



AUDITOR GENERAL
DAVID W. MARTIN, CPA



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

For the Fiscal Year Ended June 30, 2007

St. Johns County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<u><i>District No.</i></u>
<i>Beverly Slough, Vice-Chairman to 11-20-06, Chairman from 11-21-06</i>	<i>1</i>
<i>Thomas L. Allen, Jr.</i>	<i>2</i>
<i>Diane Lovell to 11-20-06</i>	<i>3</i>
<i>William P. Mignon, Sr., from 11-21-06</i>	<i>3</i>
<i>William R. Fehling, Chairman to 11-20-06</i>	<i>4</i>
<i>Carla W. Wright, Vice-Chairman from 11-21-06</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, 2007, 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.

Finding No. 1: Insurance Commissions – Property and Liability Coverages

Improvements were needed in District procedures for ensuring that property and liability insurance coverages are obtained in accordance with applicable purchasing policies and procedures, and that the process for selecting insurance companies provides the lowest and best price consistent with desired quality.

Finding No. 2: Public Education Capital Outlay Expenditures

The District expended \$23,787 from Public Education Capital Outlay Funds for items that were not allowable uses of such funds and therefore represent questioned costs.

Finding No. 3: Financial Reporting

Improvements could be made in financial reporting matters.

Finding No. 4: Information Technology – Security Administration

Improvements were needed in the District's information technology security administration practices, the specific details of which are not disclosed to avoid any possibility of compromising the District's information systems data and resources.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Improving Teacher Quality State Grants, and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note internal control and compliance findings that are summarized below

Federal Awards Finding No. 1: Program Income – Exclusive Beverage Contract

Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the food service program account.

Federal Awards Finding No. 2: Special Tests and Provisions – Competitive Food Sales

The District did not always comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.

Federal Awards Finding No. 3: Eligibility

Improvements were needed in District procedures to ensure the eligibility of students receiving free and reduced-price meals.

Federal Awards Finding No. 4: Allowable Costs/Cost Principles – Contract Provisions

Improvements were needed in District procedures to provide for required provisions in contracts funded with Federal moneys.

Federal Awards Finding No. 5: Debarment and Suspension

District records did not always evidence compliance with suspension and debarment requirements.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established 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 Nos. 2007-141 and 2007-160.

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, 2007. 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 Dennis W. Gay, CPA, and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@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 <http://www.myflorida.com/audgen/> by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Insurance Commissions – Property and Liability Coverages

In our report No. 2007-160, we noted that 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. We also noted that the District had not entered into an agreement with the firm, and that the firm received its compensation through commissions received from the insurance providers recommended to the Board. The firm assisted in determining the best value for insurance coverages and performed various services for the District, such as development and analysis of bid specifications, renewal negotiations, and technical assistance, and also handled payments to certain carriers through billings to the District.

During the 2006-07 fiscal year, the District remitted \$2,050,253 to the firm for purchasing property and casualty and student accident insurance coverages and, in addition, paid premiums of approximately \$667,304 directly to the insurance company recommended by the firm for the District's workers' compensation excess insurance. In our report No. 2007-160, we noted that recent class action lawsuits have resulted in changes to industry practices regarding the disclosure and use of contingent commissions paid by insurers in connection with the placement of insurance and other risk solution products. As similarly noted in that report, based on the results of these class action lawsuits and without a fixed-price agreement specifically for insurance consulting services, the firm may have had limited incentive to recommend insurance services at the lowest and best price consistent with desired quality.

The District issued a request for qualifications (RFQ) on January 9, 2008, to select one or more insurance agent(s) to service its property, liability, workers' compensation, and related insurance coverages beginning with the 2008-09 fiscal year. The RFQ does not require entering into a fixed-price agreement with a consultant, but does require that the agent or agents selected market coverages with various insurers, provide documentation supporting the insurers recommended and rejected, and full disclosure of all insurance policy premiums, commissions, and other remuneration received for the sale of such policies. As of January 23, 2008, the RFQ process was still in progress. We will evaluate the effectiveness of the revised property and liability insurance procurement process in our future audits of the District.

Recommendation: The District should continue its efforts to obtain property and liability insurance coverages in accordance with applicable purchasing policies and procedures, and to ensure its process for selecting insurance companies provides the lowest and best price consistent with desired quality.

Finding No. 2: Public Education Capital Outlay Expenditures

Section 1013.64(5)(b), Florida Statutes, specifies that allocations from the Public Education Capital Outlay and Debt Service Trust Fund (PECO funds) shall not be used for the construction of football fields, bleachers, site lighting for athletic facilities, tennis courts, stadiums, racquetball courts, or any other competition-type facilities not required for physical education curriculum. This section also provides that local funds shall be used for the enhancement of athletic facilities. Section 2.1(10), of the Florida Department of Education publication, *State Requirements for Educational Facilities - 1999*, provides that improperly expended PECO funds by a board shall be reimbursed to the State no later than the next succeeding budget year after the violation is cited.

During the 2006-07 fiscal year, the District expended \$23,787 from its PECO funds to replace tennis court lights at St. Augustine High School. These expenditures are not allowable uses of PECO funds and represent questioned costs.

Recommendation: The District should restore the questioned costs totaling \$23,787 to the Capital Outlay – Public Education Capital Outlay Fund. Further, the District should enhance controls to ensure that PECO funds are only expended for allowable uses.

Finding No. 3: Financial Reporting

Our review disclosed that, on September 11, 2007, the District's original annual financial report (AFR) was approved by the Board and transmitted to the Florida Department of Education (FDOE). As a part of our preliminary analytical procedures, we noted that the amounts reported as expenditures and liabilities related to construction activity appeared unusually high. Subsequent to our inquiries, District personnel advised us that they had inadvertently reported the encumbered and committed portion of the construction contracts as expenditures, construction contracts payable, and construction in progress rather than restricted net assets. The District subsequently determined the adjustments necessary to correct these misclassifications and amended its AFR, which was approved by the Board on October 9, 2007, and subsequently resubmitted to FDOE.

Our procedures also disclosed additional audit adjustments necessary for technical reporting accuracy of the amended financial statements and the District accepted these audit adjustments. These adjustments related to the reporting of premiums and issuance costs pertaining to the Certificates of Participation, Series 2006A, net asset classifications impacted by unspent debt proceeds, and fund balance classifications in the debt service funds.

While, as noted previously, the District either determined adjustments necessary or accepted audit adjustments to correct the differences noted, our audit procedures cannot substitute for management's internal control responsibilities.

Recommendation: The District should consider these financial reporting matters in the preparation of future financial statements.

Finding No. 4: Information Technology – Security Administration

During our audit, we identified improvements that could be made in the District's security administration practices. Specific details of these improvements are not disclosed in this report to avoid the possibility of compromising District data and information technology resources. However, appropriate District personnel have been notified of the needed improvements. A similar finding was noted in our report Nos. 2007-141 and 2007-160.

Recommendation: The District should implement the necessary procedures to enhance the security administration practices.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report Nos. 2007-141 and 2007-160.

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 is included in the Management Response Section of this report, beginning on page 73.

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, 2007, which collectively comprise the District's basic financial statements as listed on page 4. 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 21 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been 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, 2007, 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 7 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,



David W. Martin, CPA

March 17, 2008

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 2006-07 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2007, by \$384,286,641.96 (net assets). However, after deducting net assets invested in capital assets (net of related debt) and restricted net assets, the District had unrestricted net assets of \$3,660,015.53.
- In total, net assets increased \$86,976,864.31, which represents a 29 percent increase from the 2005-06 fiscal year.
- General revenues total \$254,548,444.85, or 75 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$86,797,779.03, or 25 percent.
- Expenses total \$254,369,359.57; only \$86,797,779.03 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$86,976,864.31.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$18,235,813.01 at June 30, 2007, or 9 percent of total General Fund expenditures. The total fund balance of the General Fund was \$19,908,344.28, which represents an increase from the 2005-06 fiscal year of \$8,724,889.74.
- The District's capital assets (net of depreciation) increased by \$111,580,681.91.
- The District's capital asset related long-term debt increased by a net amount of \$130,886,101.90, or 284 percent, mainly because of the issuance of \$145,000,000 of Certificates of Participation, Series 2006.

