

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

St. Johns County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District No.</i>
<i>Beverly Slough, Chairman to 11-19-07</i>	<i>1</i>
<i>Thomas L. Allen, Jr., Vice-Chairman from 11-20-07</i>	<i>2</i>
<i>William P. Mignon, Sr.</i>	<i>3</i>
<i>William R. Fehling</i>	<i>4</i>
<i>Carla W. Wright, Vice-Chairman to 11-19-07, Chairman from 11-20-07</i>	<i>5</i>

Dr. Joseph G. Joyner, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Heidi Burns, CPA, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements are needed in procedures to properly report account balances on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: The District used capital outlay millage levy proceeds, totaling \$523,873, for the purchase of software items which was not specifically provided for in Section 1011.71, Florida Statutes.

Finding No. 3: In lieu of requesting bids, the District awarded a contract for energy education training and monitoring services based on another school board's contract award; however, the two contract awards did not contain the same terms, conditions, and unit prices, contrary to State rule.

Finding No. 4: The District did not provide written statements to prospective employees or parents and legal guardians of the reasons SSNs were collected for employment applications, student enrollment forms, and student emergency and health information forms, contrary to Section 119.071(5)(a), Florida Statutes.

Summary of Report on Federal Awards

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

Federal Awards Finding No. 1: Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the school food service program.

Federal Awards Finding No. 2: One school sold certain competitive food and beverage items, contrary to Federal regulations and State rules.

Audit Objectives and Scope

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

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

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2008-145.

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, 2008. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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 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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 8 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 furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are 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, 2008, 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, 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 3 through 10) and other required supplementary information (shown as Exhibits - M through O) 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 on it.

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 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 11 through 57.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2008, by \$431,260,612.23 (net assets). However, after deducting net assets invested in capital assets (net of related debt) and restricted net assets, the District had an unrestricted net assets deficit of \$2,603,567.96. The deficit was attributable to the District's long-term liabilities for employee compensated absences and postemployment healthcare benefits.
- In total, net assets increased \$46,973,970.27, which represents a 12 percent increase from the 2006-07 fiscal year.
- General revenues total \$269,600,071.02, or 79 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$72,208,198.41, or 21 percent.
- Expenses total \$294,834,299.16; only \$72,208,198.41 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$46,973,970.27.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, was \$22,880,635.12 at June 30, 2008, or 10 percent of total General Fund expenditures. The total fund balance of the General Fund was \$24,680,804.04, which represents an increase from the 2006-07 fiscal year of \$4,772,459.76.
- The District's capital assets (net of depreciation) increased by \$91,878,687.84.
- The District's capital asset-related long-term debt decreased by a net amount of \$12,227,968.62, or 7 percent.

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 and other data.

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 6. 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 certain escrowed moneys and the school and student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District’s own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District’s fiduciary funds include a private-purpose trust fund to account for moneys held in escrow and 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, 2008, compared to net assets as of June 30, 2007:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-08	6-30-07
Current and Other Assets	\$ 169,401,362.02	\$ 213,175,036.12
Capital Assets	506,306,690.30	414,428,002.46
Total Assets	675,708,052.32	627,603,038.58
Long-Term Liabilities	206,643,575.94	204,011,022.61
Other Liabilities	37,803,864.15	39,305,374.01
Total Liabilities	244,447,440.09	243,316,396.62
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	344,070,303.64	304,856,960.30
Restricted	89,793,876.55	75,769,666.13
Unrestricted (Deficit)	(2,603,567.96)	3,660,015.53
Total Net Assets	\$ 431,260,612.23	\$ 384,286,641.96

The largest portion of the District’s net assets (80 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related outstanding debt. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets may be used to meet the government’s ongoing obligations to students, employees, and creditors. Under the long-term view provided by the government-wide financial statements, the

District’s unrestricted net assets balance is negative in amount because of the District’s future liabilities for employee compensated absences and other postemployment healthcare benefits; however, the District has sufficient current assets to meet its current obligations.

