, general liability, automobile liability, employee fidelity and faithful performance coverage, and other coverage deemed necessary by the Board. The interlocal agreement which establishes the Trust is not intended to create a partnership or other legal entity whereby one member assumes the obligations of another member, or the obligations of the Trust in general, except for the payment of premiums. Should a deficit develop in the Trust, after excess reinsurance recoveries, whereby claims or other expenses cannot be paid, each individual member shall assume liability for the costs of claims brought against that member as if such member were

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individually self-insured. Each member shall thereafter be responsible for its individual costs, including, but not limited to, claims administration without an obligation to, or right of contribution from, other members.

The District's health and hospitalization self-insurance program, which includes medical, dental, and vision coverages, 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 \$125,000 per insured per year, with a maximum lifetime benefit for medical claims of \$5,000,000 per insured. The program's administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. The funds for these coverages were established in accordance with Chapter 112, Florida Statutes. The program is administered through the Internal Service Funds. Contributions to the program were made by the St. Johns County District School Board and the First Coast Technical Institute, Inc., and covered current and former employees and retirees of the Board and the First Coast Technical Institute, Inc.

A liability in the amount of \$2,742,864 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2006, and is reported net of excess insurance recoverable on unpaid claims.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	\$ 3,094,142.00	\$ 24,725,152.75	\$(23,792,257.75)	\$ 4,027,037.00
2005-06	4,027,037.00	15,101,425.40	(16,385,598.40)	2,742,864.00

The Board has also established a self-insurance program to provide workers' compensation coverage for its employees. The District's liability was limited by excess reinsurance to \$250,000 per occurrence and, except for the 2004-05 fiscal year, by aggregate excess insurance per plan year ranging from \$1,000,000 to \$3,750,000. For the 2004-05 fiscal year, aggregate excess insurance was not purchased.

A workers' compensation program liability of \$2,409,000 was actuarially determined to cover the District's liability under its policies at June 30, 2006, and is reported net of excess insurance recoverable on unpaid claims. The liability is reported as a noncurrent liability in the government-wide statement of net assets.

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

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	\$ 2,113,459.27	\$ 1,224,480.76	\$ (824,288.97)	\$ 2,513,651.06
2005-06	2,513,651.06	752,733.67	(857,384.73)	2,409,000.00

Settled claims resulting from the risks described above 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 2005-06 fiscal year:

	Health and Hospitalization Self-Insurance Funds			
	Total	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance
Total Assets	\$ 8,985,213.27	\$ 8,210,296.18	\$ 243,213.12	\$ 531,703.97
Liabilities and Net Assets:				
Accounts Payable	\$ 2,770,128.58	\$ 2,544,503.33	\$ 210,097.87	\$ 15,527.38
Estimated Insurance Claims Payable	2,742,864.00	2,468,864.00	220,000.00	54,000.00
Unrestricted Net Assets	3,472,220.69	3,196,928.85	(186,884.75)	462,176.59
Total Liabilities and Net Assets	\$ 8,985,213.27	\$ 8,210,296.18	\$ 243,213.12	\$ 531,703.97
Revenues:				
Insurance Premiums	\$ 23,378,757.67	\$ 21,670,552.89	\$ 1,190,992.46	\$ 517,212.32
Interest	242,711.46	208,089.41	14,407.95	20,214.10
Total Revenues	23,621,469.13	21,878,642.30	1,205,400.41	537,426.42
Total Expenses	(18,809,898.57)	(16,560,397.14)	(1,759,723.77)	(489,777.66)
Change in Net Assets	\$ 4,811,570.56	\$ 5,318,245.16	\$ (554,323.36)	\$ 47,648.76

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

21. COMPONENT UNITS

As discussed in Note 1, the District had two component units, the ABLE School, Inc., charter school and the First Coast Technical Institute, Inc., charter technical career center. The District considers the First Coast Technical Institute, Inc., to be a major component unit based upon its significance relative to the total discretely presented component units, and based upon its nature and significance to the District.