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

The District has another component unit, the St. Johns County School Board Leasing Corporation (Leasing Corporation), that is also a legally separate entity. The Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District, as further discussed in Note 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 – Public Education Capital Outlay Fund, the Capital Projects – Local Capital Improvement Fund, and the Capital Projects – Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as 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, 2007, compared to net assets as of June 30, 2006:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 213,175,036.12	\$ 77,837,613.91
Capital Assets	414,428,002.46	302,847,320.55
Total Assets	627,603,038.58	380,684,934.46
Long-Term Liabilities	204,011,022.61	68,189,918.88
Other Liabilities	39,305,374.01	15,185,237.93
Total Liabilities	243,316,396.62	83,375,156.81
Net Assets:		
Invested in Capital Assets -		
Net of Debt	304,856,960.30	256,827,596.80
Restricted	75,769,666.13	47,217,759.43
Unrestricted (Deficit)	3,660,015.53	(6,735,578.58)
Total Net Assets	\$ 384,286,641.96	\$ 297,309,777.65

The largest portion of the District's net assets (79 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 (20 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (1 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The District's net assets increased by \$86,976,864.31 during the 2006-07 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, 2007, and June 30, 2006, are as follows:

Operating Results for the Fiscal Year Ended		
Governmental Activities		
	<u>6-30-07</u>	<u>6-30-06</u>
Program Revenues:		
Charges for Services	\$ 18,133,909.01	\$ 17,095,468.09
Operating Grants and Contributions	9,321,886.15	8,460,549.31
Capital Grants and Contributions	59,341,983.87	27,019,150.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	121,464,047.20	101,223,094.68
Property Taxes, Levied for Debt Service	3,818,504.51	3,800,732.55
Property Taxes, Levied for Capital Projects	42,847,382.98	33,515,863.38
Grants and Contributions Not Restricted to Specific Programs	72,210,705.51	55,668,350.61
Unrestricted Investment Earnings	10,902,349.44	3,101,874.59
Miscellaneous	3,305,455.21	3,004,512.16
Total Revenues	<u>341,346,223.88</u>	<u>252,889,595.40</u>
Functions/Program Expenses:		
Instruction	125,637,855.56	110,484,185.04
Pupil Personnel Services	13,720,143.57	12,282,505.95
Instructional Media Services	4,110,962.56	3,979,565.25
Instruction and Curriculum Development Services	4,817,855.73	3,393,844.36
Instructional Staff Training Services	2,434,479.78	2,310,530.87
Instruction Related Technology	2,952,182.36	2,161,425.21
Board of Education	885,706.84	854,328.75
General Administration	742,816.54	592,971.89
School Administration	13,040,279.57	10,644,299.36
Facilities Acquisition and Construction	13,420,809.36	5,532,799.22
Fiscal Services	1,699,941.00	1,495,167.50
Food Services	8,730,423.34	7,859,956.34
Central Services	3,159,311.25	2,279,846.92
Pupil Transportation Services	10,943,330.52	9,589,671.14
Operation of Plant	18,508,657.26	16,594,211.69
Maintenance of Plant	6,749,947.26	5,498,685.32
Administrative Technology Services	702,651.24	1,230,290.40
Community Services	3,168,830.42	2,992,970.97
Interest on Long-Term Debt	6,844,500.50	1,660,814.72
Unallocated Depreciation Expenses	12,098,674.91	16,111,766.99
Total Functions/Program Expenses	<u>254,369,359.57</u>	<u>217,549,837.89</u>
Increase in Net Assets	<u>\$ 86,976,864.31</u>	<u>\$ 35,339,757.51</u>

The majority of the District's revenues for current operations are provided through the State's Florida Education Finance Program (FEFP), State categorical education programs, and local property taxes. These revenues are included in the general revenues, which provide approximately 75 percent of total revenues, whereas program revenues provide approximately 25 percent. The majority of program revenues (95 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 2006-07 fiscal year, the District experienced increases in local property tax revenues of \$29,590,244.08, or 21 percent. Student enrollment increased by 1,260 students, from 25,573 students in the 2005-06 fiscal year to 26,833 students in the 2006-07 fiscal year, and categorical educational program funding increased by \$7,543,451.54 as compared to the 2005-06 fiscal year.

Because of substantial increases in local property values, the FEFP funding formula produced a decrease in State FEFP funding of \$2,347,823.

Instructional activities represent the majority of the District's expenses, totaling approximately 49 percent of total governmental expenses in the current fiscal year. Overall, total expenses increased \$36,819,521.68, or 17 percent, as compared to total revenues which increased \$88,456,628.48, or 35 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, undesignated fund balance is \$8,161,867.46, while the total fund balance is \$19,908,344.28. The unreserved, undesignated fund balance represents 4 percent of total General Fund expenditures, while the total fund balance represents 10 percent of such expenditures. The unreserved, undesignated fund balance decreased by \$1,322,246.05 while the total fund balance increased by \$11,133,889.74 during the fiscal year (before a restatement to reduce beginning fund balance \$2,409,000 for the transfer of workers' compensation program assets to the Internal Service Funds).

Key factors in these changes are as follows:

- Total revenues increased by \$28,745,840.74, or 17 percent, mainly from increases in local property tax revenue.
- Total expenditures increased by \$24,572,207.47, or 14 percent, due mainly to increased salary and benefit costs.
- Total revenues exceeded total expenditures by \$2,016,662.14, and other financing sources, mainly from transfers in from the Capital Projects – Local Capital Improvement Fund, totaled \$9,117,227.60.
- Unreserved, designated fund balance increased by \$10,073,945.55, representing management's planned uses of available fund balances for school and department budgets, contractual requirements, and new school start-up 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 2006-07 fiscal year, essentially all available resources were used for current debt related expenditures and, at June 30, 2007, the fund balance was \$144.26.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$39,028,354.63, all of which is required to be spent for the acquisition, construction, and maintenance of capital assets. Expenditures during the fiscal year were mainly for the new elementary school, middle school, ninth grade center, and two new high schools.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$27,295,484.01, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$3,886,568.54 in the current fiscal year. Expenditures of \$15,306,279.67 were primarily for equipment and motor

vehicle purchases and various maintenance, construction, remodeling, and renovation projects. Transfers out of \$25,143,799.43 were mainly to fund educational plant maintenance and debt service expenditures in other funds.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources. The total fund balance increased by \$59,428,548.80 in the current fiscal year to \$70,061,560.56 at June 30, 2007. The increase in fund balance is mainly comprised of unspent proceeds from the issuance of the \$145,000,000 Certificates of Participation, Series 2006, to be used for the new elementary school, middle school, ninth grade center, and two new high schools.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2006-07 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$15,161,780.96. At the same time, final appropriations increased by \$21,369,554.52 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 benefits costs, and to adjust planned expenditures based on actual resources needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are \$16,513,449.28 less than anticipated, mainly because instruction, operation of plant, day care and extended day care program, and salary and benefit expenditures were less than planned. Positive final budget balances include the amounts designated for school and department budgets, contractual requirements, and new school start-up costs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2007, is \$414,428,002.46 (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 new school construction on an elementary school, a middle school, a ninth grade center, and two high schools.

Additional information on the District's capital assets can be found in Notes 4 and 19 to the financial statements.

Long-Term Debt

At June 30, 2007, the District has total long-term debt outstanding of \$176,905,825.65 related to the construction and acquisition of capital assets. This amount is comprised of \$585,349.32 of Installment-Purchase Payable; \$485,476.33 of Obligation Under Capital Lease; \$156,950,000 of Certificates of Participation; \$7,700,000 of State School Bonds; and \$11,185,000 of District General Obligation Refunding Bonds. During the year, the District's long-term debt increased by a net amount of \$130,886,101.90, or 284 percent, mainly because of the issuance of

\$145,000,000 of Certificates of Participation, Series 2006. Additionally, the District participated in the issuance of State School Bonds in the amount of \$520,000 and retired debt totaling \$14,633,898.10.

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, 2007**

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 535,494.15	\$ 261,652.00
Investments	158,333,404.67	696,064.00
Accounts Receivable	661,904.64	234,506.00
Due from Component Units	82,466.00	
Due from Other Agencies	39,359,864.67	
Due from Excess Insurance Carrier	232,857.34	
Deposits Receivable		3,745.00
Prepaid Items		11,523.00
Inventories	436,432.77	120,496.00
Restricted Assets:		
Investments	13,532,611.88	
Capital Assets:		
Land	33,769,172.33	
Construction in Progress	106,195,034.32	
Improvements Other Than Buildings, Net	13,526,070.93	
Buildings and Fixed Equipment, Net	246,424,825.64	
Furniture, Fixtures, and Equipment, Net	8,287,800.92	1,358,730.00
Motor Vehicles, Net	5,036,757.34	48,418.00
Property Under Capital Lease, Net	400,338.58	
Audio Visual Materials and Computer Software, Net	788,002.40	
Leasehold Improvements, Net		1,439,299.00
TOTAL ASSETS	\$ 627,603,038.58	\$ 4,174,433.00
LIABILITIES		
Salaries and Benefits Payable	\$ 2,029,495.45	\$ 10,884.00
Payroll Deductions and Withholdings	294,808.72	
Accounts Payable	4,704,122.84	378,608.00
Construction Contracts Payable	10,152,349.13	
Construction Contracts Payable - Retainage	4,356,643.09	
Due to Primary Government		82,466.00
Due to Other Agencies	1,487,048.90	
Deferred Revenue		169,900.00
Matured Certificates of Participation Payable	10,000,000.00	
Matured Interest Payable	3,532,611.88	
Estimated Insurance Claims Payable	2,748,294.00	
Noncurrent Liabilities:		
Portion Due Within One Year:		
Estimated Insurance Claims Payable	863,303.06	
Note Payable		16,667.00
Installment-Purchase Payable	585,349.32	
Obligation Under Capital Lease	62,619.30	
Bonds Payable	4,095,000.00	
Certificates of Participation Payable	8,910,000.00	
Compensated Absences Payable	1,453,027.48	219,447.00
Postemployment Health Care Benefits Payable	1,102,183.00	
Portion Due After One Year:		
Estimated Insurance Claims Payable	1,840,696.94	
Note Payable		18,055.00
Obligation Under Capital Lease	422,857.03	
Certificates of Participation Payable	148,040,000.00	
Bonds Payable	14,790,000.00	
Compensated Absences Payable	16,676,787.48	917,940.00
Postemployment Health Care Benefits Payable	5,169,199.00	
Total Liabilities	243,316,396.62	1,813,967.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	304,856,960.30	2,811,725.00
Restricted for:		
State Categorical Programs	781,959.93	
Debt Service	4,266,522.90	
Capital Projects	70,721,183.30	
Unrestricted	3,660,015.53	(451,259.00)
Total Net Assets	384,286,641.96	2,360,466.00
TOTAL LIABILITIES AND NET ASSETS	\$ 627,603,038.58	\$ 4,174,433.00