The District’s net assets increased by \$46,973,970.27 during the 2007-08 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, 2008, and June 30, 2007, are as follows:

		Operating Results for the Fiscal Year Ended	
		Governmental Activities	
		6-30-08	6-30-07
Program Revenues:			
Charges for Services	\$ 17,513,636.29	\$ 18,133,909.01	
Operating Grants and Contributions	9,921,993.68	9,321,886.15	
Capital Grants and Contributions	44,772,568.44	59,341,983.87	
General Revenues:			
Property Taxes, Levied for Operational Purposes	130,709,362.60	121,464,047.20	
Property Taxes, Levied for Debt Service	3,734,352.92	3,818,504.51	
Property Taxes, Levied for Capital Projects	47,005,624.67	42,847,382.98	
Grants and Contributions Not Restricted to Specific Programs	79,285,801.42	72,210,705.51	
Unrestricted Investment Earnings	5,686,762.99	10,902,349.44	
Miscellaneous	3,178,166.42	3,305,455.21	
Total Revenues	341,808,269.43	341,346,223.88	
Functions/Program Expenses:			
Instruction	142,172,487.09	125,637,855.56	
Pupil Personnel Services	14,264,865.48	13,720,143.57	
Instructional Media Services	4,889,540.32	4,110,962.56	
Instruction and Curriculum Development Services	6,958,471.69	4,817,855.73	
Instructional Staff Training Services	2,938,627.96	2,434,479.78	
Instruction Related Technology	4,415,999.82	2,952,182.36	
Board of Education	748,707.42	885,706.84	
General Administration	683,478.30	742,816.54	
School Administration	15,365,892.23	13,040,279.57	
Facilities Acquisition and Construction	15,239,266.58	13,420,809.36	
Fiscal Services	1,741,933.14	1,699,941.00	
Food Services	9,761,921.40	8,730,423.34	
Central Services	9,238,845.91	3,159,311.25	
Pupil Transportation Services	12,432,169.85	10,943,330.52	
Operation of Plant	19,986,509.82	18,508,657.26	
Maintenance of Plant	7,641,626.64	6,749,947.26	
Administrative Technology Services	711,974.83	702,651.24	
Community Services	3,289,408.25	3,168,830.42	
Interest on Long-Term Debt	7,367,001.91	6,844,500.50	
Unallocated Depreciation Expense	14,985,570.52	12,098,674.91	
Total Functions/Program Expenses	294,834,299.16	254,369,359.57	
Increase in Net Assets	\$ 46,973,970.27	\$ 86,976,864.31	

The majority of the District’s revenues for current operations are provided through the State’s Florida Education Finance Program (FEFP), State categorical educational programs, and local property taxes. These revenues are included in the general revenues, which provide approximately 79 percent of total revenues, whereas program revenues provide approximately 21 percent. The majority of program revenues (94 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 2007-08 fiscal year, the District experienced increases in local property tax revenues of \$13,319,405.50, or 8 percent. Student enrollment increased by 904 students, from 26,833 students in the 2006-07 fiscal year to 27,737 students in the 2007-08 fiscal year, and categorical educational program funding increased by \$8,008,083.92 as compared to the 2006-07 fiscal year. Because of substantial increases in local property values, the FEFP funding formula produced a decrease in State FEFP funding of \$1,155,683.

Instructional activities represent the majority of the District's expenses, totaling approximately 49 and 48 percent of total governmental expenses in the 2006-07 and 2007-08 fiscal years, respectively. Overall, total expenses increased \$40,464,939.59, or 16 percent, as compared to total revenues which increased \$462,045.55, or less than 1 percent. The increase in total expenses is mainly attributable to increases in salaries and benefits and other expenses associated with operating three new schools.

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 \$8,384,001.27, while the total fund balance is \$24,680,804.04. The unreserved, undesignated fund balance represents 4 percent of total General Fund expenditures, while the total fund balance represents 11 percent of such expenditures. The unreserved, undesignated fund balance increased by \$222,133.81 while the total fund balance increased by \$4,772,459.76 during the fiscal year.