Summary information derived from the component units' June 30, 2006, financial data comprising the component unit columns reported on exhibits A and B is shown below:

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

STATEMENT OF NET ASSETS
ALL COMPONENT UNITS

	ABLE School, Inc. (Unaudited)	First Coast Technical Institute, Inc.	Total Component Units
ASSETS			
Cash	\$ 54,171	\$ 178,275	\$ 232,446
Investments		122,655	122,655
Accounts Receivable		232,614	232,614
Due from Primary Government		229,410	229,410
Prepaid Items	7,595		7,595
Inventories		116,296	116,296
Capital Assets:			
Buildings and Fixed Equipment, Net	5,000		5,000
Furniture, Fixtures, and Equipment, Net	2,700	1,138,992	1,141,692
Motor Vehicles, Net		16,934	16,934
Leasehold Improvements, Net		1,372,051	1,372,051
TOTAL ASSETS	\$ 69,466	\$ 3,407,227	\$ 3,476,693
LIABILITIES			
Salaries and Benefits Payable	\$ 8,612	\$	\$ 8,612
Accounts Payable	4,500	541,696	546,196
Due to Primary Government		151,036	151,036
Deferred Revenue		117,594	117,594
Noncurrent Liabilities:			
Portion Due Within One Year:			
Note Payable	60,000		60,000
Compensated Absences Payable		177,589	177,589
Portion Due After One Year:			
Compensated Absences Payable		937,221	937,221
Total Liabilities	73,112	1,925,136	1,998,248
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,700	2,527,977	2,535,677
Unrestricted	(11,346)	(1,045,886)	(1,057,232)
Total Net Assets	(3,646)	1,482,091	1,478,445
TOTAL LIABILITIES AND NET ASSETS	\$ 69,466	\$ 3,407,227	\$ 3,476,693

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

STATEMENT OF ACTIVITIES
ALL COMPONENT UNITS

	ABLE School, Inc. (Unaudited)	First Coast Technical Institute, Inc.	Total Component Units
EXPENSES			
Instruction	\$	\$ 4,722,478	\$ 4,722,478
Pupil Personnel Services		2,514,817	2,514,817
Instruction and Curriculum			
Development Services	4,600	2,624	7,224
Board	9,960		9,960
School Administration	12,192	612,585	624,777
Facilities Acquisition and Construction	510		510
Fiscal and Community Services		1,327,813	1,327,813
Central Services		306,395	306,395
Operation of Plant		1,225,398	1,225,398
Maintenance of Plant		111,189	111,189
Interest on Long-Term Debt	88		88
Total Expenses	<u>27,350</u>	<u>10,823,299</u>	<u>10,850,649</u>
PROGRAM REVENUES			
Charges for Services		2,104,818	2,104,818
Operating Grants and Contributions	307	1,213,622	1,213,929
Capital Grants and Contributions	23,397	733,000	756,397
Total Program Revenues	<u>23,704</u>	<u>4,051,440</u>	<u>4,075,144</u>
Net Expense	<u>(3,646)</u>	<u>(6,771,859)</u>	<u>(6,775,505)</u>
GENERAL REVENUES			
Grants and Contributions Not			
Restricted to Specific Programs		6,827,921	6,827,921
Unrestricted Investment Earnings		13,531	13,531
Miscellaneous		323,315	323,315
Total General Revenues		<u>7,164,767</u>	<u>7,164,767</u>
Change in Net Assets	(3,646)	392,908	389,262
Net Assets - July 1, 2005		<u>1,089,183</u>	<u>1,089,183</u>
Net Assets - June 30, 2006	<u>\$ (3,646)</u>	<u>\$ 1,482,091</u>	<u>\$ 1,478,445</u>

22. 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.

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

23. SUBSEQUENT EVENTS

On July 11, 2006, the Florida Department of Education issued State School Bonds, Series 2006A, in the amount of \$520,000 with interest rates ranging from 4 to 5 percent. The Series 2006A bond proceeds will be used toward the construction costs of a new high school.