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, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 125,637,855.56	\$ 679,625.91	\$	\$
Pupil Personnel Services	13,720,143.57			
Instructional Media Services	4,110,962.56			
Instruction and Curriculum Development Services	4,817,855.73			
Instructional Staff Training Services	2,434,479.78			
Instruction Related Technology	2,952,182.36			
Board of Education	885,706.84			
General Administration	742,816.54			
School Administration	13,040,279.57			
Facilities Acquisition and Construction	13,420,809.36			58,528,654.63
Fiscal Services	1,699,941.00			
Food Services	8,730,423.34	6,376,187.13	2,479,007.15	
Central Services	3,159,311.25	7,664,994.02		
Pupil Transportation Services	10,943,330.52	525,082.00	6,842,879.00	
Operation of Plant	18,508,657.26			
Maintenance of Plant	6,749,947.26			
Administrative Technology Services	702,651.24			
Community Services	3,168,830.42	2,888,019.95		
Interest on Long-Term Debt	6,844,500.50			813,329.24
Unallocated Depreciation Expenses	12,098,674.91			
Total Primary Government	\$ 254,369,359.57	\$ 18,133,909.01	\$ 9,321,886.15	\$ 59,341,983.87
Component Units				
Charter Schools	11,498,656.00	2,058,754.00	1,241,155.00	770,000.00
Education Foundation	195,499.00			
Total Component Units	\$ 11,694,155.00	\$ 2,058,754.00	\$ 1,241,155.00	\$ 770,000.00

General Revenues:

Taxes:

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

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2006
Adjustment to Restate Beginning Net Assets

Net Assets - July 1, 2006, Restated

Net Assets - June 30, 2007

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental Activities	Units
\$ (124,958,229.65)	\$
(13,720,143.57)	
(4,110,962.56)	
(4,817,855.73)	
(2,434,479.78)	
(2,952,182.36)	
(885,706.84)	
(742,816.54)	
(13,040,279.57)	
45,107,845.27	
(1,699,941.00)	
124,770.94	
4,505,682.77	
(3,575,369.52)	
(18,508,657.26)	
(6,749,947.26)	
(702,651.24)	
(280,810.47)	
(6,031,171.26)	
(12,098,674.91)	
<u>(167,571,580.54)</u>	
	(7,428,747.00)
	(195,499.00)
	<u>(7,624,246.00)</u>
121,464,047.20	
3,818,504.51	
42,847,382.98	
72,210,705.51	8,381,363.00
10,902,349.44	18,014.00
3,305,455.21	
<u>254,548,444.85</u>	<u>8,399,377.00</u>
86,976,864.31	775,131.00
297,309,777.65	1,656,171.00
	(70,836.00)
<u>297,309,777.65</u>	<u>1,585,335.00</u>
<u>\$ 384,286,641.96</u>	<u>\$ 2,360,466.00</u>

EXHIBIT - C
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash	\$ 326,374.04	\$	\$
Investments	22,687,335.26	13,867,120.66	2,628,408.09
Accounts Receivable	164,446.44		
Due from Other Funds	614,747.75		
Due from Other Agencies	485,812.58		37,703,812.00
Inventories	269,835.75		
Due from Component Units	82,466.00		
	<u>\$ 24,631,017.82</u>	<u>\$ 13,867,120.66</u>	<u>\$ 40,332,220.09</u>
TOTAL ASSETS			
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,791,571.56	\$	\$
Payroll Deductions and Withholdings	260,421.63		
Accounts Payable	1,018,220.30		
Construction Contracts Payable			170,051.51
Construction Contracts Payable - Retainage			1,133,813.95
Due to Other Agencies	1,484,467.00		
Due to Other Funds	167,993.05	334,364.52	
Matured Certificates of Participation Payable		10,000,000.00	
Matured Interest Payable		3,532,611.88	
	<u>4,722,673.54</u>	<u>13,866,976.40</u>	<u>1,303,865.46</u>
Total Liabilities			
Fund Balances:			
Reserved for:			
State Categorical Programs	781,959.93		
Encumbrances	620,735.59		24,488,361.22
Inventories	269,835.75		
Debt Service		144.26	
Unreserved:			
Designated, Reported in General Fund:			
School and Department Budgets	3,840,945.55		
Contractual Requirements	2,233,000.00		
New School Start-up Costs	4,000,000.00		
Undesignated, Reported in:			
General Fund	8,161,867.46		
Special Revenue Funds			
Capital Projects Funds			14,539,993.41
	<u>19,908,344.28</u>	<u>144.26</u>	<u>39,028,354.63</u>
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 24,631,017.82</u>	<u>\$ 13,867,120.66</u>	<u>\$ 40,332,220.09</u>

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 28,823,760.28	\$ 80,672,867.95	\$ 92,612.50	\$ 418,986.54
	334,364.52	7,413,175.80	156,092,668.04
	599,806.93	56,348.70	220,795.14
		570,433.16	949,112.27
		166,597.02	39,359,864.67
			436,432.77
			82,466.00
<u>\$ 28,823,760.28</u>	<u>\$ 81,607,039.40</u>	<u>\$ 8,299,167.18</u>	<u>\$ 197,560,325.43</u>
\$ 1,445,410.49	\$ 8,405,515.48	\$ 237,923.89	\$ 2,029,495.45
82,865.78	3,139,963.36	34,387.09	294,808.72
		213,904.69	1,232,124.99
		131,371.65	10,152,349.13
		2,581.90	4,356,643.09
		155,813.82	1,487,048.90
			658,171.39
			10,000,000.00
			3,532,611.88
<u>1,528,276.27</u>	<u>11,545,478.84</u>	<u>775,983.04</u>	<u>33,743,253.55</u>
4,867,133.59	46,686,224.42	979,957.45	781,959.93
		166,597.02	77,642,412.27
		4,266,378.64	436,432.77
			4,266,522.90
			3,840,945.55
			2,233,000.00
			4,000,000.00
			8,161,867.46
		1,390,403.14	1,390,403.14
<u>22,428,350.42</u>	<u>23,375,336.14</u>	<u>719,847.89</u>	<u>61,063,527.86</u>
<u>27,295,484.01</u>	<u>70,061,560.56</u>	<u>7,523,184.14</u>	<u>163,817,071.88</u>
<u>\$ 28,823,760.28</u>	<u>\$ 81,607,039.40</u>	<u>\$ 8,299,167.18</u>	<u>\$ 197,560,325.43</u>

EXHIBIT - D
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds \$ 163,817,071.88

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. 414,428,002.46

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. 7,348,590.23

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

Obligation Under Capital Lease	\$ 485,476.33	
Installment-Purchase Payable	585,349.32	
Bonds Payable	18,885,000.00	
Certificates of Participation Payable	156,950,000.00	
Compensated Absences Payable	18,129,814.96	
Postemployment Health Care Benefits Payable	<u>6,271,382.00</u>	<u>(201,307,022.61)</u>

Total Net Assets - Governmental Activities **\$ 384,286,641.96**

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, 2007

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 355,954.27	\$	\$
Federal Through State			
State	68,384,704.10		39,981,423.00
Local	<u>130,515,490.57</u>	<u>58,233.52</u>	<u>162,389.74</u>
Total Revenues	<u>199,256,148.94</u>	<u>58,233.52</u>	<u>40,143,812.74</u>
Expenditures			
Current - Education:			
Instruction	116,250,376.32		
Pupil Personnel Services	10,282,269.86		
Instructional Media Services	3,844,829.07		
Instruction and Curriculum Development Services	2,868,185.91		
Instructional Staff Training Services	1,214,891.69		
Instruction Related Technology	2,842,737.23		
Board of Education	870,942.02		
General Administration	444,769.84		
School Administration	12,366,880.25		
Facilities Acquisition and Construction	2,636,531.23		1,565,938.01
Fiscal Services	1,627,535.78		
Food Services			
Central Services	3,054,050.96		
Pupil Transportation Services	9,680,586.94		
Operation of Plant	18,136,820.59		
Maintenance of Plant	6,511,003.41		
Administrative Technology Services	688,400.27		
Community Services	3,026,863.96		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			6,442,292.55
Other Capital Outlay	891,811.47		
Debt Service:			
Principal		10,000,000.00	
Interest and Fiscal Charges		<u>6,422,400.13</u>	
Total Expenditures	<u>197,239,486.80</u>	<u>16,422,400.13</u>	<u>8,008,230.56</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,016,662.14</u>	<u>(16,364,166.61)</u>	<u>32,135,582.18</u>
Other Financing Sources (Uses)			
Transfers In	9,116,114.56	16,364,310.87	
Bonds Issued			
Discount on Bonds			
Certificates of Participation Issued			
Premium on Certificates of Participation			
Discount on Certificates of Participation			
Insurance Loss Recoveries	1,113.04		
Transfers Out			
Total Other Financing Sources (Uses)	<u>9,117,227.60</u>	<u>16,364,310.87</u>	
Net Change in Fund Balances	<u>11,133,889.74</u>	<u>144.26</u>	<u>32,135,582.18</u>
Fund Balances, July 1, 2006	11,183,454.54		6,892,772.45
Adjustment to Restate Beginning Fund Balances	<u>(2,409,000.00)</u>		
Fund Balances, July 1, 2006, Restated	<u>8,774,454.54</u>		<u>6,892,772.45</u>
Fund Balances, June 30, 2007	<u>\$ 19,908,344.28</u>	<u>\$ 144.26</u>	<u>\$ 39,028,354.63</u>