Key factors in these changes are as follows:

- Total revenues increased by \$15,848,294.93, or 8 percent, mainly from increases in State categorical funding and local property tax revenue.
- Total expenditures increased by \$21,993,153.29, or 11 percent, due mainly to increased salary and benefit costs.
- Total expenditures exceeded total revenues by \$4,128,196.22 and other financing sources, mainly from transfers in from the Capital Projects – Local Capital Improvement Fund, totaled \$8,900,655.98.
- Unreserved, designated fund balance increased by \$4,422,688.30, representing management's planned uses of available fund balance for budget cuts and increased fuel costs in the 2008-09 fiscal year; carryover of noncategorical program, school, department, and other activity budgets; hurricane emergencies; and contractual requirements.

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 2007-08 fiscal year, essentially all available resources were used for current debt related expenditures and, at June 30, 2008, the fund balance was \$67,130.33.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$16,765,517.22, all of which is required to be spent for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$22,262,837.41 in the current fiscal year, mainly from expenditures of State capital outlay appropriations for a new K-8 school, two new high schools, and additions to an elementary school.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$36,204,907.11, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$8,909,423.10 in the current fiscal year. Expenditures of \$12,057,046.41 were primarily for renovations of the media center and transportation facilities, motor vehicle purchases and equipment, and various maintenance, remodeling, and renovation projects. Transfers out of \$27,286,167.78 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 decreased by \$39,427,950.96 in the current fiscal year to \$30,633,609.60, at June 30, 2008. The decrease in fund balance is mainly from the expenditure of proceeds from the \$145,000,000 Certificates of Participation, Series 2006, for construction of two new high schools, and completion of construction at a new elementary school, middle school, and ninth grade center.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2007-08 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$10,324,066.87. At the same time, final appropriations increased by \$20,469,939.38 from the original budgeted amount. Budget revisions were necessary to recognize revenues and expenditures related to the District's charter technical career center and certain day care and extended day care programs, to increase instructional salaries and benefits costs, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are \$17,070,158.29 less than anticipated, mainly because instruction, operation of plant, community services, day care and extended day care program, and salary and benefit expenditures were less than planned. Also, positive budget balances include amounts designated for budget cuts and increased fuel costs in the 2008-09 fiscal year; carryover of noncategorical program, school, department, and other activity budgets; hurricane emergencies; and contractual requirements.

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2008, is \$506,306,690.30 (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 construction of two new high schools, a new K-8 school, and additions to an existing elementary school.

Additional information on the District's capital assets can be found in Notes 4 and 17 to the financial statements.

LONG-TERM DEBT

At June 30, 2008, the District has total long-term debt outstanding of \$164,677,857.03 related to the construction and acquisition of capital assets. This amount is comprised of \$422,857.03 of Obligation Under Capital Lease; \$148,040,000 of Certificates of Participation; \$8,670,000 of State School Bonds; and \$7,545,000 of District General Obligation Refunding Bonds. During the fiscal year, the District's long-term debt decreased a net amount of \$12,227,968.62, or 7 percent. The net decrease was comprised of decreases in long-term debt of \$13,652,968.62 from scheduled principal payments, offset by \$1,425,000 of additional long-term capital debt from the issuance of State School Bonds, Series 2008A.

Additional information on the District's long-term debt can be found in Notes 5 through 9 to the financial statements.

FIRST COAST TECHNICAL INSTITUTE, INC., MAJOR COMPONENT UNIT

The District considers the First Coast Technical Institute, Inc. (FCTI), to be a major component unit based on its significance relative to the total discretely presented component units, and based upon its nature and significance to the District. FCTI is a charter technical career center established pursuant to Section 1002.34, Florida Statutes, and is primarily responsible for operating the District's postsecondary education and workforce development programs. FCTI was funded through the District's \$6,547,954 workforce development program appropriation, as well as student fees, State and Federal grants, and various other sources. FCTI's financial data as reported in Note 20 to the financial statements, and included in the component units columns in the accompanying financial statements, was derived from the audited financial statements for the fiscal year ended June 30, 2008, which are filed in the District's administrative offices.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