On July 21, 2006, the District issued Certificates of Participation, Series 2006, in the amount of \$145,000,000 with interest rates ranging from 3.75 to 5.25 percent. The Series 2006 proceeds will be used for the construction of an elementary school, a middle school, a ninth grade center, and two high schools.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 202,060.00	\$ 336,423.15	\$ 336,423.15	\$
Federal Through State	429,585.00	429,585.00		(429,585.00)
State	53,962,287.00	62,603,333.83	62,603,333.83	
Local	<u>100,593,417.00</u>	<u>107,793,446.77</u>	<u>107,570,551.22</u>	<u>(222,895.55)</u>
Total Revenues	<u>155,187,349.00</u>	<u>171,162,788.75</u>	<u>170,510,308.20</u>	<u>(652,480.55)</u>
Expenditures				
Current - Education:				
Instruction	100,092,122.82	107,691,999.52	101,550,227.38	6,141,772.14
Pupil Personnel Services	8,485,487.05	9,203,122.48	9,092,218.10	110,904.38
Instructional Media Services	3,580,743.95	3,769,526.19	3,721,488.89	48,037.30
Instruction and Curriculum Development Services	2,246,247.00	2,249,595.81	2,088,809.24	160,786.57
Instructional Staff Training Services	798,510.00	1,383,493.84	1,002,778.53	380,715.31
Instruction Related Technology		2,134,345.95	2,096,184.08	38,161.87
Board of Education	644,562.00	862,129.61	838,834.54	23,295.07
General Administration	376,862.00	422,138.42	397,143.86	24,994.56
School Administration	9,534,425.09	10,169,002.13	9,969,261.02	199,741.11
Facilities Acquisition and Construction	2,396,600.00	2,486,502.13	2,246,455.25	240,046.88
Fiscal Services	1,459,474.00	1,575,309.23	1,424,708.94	150,600.29
Central Services	5,558,233.40	2,405,720.85	2,165,140.48	240,580.37
Pupil Transportation Services	7,621,531.00	8,609,770.29	8,580,677.75	29,092.54
Operation of Plant	14,765,185.86	16,405,060.21	16,229,695.01	175,365.20
Maintenance of Plant	5,815,425.65	5,545,809.34	5,288,416.87	257,392.47
Administrative Technology Services		1,383,598.84	1,188,967.36	194,631.48
Community Services	100,392.50	3,853,411.78	2,848,504.09	1,004,907.69
Fixed Capital Outlay:				
Facilities Acquisition and Construction		11,000.00	10,000.00	1,000.00
Other Capital Outlay		938,597.89	638,608.00	299,989.89
Debt Service:				
Principal	630,000.00	1,732,086.74	1,250,985.20	481,101.54
Interest and Fiscal Charges		<u>54,519.62</u>	<u>38,174.74</u>	<u>16,344.88</u>
Total Expenditures	<u>164,105,802.32</u>	<u>182,886,740.87</u>	<u>172,667,279.33</u>	<u>10,219,461.54</u>
Deficiency of Revenues Over Expenditures	<u>(8,918,453.32)</u>	<u>(11,723,952.12)</u>	<u>(2,156,971.13)</u>	<u>9,566,980.99</u>
Other Financing Sources (Uses)				
Operating Transfers In	9,418,453.32	10,956,469.32	9,450,001.48	(1,506,467.84)
Insurance Loss Recoveries			13,390.07	13,390.07
Operating Transfers Out		<u>(3,721,154.07)</u>	<u>(2,783,729.43)</u>	<u>937,424.64</u>
Total Other Financing Sources (Uses)	<u>9,418,453.32</u>	<u>7,235,315.25</u>	<u>6,679,662.12</u>	<u>(555,653.13)</u>
Net Change in Fund Balance	500,000.00	(4,488,636.87)	4,522,690.99	9,011,327.86
Fund Balance, July 1, 2005		<u>6,571,881.70</u>	<u>6,660,763.55</u>	<u>88,881.85</u>
Fund Balance, June 30, 2006	<u>\$ 500,000.00</u>	<u>\$ 2,083,244.83</u>	<u>\$ 11,183,454.54</u>	<u>\$ 9,100,209.71</u>

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Johns County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the St. Johns County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the ABLE School, Inc., reported as a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant

deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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

Compliance and Other Matters

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

We noted an additional matter which is discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

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

Respectfully submitted,



William O. Monroe, CPA

February 9, 2007



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Compliance

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

The District's basic financial statements include the operations of the First Coast Technical Institute, Inc., a charter technical career center reported as a discretely presented component unit on the accompanying basic financial statements. The First Coast Technical Institute, Inc., received \$1,461,788 in Federal Awards for the fiscal year ended June 30, 2006. Our audit did not extend to the operations of the First Coast Technical Institute, Inc., because, pursuant to the provisions of Section 1002.34(11)(f), Florida Statutes, the charter technical career center engaged other auditors to perform an audit in accordance with the United States Office of Management and Budget *Circular A-133*.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and

perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

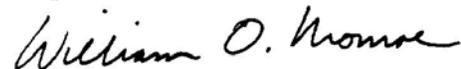
Internal Control Over Compliance

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

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

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

Respectfully submitted,



William O. Monroe, CPA

February 9, 2007

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550 (2)	None	\$ 505,262.25	\$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	424,579.02	
National School Lunch Program	10.555	300	1,507,091.08	
Summer Food Service Program for Children	10.559	323	42,470.74	
Total Child Nutrition Cluster			1,974,140.84	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A1927	9,271.00	
Total United States Department of Agriculture			2,488,674.09	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	4,226,976.73	
Special Education - Preschool Grants	84.173	267	110,543.86	
Total Special Education Cluster			4,337,520.59	
Adult Education - State Grant Program	84.002	191	100,178.00	100,178.00
Title I Grants to Local Educational Agencies	84.010	212, 223	1,823,961.17	
Vocational Education - Basic Grants to States	84.048	151, 152	314,486.01	176,106.18
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	92,420.44	
Tech-Prep Education	84.243	157	252,330.28	
Charter Schools	84.282	298	23,397.07	23,397.07
State Grants for Innovative Programs	84.298	113	52,812.31	
Education Technology State Grants	84.318	121, 122	568,548.19	
English Language Acquisition Grants	84.365	102	53.24	
Improving Teacher Quality State Grants	84.367	224	667,321.25	
Hurricane Education Recovery	84.938	None	115,331.66	18,615.00
Total United States Department of Education			8,348,360.21	318,296.25
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	957,348.28	
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	74,060.00	
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	4,824.76	
Total Corporation for National and Community Service			78,884.76	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	7,177.00	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	83,289.79	
Navy Junior Reserve Officers Training Corps	None	N/A	92,841.02	
Total United States Department of Defense			176,130.81	
Total Expenditures of Federal Awards			\$ 12,056,575.15	\$ 318,296.25

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2005-06 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2005-06 fiscal year and includes cash-in-lieu of donated food totaling \$59,274.75. Commodities are valued at fair value as determined at the time of donation.
- (3) Head Start. Expenditures include \$304,293.53 for grant number/program year 04CH0594/09 and \$653,054.75 for grant number/program year 04CH0594/10.

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

SUMMARY OF AUDIT RESULTS

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

- An unqualified opinion was issued on the financial statements.
- Certain matters involving the internal control and its operation were considered to be reportable conditions, though none of the reportable conditions was considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Food Donation (CFDA No. 10.550); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Education Technology State Grants (CFDA No. 84.318).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$361,697.25.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

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

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2006-153 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173)/Special Reporting.	The District incorrectly included seven students that were not currently enrolled in its annual report of students receiving exceptional student education as of the December 1 count.	Corrected.	

MANAGEMENT RESPONSE

St. Johns County School District
40 Orange Street
St. Augustine, Florida 32084
 (904) 819-7500
 www.stjohns.k12.fl.us
 Joseph G. Joyner, Ed.D.
 Superintendent



March 9, 2007

William O. Monroe
 Auditor General
 State of Florida
 G-74 Claude Pepper Building
 111 West Madison Street
 Tallahassee, FL 32399-1450

Re: Response to the Preliminary audit findings related to the Financial, Operational, and Federal Audit for the fiscal year ended June 30, 2006.

Dear Mr. Monroe,

On February 14, 2007, your staff delivered our preliminary and tentative audit findings for the fiscal year ended June 30, 2006.

On the following pages you will find our responses, explanation and proposed corrective actions for each finding:

Auditor General's Finding No. 1: Insurance Commissions and Fees – Health and Hospitalization

Recommended District Response:

The District will continue to investigate and improve the process used to select a TPA and insurance consultants.

Auditor General's Finding No. 2: Insurance Commission-Property and Liability Coverages

Recommended District Response:

The district will pursue the possibility of fixed price agreement with insurance consultant to provide the best price with desired product quality and accountability.

Finding No. 3: Information Technology

Recommended District Response:

See District responses to Information Technology audit.

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

School Board

Beverly Slough
 District 1

Tommy Allen
 District 2

Bill Mignon
 District 3

Bill Fehling
 District 4

Carla Wright
 District 5

MANAGEMENT RESPONSE (CONTINUED)

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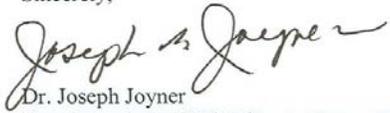
Finding No. 4: Direct Support Organization

Recommended District Response:

On February 13, 2007, the School Board approved the St. Johns County Education Foundation as a direct support organization eligible to use District property, facilities and personal services.

I would like to commend the Audit Team for the manner in which the audit was performed. We are appreciative of the time and effort expended for the benefit of the St. Johns County School District.

Sincerely,



Dr. Joseph Joyner
Superintendent of Schools
St. Johns County School District

cc: School Board Members
Conley Weiss, Chief Financial Officer