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		945,855.13	1,301,809.40
		11,716,499.16	11,716,499.16
	81,990.29	1,114,917.27	109,563,034.66
<u>44,336,647.64</u>	<u>14,665,980.01</u>	<u>10,670,124.91</u>	<u>200,408,866.39</u>
<u>44,336,647.64</u>	<u>14,747,970.30</u>	<u>24,447,396.47</u>	<u>322,990,209.61</u>
		3,923,362.18	120,173,738.50
		2,780,966.65	13,063,236.51
		71,846.56	3,916,675.63
		1,719,557.61	4,587,743.52
		1,152,329.34	2,367,221.03
			2,842,737.23
			870,942.02
		279,577.58	724,347.42
		35,621.94	12,402,502.19
8,235,604.27	930,506.25	4,980.78	13,373,560.54
			1,627,535.78
		8,519,479.41	8,519,479.41
			3,054,050.96
		53,532.76	9,734,119.70
		1,058.98	18,137,879.57
		4,620.46	6,515,623.87
			688,400.27
			3,026,863.96
6,389,585.30	99,735,133.56	356,399.15	112,923,410.56
		545,127.32	1,436,938.79
628,898.10		4,005,000.00	14,633,898.10
52,192.00	1,429,208.29	713,498.02	8,617,298.44
<u>15,306,279.67</u>	<u>102,094,848.10</u>	<u>24,166,958.74</u>	<u>363,238,204.00</u>
<u>29,030,367.97</u>	<u>(87,346,877.80)</u>	<u>280,437.73</u>	<u>(40,247,994.39)</u>
			25,480,425.43
		520,000.00	520,000.00
		(2,628.66)	(2,628.66)
	145,000,000.00		145,000,000.00
	2,218,816.10		2,218,816.10
	(443,389.50)		(443,389.50)
			1,113.04
<u>(25,143,799.43)</u>	<u></u>	<u>(336,626.00)</u>	<u>(25,480,425.43)</u>
<u>(25,143,799.43)</u>	<u>146,775,426.60</u>	<u>180,745.34</u>	<u>147,293,910.98</u>
<u>3,886,568.54</u>	<u>59,428,548.80</u>	<u>461,183.07</u>	<u>107,045,916.59</u>
<u>23,408,915.47</u>	<u>10,633,011.76</u>	<u>7,062,001.07</u>	<u>59,180,155.29</u>
<u>23,408,915.47</u>	<u>10,633,011.76</u>	<u>7,062,001.07</u>	<u>(2,409,000.00)</u>
<u>23,408,915.47</u>	<u>10,633,011.76</u>	<u>7,062,001.07</u>	<u>56,771,155.29</u>
<u>\$ 27,295,484.01</u>	<u>\$ 70,061,560.56</u>	<u>\$ 7,523,184.14</u>	<u>\$ 163,817,071.88</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, 2007

Net Change in Fund Balances - Governmental Funds \$ 107,045,916.59

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.	101,427,595.81
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.	10,153,086.10
Long-term debt proceeds are reported as other financing sources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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. Government-wide statements are affected only to the extent these amounts differ.	(130,886,101.90)
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.	(1,420,937.83)
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.	(3,219,064.00)
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.	3,876,369.54
Change in Net Assets - Governmental Activities	<u><u>\$ 86,976,864.31</u></u>

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
June 30, 2007

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash	\$	116,507.61
Investments		15,773,348.51
Accounts Receivable		40,625.47
Due From Other Funds		145,119.05
Due From Excess Insurance Carrier		232,857.34
		232,857.34
TOTAL ASSETS	\$	16,308,457.98
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	3,449,123.85
Due To Other Funds		58,449.90
Estimated Insurance Claims Payable		3,611,597.06
		3,611,597.06
Total Current Liabilities		7,119,170.81
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,840,696.94
		1,840,696.94
TOTAL LIABILITIES		8,959,867.75
NET ASSETS		
Unrestricted		7,348,590.23
		7,348,590.23
TOTAL LIABILITIES AND NET ASSETS	\$	16,308,457.98

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, 2007

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	\$ 28,069,549.13
OPERATING EXPENSES	
Insurance Claims	20,557,996.31
Excess Insurance Premiums	1,418,751.52
Employee Disability Purchased Insurance	176,877.70
Fees and Other	2,576,375.17
Total Operating Expenses	24,730,000.70
Operating Income	3,339,548.43
NONOPERATING REVENUES	
Interest	536,821.11
Change in Net Assets	3,876,369.54
Total Net Assets, July 1, 2006	3,472,220.69
Total Net Assets, June 30, 2007	\$ 7,348,590.23

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, 2007

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$	28,069,549.13
Cash Payments to Vendors for Goods and Services		(3,799,098.99)
Cash Payments for Insurance Claims		(20,257,566.31)
		4,012,883.83
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(10,608,458.45)
Proceeds from Sale of Investments		5,694,810.69
Interest Income		536,821.11
		(4,376,826.65)
Net Cash Used by Investing Activities		
Net Decrease in Cash		(363,942.82)
Cash, Beginning of Year		480,450.43
		116,507.61
Cash, End of Year		
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$	3,339,548.43
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(5,423.16)
Increase in Due from Excess Insurance Carrier		(213,997.56)
Increase in Due from Other Funds		(145,119.05)
Increase in Accounts Payable		678,995.27
Increase in Due to Other Funds		58,449.90
Increase in Estimated Insurance Claims Payable		300,430.00
		673,335.40
Total Adjustments		
Net Cash Provided by Operating Activities		\$ 4,012,883.83
		4,012,883.83

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, 2007

	Agency Funds
ASSETS	
Cash	\$ 2,529,727.00
Due from Other Funds	22,874.00
	\$ 2,552,601.00
LIABILITIES	
Due to Other Funds	\$ 400,484.03
Internal Accounts Payable	2,152,116.97
	\$ 2,552,601.00

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, 2007

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 District's other component units as follows:

The St. Johns County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property, and to make expenditures to, or for the benefit of, public prekindergarten through twelfth grade education in St. Johns County. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the Foundation for the fiscal year ended June 30, 2007, which are filed in the District's administrative offices.

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, 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 charter school and center was derived from the audited financial statements for the fiscal year ended June 30, 2007, which are filed in the District's administrative offices.

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation 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 long-term certificates of participation.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources received from the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction, remodeling, renovation, maintenance, repairs, and site improvements.

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

- 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 and an installment purchase for personal computers.
- Capital Projects – Other Capital Projects Fund – to account mainly for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects

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

- Internal Service Funds – to account for the District's self-insured health and hospitalization programs, which include medical, dental, and vision plans, and the District's self-insured workers' compensation program.
- 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 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, 2007

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

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, vision, and workers' compensation 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.

➤ **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. This 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, 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

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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:

<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

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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.

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 an allocation under the Class Size Reduction Construction 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 2006 tax levy on September 12, 2006. 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.

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

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

➤ **Educational Impact Fees**

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➤ **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.

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

As shown in Note 21, the following Internal Service Fund has a deficit net asset balance at June 30, 2007:

	Net Assets 7-1-06	Change in Net Assets Fiscal Year 2006-07	Net Assets 6-30-07
Health and Hospitalization - Group Dental Self-Insurance Fund	\$(186,884.75)	\$(408,920.93)	\$(595,805.68)

The decrease in the Health and Hospitalization – Group Dental Self-Insurance Fund’s net assets resulted from increased claims expenses relative to premium revenues. To restore a positive balance, the District is planning to reduce the contribution for the medical plan by \$30 and increase the contribution for the dental plan by \$30 during the 2007-08 fiscal year. Collectively, the self-insured medical, dental, and vision funds had a positive net asset balance of \$6,701,782.78 at June 30, 2007.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, certain intergovernmental investment pools, certain money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts in a qualified public depository, and direct obligations of the U.S. Treasury.

Investments with a fair value of \$171,660,604.58 at June 30, 2007, are in the Local Government Surplus Funds Trust Fund Investment Pool with an average maturity of 27 days. These investments include \$81,201,904.15 held by a trustee under a trust agreement, in the name of the District, in connection with the Certificates of Participation financing arrangements (see Note 7). As of June 30, 2007, the District’s investment in the Local Government Surplus Funds Trust Fund Investment Pool is unrated.