*EXHIBIT - A
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008*

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 111,472,685.01	\$ 1,064,183.00
Investments	5,447,528.02	41,310.00
Restricted Investments	12,277,961.88	
Accounts Receivable	570,053.46	235,786.00
Due from Primary Government		293,699.44
Due from Component Unit	50,272.44	
Due from Other Agencies	28,937,469.21	
Due from Excess Insurance Carrier	56,892.15	
Prepaid Items		181,825.00
Pledges Receivable		43,695.00
Deposits Receivable		4,465.00
Inventories	426,945.22	101,406.00
Total Current Assets	159,239,807.39	1,966,369.44
Noncurrent Assets:		
Restricted Investments	10,161,554.63	
Capital Assets:		
Nondepreciable Capital Assets	180,147,154.93	
Depreciable Capital Assets, Net	326,159,535.37	2,797,881.00
Total Noncurrent Assets	516,468,244.93	2,797,881.00
TOTAL ASSETS	\$ 675,708,052.32	\$ 4,764,250.44
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$ 2,630,099.04	\$ 59,917.00
Payroll Deductions and Withholdings	148,165.28	
Accounts Payable	5,584,516.88	241,284.00
Construction Contracts Payable	8,747,402.64	
Construction Contracts Payable - Retainage	5,147,245.80	
Due to Primary Government		50,272.44
Due to Component Units	293,699.44	
Due to Other Agencies	8,022.29	
Deposits Payable	43,602.90	
Deferred Revenue		270,762.00
Matured Certificates of Participation Payable	8,910,000.00	
Matured Interest Payable	3,367,961.88	
Estimated Insurance Claims Payable	2,923,148.00	
Long-Term Liabilities -- Portion Due Within One Year:		
Note Payable		18,055.00
Estimated Insurance Claims Payable	629,034.76	
Obligation Under Capital Lease	65,313.55	
Certificates of Participation Payable	9,245,000.00	
Bonds Payable	4,230,000.00	
Compensated Absences Payable	1,578,349.61	92,019.00
Total Current Liabilities	53,551,562.07	732,309.44
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Estimated Insurance Claims Payable	2,081,965.24	
Obligation Under Capital Lease	357,543.48	
Certificates of Participation Payable	138,795,000.00	
Bonds Payable	11,985,000.00	
Compensated Absences Payable	24,017,262.30	1,024,433.00
Postemployment Healthcare Benefits Payable	13,659,107.00	
Total Noncurrent Liabilities	190,895,878.02	1,024,433.00
Total Liabilities	244,447,440.09	1,756,742.44
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	344,070,303.64	2,779,826.00
Restricted for:		
State Categorical Programs	867,780.60	
Debt Service	4,245,819.49	
Capital Projects	84,680,276.46	
Other Purposes		118,975.00
Unrestricted	(2,603,567.96)	108,707.00
Total Net Assets	431,260,612.23	3,007,508.00
TOTAL LIABILITIES AND NET ASSETS	\$ 675,708,052.32	\$ 4,764,250.44

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 142,172,487.09	\$ 735,787.78	\$	\$
Pupil Personnel Services	14,264,865.48			
Instructional Media Services	4,889,540.32			
Instruction and Curriculum Development Services	6,958,471.69			
Instructional Staff Training Services	2,938,627.96			
Instruction Related Technology	4,415,999.82			
Board of Education	748,707.42			
General Administration	683,478.30			
School Administration	15,365,892.23			
Facilities Acquisition and Construction	15,239,266.58			43,964,364.58
Fiscal Services	1,741,933.14			
Food Services	9,761,921.40	6,755,525.99	2,591,180.68	
Central Services	9,238,845.91	6,415,051.18		
Pupil Transportation Services	12,432,169.85	495,868.83	7,330,813.00	
Operation of Plant	19,986,509.82			
Maintenance of Plant	7,641,626.64			
Administrative Technology Services	711,974.83			
Community Services	3,289,408.25	3,111,402.51		
Interest on Long-Term Debt	7,367,001.91			808,203.86
Unallocated Depreciation Expense	14,985,570.52			
Total Primary Government	\$ 294,834,299.16	\$ 17,513,636.29	\$ 9,921,993.68	\$ 44,772,568.44
Component Units				
Charter Schools	\$ 12,799,307.00	\$ 2,166,184.00	\$ 1,680,967.00	\$ 600,000.00
St. Johns County Education Foundation, Inc.	435,709.00			
Total Component Units	\$ 13,235,016.00	\$ 2,166,184.00	\$ 1,680,967.00	\$ 600,000.00

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, 2007

Net Assets - June 30, 2008

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 Governmental Activities	Component Units
\$ (141,436,699.31)	\$
(14,264,865.48)	
(4,889,540.32)	
(6,958,471.69)	
(2,938,627.96)	
(4,415,999.82)	
(748,707.42)	
(683,478.30)	
(15,365,892.23)	
28,725,098.00	
(1,741,933.14)	
(415,214.73)	
(2,823,794.73)	
(4,605,488.02)	
(19,986,509.82)	
(7,641,626.64)	
(711,974.83)	
(178,005.74)	
(6,558,798.05)	
(14,985,570.52)	
<u>(222,626,100.75)</u>	
	(8,352,156.00)
	<u>(435,709.00)</u>
	(8,787,865.00)
130,709,362.60	
3,734,352.92	
47,005,624.67	
79,285,801.42	9,405,954.00
5,686,762.99	28,953.00
3,178,166.42	
<u>269,600,071.02</u>	<u>9,434,907.00</u>
46,973,970.27	647,042.00
<u>384,286,641.96</u>	<u>2,360,466.00</u>
<u>\$ 431,260,612.23</u>	<u>\$ 3,007,508.00</u>

EXHIBIT - C
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2008

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 22,758,526.61	\$	\$ 293,771.16
Investments		12,345,092.21	
Accounts Receivable	76,132.56		
Due from Other Funds	6,014,609.79		
Due from Other Agencies	96,834.18		26,499,630.00
Inventories	274,499.23		
Due from Component Units	50,272.44		
TOTAL ASSETS	\$ 29,270,874.81	\$ 12,345,092.21	\$ 26,793,401.16
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 2,519,702.12	\$	\$
Payroll Deductions and Withholdings	146,477.16		
Accounts Payable	1,779,385.64		
Construction Contracts Payable			4,880,638.14
Construction Contracts Payable - Retainage			5,147,245.80
Deposits Payable			
Due to Other Agencies	8,022.29		
Due to Other Funds	4,293.22		
Due to Component Units	132,190.34		
Matured Certificates of Participation Payable		8,910,000.00	
Matured Interest Payable		3,367,961.88	
Total Liabilities	4,590,070.77	12,277,961.88	10,027,883.94
Fund Balances:			
Reserved for:			
State Categorical Programs	867,780.60		
Encumbrances	657,889.09		6,154,306.17
Inventories	274,499.23		
Debt Service		67,130.33	
Unreserved:			
Designated, Reported in General Fund:			
Financial Exigencies	9,577,996.00		
Non-Categorical Programs and Other Activities	4,918,637.85		
Undesignated, Reported in:			
General Fund	8,384,001.27		
Special Revenue Funds			
Capital Projects Funds			10,611,211.05
Total Fund Balances	24,680,804.04	67,130.33	16,765,517.22
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,270,874.81	\$ 12,345,092.21	\$ 26,793,401.16