In addition, the District reports investments totaling \$205,411.97 at June 30, 2007, 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, 2007

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 19,621,289.38	\$ 14,147,882.95	\$	\$ 33,769,172.33
Construction in Progress	4,001,496.30	102,193,538.02		106,195,034.32
Total Capital Assets Not Being Depreciated	23,622,785.68	116,341,420.97		139,964,206.65
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	23,856,559.63	334,678.44	23,773.74	24,167,464.33
Buildings and Fixed Equipment	329,885,222.12	2,175,155.22	59,766.29	332,000,611.05
Furniture, Fixtures, and Equipment	30,178,808.70	2,681,040.11	5,529,134.51	27,330,714.30
Motor Vehicles	9,968,010.92	2,523,375.00	437,878.79	12,053,507.13
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	4,227,434.33	457,765.71	438,499.84	4,246,700.20
Total Capital Assets Being Depreciated	398,783,266.70	8,172,014.48	6,489,053.17	400,466,228.01
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,833,306.88	831,860.26	23,773.74	10,641,393.40
Buildings and Fixed Equipment	78,178,919.29	7,456,632.41	59,766.29	85,575,785.41
Furniture, Fixtures, and Equipment	21,106,489.36	3,465,558.53	5,529,134.51	19,042,913.38
Motor Vehicles	6,620,549.95	834,078.63	437,878.79	7,016,749.79
Property Under Capital Lease	200,169.32	66,723.10		266,892.42
Audio Visual Materials and Computer Software	3,619,297.03	277,900.61	438,499.84	3,458,697.80
Total Accumulated Depreciation	119,558,731.83	12,932,753.54	6,489,053.17	126,002,432.20
Total Capital Assets Being Depreciated, Net	279,224,534.87	(4,760,739.06)		274,463,795.81
Governmental Activities Capital Assets, Net	\$ 302,847,320.55	\$ 111,580,681.91	\$ 0.00	\$ 414,428,002.46

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	\$ 834,078.63
Unallocated	12,098,674.91
Total Depreciation Expenses - Governmental Activities	\$12,932,753.54

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 4.1 percent. The District's final annual installment-purchase payment, comprised of principal and interest of \$585,349.32 and \$24,510.31, respectively, totaling \$609,859.63, is due on February 1, 2008.

6. OBLIGATION UNDER CAPITAL LEASE

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	81,904.44	74,111.98	7,792.46
2013-2014	<u>150,158.14</u>	<u>144,252.98</u>	<u>5,905.16</u>
Total Minimum Lease Payments	<u>\$ 559,680.34</u>	<u>\$ 485,476.33</u>	<u>\$ 74,204.01</u>

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2007, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2003A	\$ 18,415,000	2.35 - 4.10	2018	\$ 23,230,000
Series 2006	<u>138,535,000</u>	3.75 - 5.25	2021	145,000,000
Total Certificates of Participation	<u>\$ 156,950,000</u>			

The District entered into a master financing arrangement on November 15, 2003, characterized as a lease purchase agreement, with the St. Johns County School Board Leasing Corporation whereby the District

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secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

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

A summary of the lease terms are as follows:

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

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

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

The lease payments are payable by the District, semiannually, on July 1 and January 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates. The following is a schedule by years of future minimum lease payments under the lease agreements 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>
2008	\$ 15,645,924	\$ 8,910,000	\$ 6,735,924
2009	15,647,871	9,245,000	6,402,871
2010	15,648,634	9,585,000	6,063,634
2011	15,646,546	9,940,000	5,706,546
2012	15,643,216	10,345,000	5,298,216
2013-2017	78,241,443	58,555,000	19,686,443
2018-2021	<u>56,358,635</u>	<u>50,370,000</u>	<u>5,988,635</u>
Total Minimum Lease Payments	<u>\$ 212,832,269</u>	<u>\$ 156,950,000</u>	<u>\$ 55,882,269</u>

8. BONDS PAYABLE

Bonds payable at June 30, 2007, 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)	\$ 195,000	4.5	2008
Series 1999A	1,115,000	4.00 - 4.75	2019
Series 2000A (Partially Refunded)	370,000	5.000 - 5.125	2010
Series 2003A	510,000	3.00 - 4.25	2023
Series 2004A	705,000	3.000 - 4.625	2024
Series 2005A	250,000	4.0 - 5.0	2025
Series 2005B, Refunding	4,050,000	5.0	2020
Series 2006A	505,000	4.0 - 5.0	2026
District General Obligation Bonds:			
Refunding Bonds, Series 2003	<u>11,185,000</u>	2.0 - 4.5	2010
Total Bonds Payable	<u>\$ 18,885,000</u>		

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

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve 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, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	\$ 816,908.75	\$ 455,000.00	\$ 361,908.75
2009	831,783.75	490,000.00	341,783.75
2010	828,921.25	510,000.00	318,921.25
2011	809,883.75	515,000.00	294,883.75
2012	815,728.75	545,000.00	270,728.75
2013-2017	4,115,085.00	3,180,000.00	935,085.00
2018-2022	1,857,717.50	1,610,000.00	247,717.50
2023-2026	<u>430,012.50</u>	<u>395,000.00</u>	<u>35,012.50</u>
Total State School Bonds	<u>10,506,041.25</u>	<u>7,700,000.00</u>	<u>2,806,041.25</u>
District General Obligation Bonds:			
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>11,674,206.25</u>	<u>11,185,000.00</u>	<u>489,206.25</u>
Total	<u>\$ 22,180,247.50</u>	<u>\$ 18,885,000.00</u>	<u>\$ 3,295,247.50</u>

9. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 1998A and 2000A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for all future debt service payments on the old State School Bonds. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2007, State School Bonds, Series 1998A and 2000A, totaling \$2,740,000 and \$1,450,000, outstanding respectively, are considered defeased in substance.

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10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 2,409,000.00	\$ 1,158,303.06	\$ 863,303.06	\$ 2,704,000.00	\$ 863,303.06
Installment-Purchase Payable	1,162,966.82		577,617.50	585,349.32	585,349.32
Obligation Under Capital Lease	536,756.93		51,280.60	485,476.33	62,619.30
Bonds Payable	22,370,000.00	520,000.00	4,005,000.00	18,885,000.00	4,095,000.00
Certificates of Participation Payable	21,950,000.00	145,000,000.00	10,000,000.00	156,950,000.00	8,910,000.00
Compensated Absences Payable	16,708,877.13	2,873,965.31	1,453,027.48	18,129,814.96	1,453,027.48
Postemployment Health Care Benefits Payable	3,052,318.00	4,321,247.00	1,102,183.00	6,271,382.00	1,102,183.00
Total Governmental Activities	\$ 68,189,918.88	\$ 153,873,515.37	\$ 18,052,411.64	\$ 204,011,022.61	\$ 17,071,482.16

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. For the governmental activities, compensated absences are generally liquidated with resources of the General Fund, and postemployment health care benefits are generally liquidated with resources of the General and Special Revenue Funds. The estimated insurance claims are generally liquidated with resources of the Workers' Compensation Liability Program Internal Service 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 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

12. ADJUSTMENTS TO BEGINNING NET ASSETS AND FUND BALANCES

Effective with the 2006-07 fiscal year, the District established an Internal Service Fund to account for its workers' compensation coverage. The District previously accounted for its self-insured workers' compensation coverage in the General Fund. In connection with this accounting change, the District transferred the workers' compensation general long-term liability for estimated insurance claims payable

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totaling \$2,409,000 as of July 1, 2006, to the Internal Service Funds, along with an equal amount of General Fund assets to fully fund the liability. This change had the effect of reducing the fund balance in the District's General Fund by \$2,409,000, and increasing assets and estimated insurance claims payable by \$2,409,000 in the Internal Service Funds as of July 1, 2006. The change had no net effect on the net assets of the Internal Service Funds or the government-wide statement of net assets.

As of July 1, 2006, the beginning net assets of the First Coast Technical Institute, Inc., a discretely presented component unit, was reduced by \$70,836 to recognize an increase in the capitalization threshold for certain capital assets from \$500 to \$1,000.

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 614,747.75	\$ 167,993.05
Debt Service - Other Debt Service		334,364.52
Capital Projects - Other Capital Projects	334,364.52	
Nonmajor Governmental		155,813.82
Internal Service	145,119.05	58,449.90
Agency	22,874.00	400,484.03
Total	\$ 1,117,105.32	\$ 1,117,105.32

The interfund amounts represent temporary loans, such as extended day care collections in the Agency Funds and expenditures paid on behalf of other funds due to the General Fund; correction of debt issuance entries between the capital projects and debt service funds; and insurance related deductions and expenditures due to the Internal Service Funds. These amounts are expected to be repaid within one year.

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

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Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 9,116,114.56	\$
Debt Service - Other Debt Service	16,364,310.87	
Capital Projects - Local Capital Improvement		25,143,799.43
Nonmajor Governmental		336,626.00
Total	<u>\$ 25,480,425.43</u>	<u>\$ 25,480,425.43</u>

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects – Local Capital Improvement Fund were to provide for debt service payments and to fund certain expenditures of the District’s facilities, information technology, and maintenance departments. The remaining transfers between funds were operational in nature.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2006-07 fiscal year:

Source	Amount
Categorical Educational Programs:	
Class Size Reduction	\$ 20,993,265.00
Transportation	6,842,879.00
Instructional Materials	2,943,399.00
School Recognition Funds	1,935,043.00
Excellent Teaching Program	737,354.98
Other	845,608.60
Class Size Reduction Construction	31,918,185.00
Florida Education Finance Program	25,290,894.00
Gross Receipts Tax (Public Education Capital Outlay)	8,063,238.00
Workforce Development Program	6,710,912.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,067,328.56
Discretionary Lottery Funds	1,064,346.00
Mobile Home License Tax	83,386.11
Food Service Supplement	62,929.12
Miscellaneous	<u>1,004,266.29</u>
Total	<u>\$ 109,563,034.66</u>

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

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

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	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.031	\$ 111,325,344.38
Basic Discretionary Local Effort	0.510	11,285,216.78
Supplemental Discretionary Local Effort	0.128	2,832,368.13
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1		
Interest and Sinking	0.180	3,983,017.69
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	44,255,752.09
Total	7.849	\$173,681,699.07

16. 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

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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 2006-07 fiscal year, contribution rates were as follows:

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$6,805,069.33, \$8,570,770.96, and \$10,727,186.28, 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 FRS 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 418 District participants in the PEORP during the 2006-07 fiscal year. Required employer contributions made to the PEORP for the fiscal year ending June 30, 2007, totaled \$1,299,879.14.