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
\$ 38,598,697.11	\$ 21,904,614.70	\$ 7,274,586.84	\$ 90,830,196.42
6,825.37	15,345,910.19	196,042.13	27,887,044.53
		14,896.71	97,854.64
	283,461.86	2,057,543.17	6,014,609.79
		152,445.99	28,937,469.21
			426,945.22
			50,272.44
<u>\$ 38,605,522.48</u>	<u>\$ 37,533,986.75</u>	<u>\$ 9,695,514.84</u>	<u>\$ 154,244,392.25</u>
\$	\$	\$ 110,396.92	\$ 2,630,099.04
		1,688.12	148,165.28
		99,964.96	1,879,350.60
2,400,615.37	1,452,849.13	13,300.00	8,747,402.64
			5,147,245.80
		43,602.90	43,602.90
			8,022.29
	5,447,528.02	111,925.07	5,563,746.31
		161,509.10	293,699.44
			8,910,000.00
			3,367,961.88
<u>2,400,615.37</u>	<u>6,900,377.15</u>	<u>542,387.07</u>	<u>36,739,296.18</u>
5,686,230.83	3,514,216.39	171,969.09	867,780.60
		152,445.99	16,184,611.57
		4,178,689.16	426,945.22
			4,245,819.49
			9,577,996.00
			4,918,637.85
			8,384,001.27
		1,232,164.39	1,232,164.39
<u>30,518,676.28</u>	<u>27,119,393.21</u>	<u>3,417,859.14</u>	<u>71,667,139.68</u>
<u>36,204,907.11</u>	<u>30,633,609.60</u>	<u>9,153,127.77</u>	<u>117,505,096.07</u>
<u>\$ 38,605,522.48</u>	<u>\$ 37,533,986.75</u>	<u>\$ 9,695,514.84</u>	<u>\$ 154,244,392.25</u>

*EXHIBIT - D
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008*

Total Fund Balances - Governmental Funds \$ 117,505,096.07

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 506,306,690.30

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. 11,381,401.80

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	\$ 422,857.03	
Bonds Payable	16,215,000.00	
Certificates of Participation Payable	148,040,000.00	
Compensated Absences Payable	25,595,611.91	
Postemployment Healthcare Benefits Payable	13,659,107.00	(203,932,575.94)

Total Net Assets - Governmental Activities \$ 431,260,612.23

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, 2008

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 293,159.39	\$	\$
Federal Through State and Local State	75,386,913.52		39,581,060.00
Local:			
Current Taxes	130,596,599.90		
Delinquent Taxes	112,762.70		
Miscellaneous	8,715,008.36	7,103.46	
Total Revenues	215,104,443.87	7,103.46	39,581,060.00
Expenditures			
Current - Education:			
Instruction	129,164,178.61		
Pupil Personnel Services	11,750,832.53		
Instructional Media Services	4,583,153.28		
Instruction and Curriculum Development Services	3,442,365.71		
Instructional Staff Training Services	1,646,215.67		
Instruction Related Technology	4,204,675.72		
Board of Education	728,090.37		
General Administration	434,571.30		
School Administration	14,331,556.51		
Facilities Acquisition and Construction	3,071,231.97		1,697,156.64
Fiscal Services	1,635,757.39		
Food Services			
Central Services	2,615,487.04		
Pupil Transportation Services	10,683,911.37		
Operation of Plant	19,401,761.02		
Maintenance of Plant	7,263,520.72		
Administrative Technology Services	693,319.18		
Community Services	3,083,235.56		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			60,146,740.77
Other Capital Outlay	498,776.14		
Debt Service:			
Principal		8,910,000.00	
Interest and Fiscal Charges		6,741,463.73	
Total Expenditures	219,232,640.09	15,651,463.73	61,843,897.41
Excess (Deficiency) of Revenues Over Expenditures	(4,128,196.22)	(15,644,360.27)	(22,262,837.41)
Other Financing Sources (Uses)			
Transfers In	11,695,355.98	15,711,346.34	
Bonds Issued			
Premium on Bonds			
Insurance Loss Recoveries	5,300.00		
Transfers Out	(2,800,000.00)		
Total Other Financing Sources (Uses)	8,900,655.98	15,711,346.34	
Net Change in Fund Balances	4,772,459.76	66,986.07	(22,262,837.41)
Fund Balances, July 1, 2007	19,908,344.28	144.26	39,028,354.63
Fund Balances, June 30, 2008	\$ 24,680,804.04	\$ 67,130.33	\$ 16,765,517.22