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,

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required supplementary information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

17. SPECIAL TERMINATION BENEFITS

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

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

In addition to payments for accrued leave and regular termination benefits, the District reported expenditures for special termination benefits totaling \$883,072.63 during 2006-07 fiscal year.

18. POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District or its major component unit, First Coast Technical 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 because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. Benefits under the plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for

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the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Funding Policy. For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefits (OPEB) costs or the net OPEB obligation. For the 2006-07 fiscal year, 294 retirees received postemployment health care benefits. The District provided required contributions of \$1,102,183 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$951,253.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 2,248,217
Amortization of Unfunded Actuarial Accrued Liability	1,770,937
Interest on Normal Cost and Amortization	<u>359,720</u>
Annual Required Contribution	4,378,874
Interest on Net OPEB Obligation	122,093
Adjustment to Annual Required Contribution	<u>(179,720)</u>
Annual OPEB Cost (Expense)	4,321,247
Contribution Toward the OPEB Cost	<u>(1,102,183)</u>
Increase in Net OPEB Obligation	3,219,064
Net OPEB Obligation, Beginning of Year	<u>3,052,318</u>
Net OPEB Obligation, End of Year	<u><u>\$ 6,271,382</u></u>

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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, 2007, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-05	\$ -0-	\$		\$ -0-
2005-06	3,928,080	875,762	22.29%	3,052,318
2006-07	4,321,247	1,102,183	25.51%	6,271,382

Funded Status and Funding Progress. As of June 30, 2006, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$47,133,660, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$47,133,660. The covered payroll (annual payroll of active participating employees) was \$74,022,750, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.67 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 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2006. Additionally, the entry age normal cost actuarial method was used to estimate the District's 2006-07 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost

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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 unfunded actuarial accrued liability was amortized over 29 years in calculating the District's 2006-07 fiscal year annual required contribution.

19. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Bartram Trail 9th Grade Center:			
Architect	\$ 595,374.00	\$ 581,323.00	\$ 14,051.00
Contractor	9,524,244.54	8,907,891.08	616,353.46
Direct Purchases	2,488,755.46	2,230,077.47	258,677.99
Wards Creek Elementary School:			
Architect	379,642.00	378,209.90	1,432.10
Contractor	9,321,175.48	8,843,430.41	477,745.07
Direct Purchases	5,577,824.52	4,656,705.38	921,119.14
Pacetti Bay Middle School:			
Architect	990,000.00	961,092.00	28,908.00
Contractor	20,010,171.95	18,811,205.92	1,198,966.03
Direct Purchases	7,770,961.40	7,770,961.40	
Ponte Vedra High School:			
Architect	1,997,500.00	1,544,067.50	453,432.50
Contractor	51,255,000.00	10,204,325.59	41,050,674.41
Direct Purchases	9,395,000.00	2,238,219.86	7,156,780.14
Creekside High School:			
Architect	2,040,000.00	1,828,880.04	211,119.96
Contractor	37,336,779.00	23,096,776.48	14,240,002.52
Direct Purchases	10,817,220.40	6,539,607.85	4,277,612.55
Fullerwood Remodeling:			
Architect	69,875.00	62,887.50	6,987.50
Contractor	2,265,000.00	337,316.17	1,927,683.83
Crookshank Transportation Phase II:			
Architect	78,000.00	70,810.00	7,190.00
Contractor	1,068,300.00	862,337.88	205,962.12
New K-8 School "GG":			
Architect	811,800.00	463,320.00	348,480.00
Julington Creek Elementary Additions:			
Architect	795,600.00	605,880.00	189,720.00
Total	\$ 174,588,223.75	\$ 100,995,325.43	\$ 73,592,898.32

20. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Preferred Governmental Insurance Trust (Trust) under which local governmental entities have established a combined

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 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 \$150,000 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 by covered current and former employees and retirees of the Board and the First Coast Technical Institute, Inc.

A liability in the amount of \$2,748,294 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2007, 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:

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	\$ 4,027,037.00	\$ 15,101,425.40	\$ (16,385,598.40)	\$ 2,742,864.00
2006-07	2,742,864.00	19,399,693.25	(19,394,263.25)	2,748,294.00

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. Effective July 1, 2006, the program was administered through the Internal Service Funds.

A workers' compensation program liability of \$2,704,000 was actuarially determined to cover the District's liability under its policies at June 30, 2007, and is reported net of excess insurance recoverable on unpaid claims. Because the Internal Service Funds predominately serve the governmental funds, the long-term workers' compensation program liability is reported as a noncurrent liability in the government-wide statement of net assets.

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
2005-06	\$ 2,513,651.06	\$ 752,733.67	\$ (857,384.73)	\$ 2,409,000.00
2006-07	2,409,000.00	1,158,303.06	(863,303.06)	2,704,000.00

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

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

21. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2006-07 fiscal year:

	Self-Insurance Funds				Total
	Health and Hospitalization			Workers' Compensation Liability Insurance	
	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance		
Total Assets	\$ 12,342,879.63	\$ 5,359.62	\$ 559,704.28	\$ 3,400,514.45	\$ 16,308,457.98
Liabilities and Net Assets:					
Accounts Payable	\$ 3,080,901.47	\$ 296,634.40	\$ 21,880.98	\$ 49,707.00	\$ 3,449,123.85
Due to Other Funds		58,449.90			58,449.90
Estimated Insurance Claims Payable	2,446,221.00	246,081.00	55,992.00	2,704,000.00	5,452,294.00
Unrestricted Net Assets	6,815,757.16	(595,805.68)	481,831.30	646,807.45	7,348,590.23
Total Liabilities and Net Assets	\$ 12,342,879.63	\$ 5,359.62	\$ 559,704.28	\$ 3,400,514.45	\$ 16,308,457.98
Revenues:					
Insurance Premiums	\$ 23,664,150.47	\$ 1,313,914.59	\$ 440,251.40	\$ 2,651,232.67	\$ 28,069,549.13
Interest Income	469,447.48	1,815.56	26,947.68	38,610.39	536,821.11
Total Revenues	24,133,597.95	1,315,730.15	467,199.08	2,689,843.06	28,606,370.24
Total Expenses	(20,514,769.64)	(1,724,651.08)	(447,544.37)	(2,043,035.61)	(24,730,000.70)
Change in Net Assets	\$ 3,618,828.31	\$ (408,920.93)	\$ 19,654.71	\$ 646,807.45	\$ 3,876,369.54

22. COMPONENT UNITS

As discussed in Note 1, the District had three component units, the ABLE School, Inc., charter school, the First Coast Technical Institute, Inc., charter technical career center, and the St. Johns County Education Foundation, Inc. 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, 2007, 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, 2007

STATEMENT OF NET ASSETS
ALL COMPONENT UNITS

	Charter Schools		St. Johns County Education Foundation, Inc.	Total
	ABLE School, Inc.	First Coast Technical Institute, Inc.		
ASSETS				
Cash	\$ 49,226	\$ 38,672	\$ 173,754	\$ 261,652
Investments		696,064		696,064
Accounts Receivable		234,506		234,506
Inventories		120,496		120,496
Deposits Receivable	3,745			3,745
Prepaid Items	8,212	3,311		11,523
Capital Assets:				
Furniture, Fixtures, and Equipment, Net	30,977	1,327,753		1,358,730
Motor Vehicles, Net		48,418		48,418
Leasehold Improvements, Net	52,219	1,387,080		1,439,299
TOTAL ASSETS	\$ 144,379	\$ 3,856,300	\$ 173,754	\$ 4,174,433
LIABILITIES				
Salaries and Benefits Payable	\$ 10,884	\$	\$	\$ 10,884
Accounts Payable	8,319	370,289		378,608
Due to Primary Government	8,486	73,980		82,466
Deferred Revenue		169,900		169,900
Noncurrent Liabilities:				
Portion Due Within One Year:				
Note Payable	16,667			16,667
Compensated Absences Payable		219,447		219,447
Portion Due After One Year:				
Note Payable	18,055			18,055
Compensated Absences Payable		917,940		917,940
Total Liabilities	62,411	1,751,556	173,754	1,813,967
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	48,474	2,763,251		2,811,725
Unrestricted	33,494	(658,507)	173,754	(451,259)
Total Net Assets	81,968	2,104,744	173,754	2,360,466
TOTAL LIABILITIES AND NET ASSETS	\$ 144,379	\$ 3,856,300	\$ 173,754	\$ 4,174,433

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

STATEMENT OF ACTIVITIES
ALL COMPONENT UNITS

	Charter Schools		St. Johns County Education Foundation, Inc.	Total
	ABLE School, Inc.	First Coast Technical Institute, Inc.		
EXPENSES				
Instruction	\$ 328,551	\$ 4,775,162	\$ 166,627	\$ 5,270,340
Pupil Personnel Services		2,349,806		2,349,806
Instruction and Curriculum Development Services	7,674	1,261		8,935
General Administration	244,684		28,872	273,556
School Administration		677,868		677,868
Fiscal and Community Services		1,427,091		1,427,091
Central Services		176,099		176,099
Operation of Plant		1,168,328		1,168,328
Maintenance of Plant		342,132		342,132
Total Expenses	580,909	10,917,747	195,499	11,694,155
PROGRAM REVENUES				
Charges for Services	9,150	2,049,604		2,058,754
Operating Grants and Contributions		1,241,155		1,241,155
Capital Grants and Contributions		770,000		770,000
Total Program Revenues	9,150	4,060,759		4,069,909
Net Expense	(571,759)	(6,856,988)	(195,499)	(7,624,246)
GENERAL REVENUES				
Grants and Contributions, Not Restricted to Specific Programs	657,015	7,536,344	188,004	8,381,363
Unrestricted Investment Earnings		14,133	3,881	18,014
Total General Revenues	657,015	7,550,477	191,885	8,399,377
Change in Net Assets	85,256	693,489	(3,614)	775,131
Net Assets - July 1, 2006	(3,288)	1,482,091	177,368	1,656,171
Adjustment to Restate Beginning Net Assets		(70,836)		(70,836)
Net Assets - July 1, 2006, Restated	(3,288)	1,411,255	177,368	1,585,335
Net Assets - June 30, 2007	\$ 81,968	\$ 2,104,744	\$ 173,754	\$ 2,360,466

EXHIBIT - K (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

23. 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.

24. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the District had \$171,660,604.58 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 28, 2007, the District withdrew all funds invested from the Pool.

EXHIBIT - L
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 203,060.00	\$ 355,954.27	\$ 355,954.27	\$
Federal Through State	350,000.00	893,782.12	893,782.12	(893,782.12)
State	61,671,643.00	68,381,860.52	68,384,704.10	2,843.58
Local	121,880,588.00	129,635,475.05	130,515,490.57	880,015.52
Total Revenues	184,105,291.00	199,267,071.96	199,256,148.94	(10,923.02)
Expenditures				
Current - Education:				
Instruction	116,951,839.06	127,606,504.08	116,250,376.32	11,356,127.76
Pupil Personnel Services	10,180,708.00	10,590,853.29	10,282,269.86	308,583.43
Instructional Media Services	3,940,376.00	3,952,700.70	3,844,829.07	107,871.63
Instruction and Curriculum Development Services	2,804,738.00	2,903,408.76	2,868,185.91	35,222.85
Instructional Staff Training Services	278,350.00	1,541,420.62	1,214,891.69	326,528.93
Instruction Related Technology	2,139,304.00	2,904,290.61	2,842,737.23	61,553.38
Board of Education	879,200.00	953,369.55	870,942.02	82,427.53
General Administration	394,507.00	479,247.04	444,769.84	34,477.20
School Administration	12,219,930.50	12,670,970.09	12,366,880.25	304,089.84
Facilities Acquisition and Construction	2,885,673.00	3,108,428.33	2,636,531.23	471,897.10
Fiscal Services	1,573,855.00	1,679,554.74	1,627,535.78	52,018.96
Central Services	2,408,443.00	3,369,092.06	3,054,050.96	315,041.10
Pupil Transportation Services	8,924,740.00	9,750,649.64	9,680,586.94	70,062.70
Operation of Plant	18,489,598.44	19,052,759.04	18,136,820.59	915,938.45
Maintenance of Plant	6,515,124.56	6,728,312.43	6,511,003.41	217,309.02
Administrative Technology Services	1,667,990.00	1,553,878.77	688,400.27	865,478.50
Community Services	129,005.00	4,015,684.86	3,026,863.96	988,820.90
Other Capital Outlay		891,811.47	891,811.47	
Total Expenditures	192,383,381.56	213,752,936.08	197,239,486.80	16,513,449.28
Excess (Deficiency) of Revenues Over Expenditures	(8,278,090.56)	(14,485,864.12)	2,016,662.14	16,502,526.26
Other Financing Sources (Uses)				
Operating Transfers In	8,778,090.56	9,818,716.56	9,116,114.56	(702,602.00)
Insurance Loss Recoveries			1,113.04	1,113.04
Operating Transfers Out		(67,000.00)		67,000.00
Total Other Financing Sources (Uses)	8,778,090.56	9,751,716.56	9,117,227.60	(634,488.96)
Net Change in Fund Balances	500,000.00	(4,734,147.56)	11,133,889.74	15,868,037.30
Fund Balances, July 1, 2006		8,818,580.54	11,183,454.54	2,364,874.00
Adjustment to Restate Beginning Fund Balances			(2,409,000.00)	(2,409,000.00)
Fund Balances, July 1, 2006, Restated		8,818,580.54	8,774,454.54	(44,126.00)
Fund Balances, June 30, 2007	\$ 500,000.00	\$ 4,084,432.98	\$ 19,908,344.28	\$ 15,823,911.30

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



DAVID W. MARTIN, CPA
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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, 2007, 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 did note certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** and the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA
March 17, 2008



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS 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's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - 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 \$1,313,507 in Federal Awards which is not included in the accompanying Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2007. 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 compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and*

Non-Profit Organizations. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures did disclose some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 through 5.

Internal Control Over Compliance

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

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** as Federal Awards Finding Nos. 1 and 3 to be significant deficiencies.

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

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA
March 17, 2007

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

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	\$ 415,395.14	\$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	447,964.89	
National School Lunch Program	10.555	300	1,571,918.86	
Summer Food Service Program for Children	10.559	323	8,663.25	
Total Child Nutrition Cluster			2,028,547.00	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A1927	9,839.05	
Total United States Department of Agriculture			2,453,781.19	
United States Department of Labor:				
Indirect:				
First Coast Workforce Development, Inc.:				
WIA Youth Activities	17.259	None	201,173.00	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	4,340,068.30	
Special Education - Preschool Grants	84.173	267	67,819.41	
Total Special Education Cluster			4,407,887.71	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	128,951.00	128,951.00
Title I Grants to Local Educational Agencies	84.010	212, 223, 226, 228	2,617,207.91	
Vocational Education - Basic Grants to States	84.048	151, 152	318,942.45	165,871.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	69,940.67	
Tech-Prep Education	84.243	157	222,499.36	
Charter Schools	84.282	298	128,566.37	128,566.37
State Grants for Innovative Programs	84.298	113	52,951.51	
Education Technology State Grants	84.318	121, 122	234,230.03	
English Language Acquisition Grants	84.365	102	13,905.39	
Improving Teacher Quality State Grants	84.367	224	859,155.19	
Hurricane Education Recovery	84.938	104	35,768.75	
Total United States Department of Education			9,090,006.34	423,388.37
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	945,855.13	
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	75,060.00	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	88,225.17	
Air Force Junior Reserve Officers Training Corps	None	N/A	86,348.27	
Navy Junior Reserve Officers Training Corps	None	N/A	157,714.52	
Total United States Department of Defense			332,287.96	
Total Expenditures of Federal Awards			\$ 13,098,163.62	\$ 423,388.37

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2006-07 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with the amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2006-07 fiscal year and includes cash-in-lieu of donated food totaling \$54,617.51. Commodities are valued at fair value as determined at the time of donation.
- (3) Head Start. Expenditures include \$270,749.32 for grant number/program year 04CH0594/10 and \$675,105.81 for grant number/program year 04CH0594/11.

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SUMMARY OF AUDITOR'S 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, 2007:

- An unqualified opinion was issued on the financial statements.
- No matters involving the internal control and its operation were considered to be significant deficiencies or material weaknesses.
- No noncompliance was reported which is material to the financial statements.
- Significant deficiencies in the internal control over major Federal programs were reported, although the significant deficiencies were not considered to be material weaknesses.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Improving Teacher Quality State Grants (CFDA No. 84.367); and Head Start (CFDA No. 93.600).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$392,944.91.
- The low risk entity threshold was applied.

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553); National School Lunch Program (CFDA No. 10.555); and Summer Food Service Program for Children (CFDA No. 10.559)]

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$195,792

Program Income – Exclusive Beverage Contract. Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the nonprofit school food service (food service program) account. The Board approved a five-year renewal of an exclusive beverage contract effective for the period July 1, 2005, through June 30, 2010, to provide beverage products to the District's schools and its food service program. The exclusive beverage contract also provides for certain cash and noncash incentives to District schools and the food service program, totaling approximately \$450,000 to \$525,000 per year, depending on product purchases and other factors. The District received a mid-year report from the exclusive beverage contractor in February 2007 projecting cash and noncash incentives (score board maintenance, donated products, and promotions), totaling \$452,584, for the 2006-07 fiscal year. A full-year report from the exclusive beverage contractor was not available; however, for the 2005-06 fiscal year, the contractor reported providing cash and noncash incentives totaling \$500,767.

In correspondence dated March 13, 2007, the United States Department of Agriculture, Food and Nutrition Service, advised that if the food service program is included in a properly procured long-term beverage contract that includes incentives, the incentives which represent program income must be allocated properly to the food service program, and that the full value of all incentives (cash and non-cash) would be used to determine the amount of program income resulting from the contract. Additionally, the portion of the full value of these incentives allocable to the school food service program would be deposited into the food service account. Failure to provide the food service program with its allocated share of cash or non-cash incentives would circumvent the proper allocation of program income to the food service program, contrary to Title 7, Section 3016.25, Code of Federal Regulations.