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
\$	\$	\$ 916,782.45	\$ 1,209,941.84
	68,826.49	12,493,111.85	12,493,111.85
		1,149,092.28	116,185,892.29
46,968,746.58		3,728,482.21	181,293,828.69
36,878.09		5,870.71	155,511.50
<u>1,247,012.62</u>	<u>7,868,737.15</u>	<u>6,962,094.33</u>	<u>24,799,955.92</u>
<u>48,252,637.29</u>	<u>7,937,563.64</u>	<u>25,255,433.83</u>	<u>336,138,242.09</u>
		4,393,663.16	133,557,841.77
		1,576,122.68	13,326,955.21
			4,583,153.28
		3,054,634.72	6,497,000.43
		1,165,575.65	2,811,791.32
			4,204,675.72
			728,090.37
		222,825.88	657,397.18
6,702,752.80	3,690,831.69	3,762.00	14,331,556.51
			15,165,735.10
			1,635,757.39
		9,431,100.91	9,431,100.91
		43,359.61	2,658,846.65
		119,181.51	10,803,092.88
		979.20	19,402,740.22
		9,681.73	7,273,202.45
			693,319.18
			3,083,235.56
4,662,529.54	43,554,148.37		108,363,418.68
		352,860.42	851,636.56
647,968.62		4,095,000.00	13,652,968.62
<u>43,795.45</u>		<u>633,192.60</u>	<u>7,418,451.78</u>
<u>12,057,046.41</u>	<u>47,244,980.06</u>	<u>25,101,940.07</u>	<u>381,131,967.77</u>
<u>36,195,590.88</u>	<u>(39,307,416.42)</u>	<u>153,493.76</u>	<u>(44,993,725.68)</u>
			27,406,702.32
		1,425,000.00	1,425,000.00
		51,449.87	51,449.87
			5,300.00
<u>(27,286,167.78)</u>	<u>(120,534.54)</u>		<u>(30,206,702.32)</u>
<u>(27,286,167.78)</u>	<u>(120,534.54)</u>	<u>1,476,449.87</u>	<u>(1,318,250.13)</u>
8,909,423.10	(39,427,950.96)	1,629,943.63	(46,311,975.81)
<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>\$ 36,204,907.11</u>	<u>\$ 30,633,609.60</u>	<u>\$ 9,153,127.77</u>	<u>\$ 117,505,096.07</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, 2008

Net Change in Fund Balances - Governmental Funds \$ (46,311,975.81)

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, and other capital outlay corrections and adjustments, in excess of depreciation expense in the current period:

Capital Outlay Expenditures	\$ 109,534,151.09	
Depreciation Expense	(16,052,963.25)	
Other Corrections and Adjustments	<u>(1,602,500.00)</u>	
		91,878,687.84

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:

Long-Term Debt Issued	\$ (1,425,000.00)	
Long-Term Debt Repayments	<u>13,652,968.62</u>	
		12,227,968.62

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. (7,465,796.95)

The net change in the liability for postemployment healthcare benefits is reported in the government-wide statements, but not in the governmental fund statements. (7,387,725.00)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities. 4,032,811.57

Change in Net Assets - Governmental Activities \$ 46,973,970.27

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

EXHIBIT - G
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Governmental Activities - Internal Service Funds
		Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	20,642,488.59
Accounts Receivable		17,042.12
Due From Other Funds		4,293.22
Due From Excess Insurance Carrier		56,892.15
		20,720,716.08
TOTAL ASSETS	\$	20,720,716.08
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	3,705,166.28
Estimated Insurance Claims Payable		3,552,182.76
		7,257,349.04
Total Current Liabilities		7,257,349.04
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		2,081,965.24
		2,081,965.24
TOTAL LIABILITIES		9,339,314.28
NET ASSETS		
Unrestricted		11,381,401.80
		11,381,401.80
TOTAL LIABILITIES AND NET ASSETS	\$	20,720,716.08