During the 2006-07 fiscal year, the District deposited \$30,500 received from the exclusive beverage contractor to the food service program, and the remainder was provided to District schools. However, the mid-year report provided by the exclusive beverage contractor indicated that approximately 50 percent of the product was used in

the District's schools and 50 percent was used in the food service program. In these circumstances, based on the \$452,584 mid-year projection of cash and noncash incentives, the District should have allocated 50 percent to the food service program, or \$226,292. As a result of the improper allocation of cash and noncash incentives, \$195,792 was deposited outside the food service program account and, therefore, represents program questioned costs.

Recommendation: The District should document to the grantor (Florida Department of Education) that program income attributable to the exclusive beverage contract was properly allocated to the food service program. The District should also enhance its procedures to ensure that future income from the exclusive beverage contract is properly allocated and deposited to the food service program.

District Contact Person: Conley Weiss, Chief Financial Officer

Federal Awards Finding No. 2:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: National School Lunch Program (CFDA No. 10.555)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Special Tests and Provisions – Competitive Food Sales. The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items. Title 7, Section 210.11, Code of Federal Regulations, requires that state agencies and school food authorities establish such rules or regulations as are necessary to control the sale of foods in competition with meals served under the National School Lunch Program. State Board of Education Rule 6A-7.0411, Florida Administrative Code, provides that each school board is responsible for controlling the sale of food and beverage items in competition with the district approved food service program, including those classified as foods of minimal nutritional value. Competitive food and beverage items may be sold in secondary schools, with the approval of the school board, one hour following the close of the last lunch period. Also, carbonated beverages may be sold, under certain conditions in secondary schools such as when 100 percent fruit juice is available for sale, but cannot be sold where breakfast or lunch is being served or eaten.

District personnel perform an annual vending machine review to evaluate the District's compliance with the competitive food and beverage sale requirements. As part of our audit, we selected one middle and three high schools found to not be in compliance with applicable requirements during the District's most recent review conducted in October and November 2007. Our review, conducted during January 2008 at these four schools, disclosed that the middle and two high schools were in compliance with the requirements; however, for one school (Allen D. Nease High), we noted the following:

- Beverage vending machines were operating in certain locations without 100 percent fruit juice available for sale where the carbonated beverages were sold.
- Two snack vending machines containing foods of minimal nutritional value were readily available to students and were operating prior to the close of the last lunch period.

Recommendation: The District should take appropriate actions to ensure compliance with the Federal regulations and State rules relating to the sale of food and beverages in competition with the National School Lunch Program.

District Contact Person: Conley Weiss, Chief Financial Officer

Federal Awards Finding No. 3:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Programs: School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Eligibility. Improvements were needed in District procedures to ensure the eligibility of students receiving free and reduced-price meals. Title 7, Section 245.6, Code of Federal Regulations (CFR), provides application and other documentation requirements for a household to qualify for meals served free or at a reduced-price under the School Breakfast and National School Lunch Programs. The application is used to establish the household's income and size in order to determine proper placement within the income eligibility standards issued by the Florida Department of Education in accordance with Federal guidelines. Title 7, Section 245.6a, CFR, and Public Law 108-265, United States Code, require that the District verify the information presented in the applications for free and reduced-price meals in a sample of the applications that it has approved.

Our review included 60 free and reduced-price meal applications approved by the District for the 2006-07 fiscal year, and 15 applications selected for verification by District personnel. We noted the following:

- The District incorrectly approved one application for reduced benefits instead of free benefits because of a keying error that reported income as received weekly instead of biweekly.
- The District could not locate an application selected for audit review. In the absence of a properly completed and retained application, District records did not evidence the household's eligibility for free and reduced-price benefits.
- Although requested, adequate documentation could not be provided to support reported income for five applications selected for verification by the District. Instances were noted in which certain income documentation was unavailable, income documentation did not match what was reported on the application, or the documentation was not legible.
- Applications require that the income of individuals be documented or include an indication that the individual did not receive any income; however, we noted one application which listed an individual, but did not document the individual's income or indicate that the individual did not receive any income. When applications for free or reduced-price meals are processed without complete information, the risk of approving an application for incorrect benefits is increased.

Recommendation: The District should establish adequate procedures to ensure the eligibility of students receiving free and reduced-price meals.

District Contact Person: Elizabeth Binninger, Food and Nutrition Services Director

Federal Awards Finding 4:**Federal Agency:** United States Department of Education; United State Department of Agriculture**Pass-Through Entity:** Florida Department of Education**Programs:** Improving Teacher Quality State Grants (CFDA No. 84.367); and Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553); National School Lunch Program (CFDA No. 10.555); and Summer Food Service Program for Children (CFDA No. 10.559)]**Finding Type:** Noncompliance**Questioned Costs:** Not Applicable

Allowable Costs/Cost Principles – Contract Provisions. Improvements were needed in District procedures to provide for required provisions in contracts funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, applicable for United States Department of Education grants, and Title 7, Section 3016.36(i), Code of Federal Regulations, applicable for United States Department of Agriculture grants, require that District contracts involving Federal funds contain certain provisions. These provisions include requiring access to records of the contractor that are directly pertinent to the contract and retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

For the 2006-07 fiscal year, our review of contract agreements and related procurement documentation disclosed that the agreements did not contain these provisions for purchases, totaling \$129,177, from eight vendors for the Improving Teacher Quality State Grants program and for purchases, totaling \$2,326,224, from eight vendors for the Child Nutrition Cluster program. Failure to include the required contract provisions could limit the District's actions if disputes arose with the contractor, and could result in disallowance of grant expenditures by the grantor.

Recommendation: The District should ensure that all future contracts involving Federal funds contain the required provisions.

District Contact Person: Frank Clark, Director of Purchasing

Federal Awards Finding 5:**Federal Agency:** United States Department of Education; United States Department of Agriculture**Pass-Through Entity:** Florida Department of Education**Programs:** Improving Teacher Quality State Grants (CFDA No. 84.367); and Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553); National School Lunch Program (CFDA No. 10.555); and Summer Food Service Program for Children (CFDA No. 10.559)]**Finding Type:** Noncompliance**Questioned Costs:** Not Applicable

Debarment and Suspension. District records did not always evidence compliance with suspension and debarment requirements. United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* provides that vendors receiving individual awards of Federal money for \$25,000 or more must certify that the organization and its principals are not suspended or debarred from receiving Federal funds. The *Supplement* also provides that non-Federal entities may, but are not required to, verify a vendor's suspension debarment status by checking the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs* issued

by the General Services Administration (GSA). Our review disclosed that District records did not evidence compliance with the suspension and debarment requirement for purchase order contracts totaling \$80,855 to three vendors from the Improving Teacher Quality State Grants program for educational materials and professional services and \$206,573 to two vendors for food service supplies and equipment from the Child Nutrition Cluster program.

We verified that the vendors included in our tests were not included on the GSA's *Excluded Parties List System*. However, our audit tests cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.

Recommendation: The District should establish procedures to verify that applicable vendors are not suspended or debarred or otherwise excluded from receiving Federal funds prior to contracting with the vendors.

District Contact Person: Frank Clark, Director of Purchasing

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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
2007-160		No prior Federal audit findings.		

MANAGEMENT RESPONSE SECTION

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 10, 2008

David Martin
 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, 2007.

Dear Mr. Martin,

On January 30, 2008, your staff delivered our preliminary and tentative audit findings for the fiscal year ended June 30, 2007.

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

Finding No. 1: Insurance Commissions – Property and Liability Coverages

District Response:

The District did issue an RFQ on January 24, 2008. From a field of ten responding agents the Board selected three finalists on February 12, 2008. The three finalists will respond to an RFP for coverage on a fixed price basis. This process will ensure that the selection of insurance companies provides the lowest and best price consistent with desired quality.

Finding No. 2: Public Education Capital Outlay Expenditures

District Response:

The District has restored the \$23,787 to the Capital Outlay – Public Education Capital Outlay Fund. Furthermore, the District has enhanced controls to ensure that PECO funds are only expended for allowable purposes.

Finding No. 3: Financial Reporting

District Response:

District personnel will consider these financial reporting matters in the preparation of future financial statements.

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

School Board	Beverly Slough District 1	Tommy Allen District 2	Bill Mignon District 3	Bill Fehling District 4	Carla Wright District 5
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Finding No. 4: Information Technology – Security Administration***District Response:***

The District has implemented the necessary procedures to enhance the security administration practices.

Federal Awards Finding No. 1: Program Income – Exclusive Beverage contract.***District Response:***

The District has enhanced its procedures to ensure that future income received by the food service program from the District's exclusive beverage contract is properly allocated and documented.

Federal Awards Finding No. 2: Special Tests and Provisions – Competitive Food Sales.***District Response:***

The District will continue with its audit functions. The discrepancies noted in the audit process were corrected as of January 5, 2008.

Federal Awards Finding No. 3: Eligibility.***District Response:***

The District has enhanced controls to ensure the accuracy of eligibility of students receiving free and reduced-price meals.

Federal Awards Finding 4: Applicable Allowable Costs/Cost Principles – Contract Provisions.***District Response:***

The District has established procedures to ensure that all contracts involving Federal funds contain the required provisions.

Federal Awards Finding 5: Debarment and Suspension***District Response:***

The District has established procedures to verify that applicable vendors are not suspended or debarred or otherwise excluded from receiving Federal funds prior to contracting with the vendors.

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,



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

Cc: School Board Members
Conley Weiss, Chief Financial Officer