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, 2008

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	\$ 29,552,062.30
OPERATING EXPENSES	
Insurance Claims	24,266,426.88
Excess Insurance Premiums	1,463,116.51
Employee Disability Purchased Insurance	160,014.93
Fees and Other	2,962,772.72
Total Operating Expenses	28,852,331.04
Operating Income	699,731.26
NONOPERATING REVENUES	
Interest	533,080.31
Income Before Transfers	1,232,811.57
Transfers In	2,800,000.00
Change in Net Assets	4,032,811.57
Total Net Assets, July 1, 2007	7,348,590.23
Total Net Assets, June 30, 2008	\$ 11,381,401.80

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, 2008**

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$	29,552,062.30
Cash Payments to Vendors for Goods and Services		(4,047,937.26)
Cash Payments for Insurance Claims		(24,084,572.88)
		1,419,552.16
Net Cash Provided by Operating Activities		1,419,552.16
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		2,800,000.00
		2,800,000.00
Net Cash Provided by Noncapital Financing Activities		2,800,000.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(1,038,251.80)
Proceeds from Sale of Investments		16,811,600.31
Interest Income		533,080.31
		16,306,428.82
Net Cash Provided by Investing Activities		16,306,428.82
Net Increase in Cash		20,525,980.98
Cash and Cash Equivalents, Beginning of Year		116,507.61
		20,642,488.59
Cash and Cash Equivalents, End of Year	\$	20,642,488.59
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$	699,731.26
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Decrease in Accounts Receivable		23,583.35
Decrease in Due from Excess Insurance Carrier		175,965.19
Decrease in Due from Other Funds		140,825.83
Increase in Accounts Payable		256,042.43
Decrease in Due to Other Funds		(58,449.90)
Increase in Estimated Insurance Claims Payable		181,854.00
		719,820.90
Total Adjustments		719,820.90
Net Cash Provided by Operating Activities	\$	1,419,552.16

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

EXHIBIT - J
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2008

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 302,731.44	\$ 2,658,689.00
LIABILITIES		
Due to Other Funds	\$	\$ 455,156.70
Internal Accounts Payable		2,203,532.30
TOTAL LIABILITIES		\$ 2,658,689.00
NET ASSETS		
Assets Held in Trust for Other Purposes	302,731.44	
TOTAL LIABILITIES AND NET ASSETS	\$ 302,731.44	

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

EXHIBIT - K
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Private-Purpose Trust Fund
ADDITIONS	
Contributions:	
Gifts, Grants, and Bequests	\$ 300,000.00
Investment Earnings:	
Interest	2,731.44
Total Additions	302,731.44
Net Assets, July 1, 2007	
Net Assets, June 30, 2008	\$ 302,731.44

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

EXHIBIT – L
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 6. 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 nature and significance of the Foundation's relationship with the School Board causes it to be considered a component unit. 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, 2008, 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 charter school and charter technical career center are considered to be component

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

units of the District because they are fiscally dependent on the District to levy taxes for their support. 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, 2008, which are filed in the District's administrative offices.

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

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, 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 expense associated with the District's transportation department is allocated to the transportation function, while remaining depreciation expense is 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.

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the certificates of participation.
- Capital Projects – 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.
- 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.
- Private-Purpose Trust Fund – to account for resources received from Crosswater Community Church, Inc., and held in escrow for payment toward the cost of constructing a shared entrance road to the new Ponte Vedra High School.
- 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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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.

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 and certificates of deposit 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 and certificates of deposit.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and those made locally. Investments made locally are reported at amortized cost, which approximates fair value, and consist of amounts placed in a money market mutual fund under a trust agreement in connection with certificates of participation financing arrangements.

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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **Inventories**

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

➤ **Restricted Assets**

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

➤ **Capital Assets**

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

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

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

<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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Capital assets are defined by the First Coast Technical Institute, Inc., a major component unit, as assets costing \$1,000 or more, with an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Leasehold Improvements	10 - 30 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 Classrooms for Kids 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 2007 tax levy on September 11, 2007. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Educational Impact Fees**

St. Johns County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1987. This ordinance 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.

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Because the educational impact fee is similar to a capital-type special assessment, it is reported as a program revenue in the government-wide statements.

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2008, the District has the following investments and maturities:

Investment	Maturities	Fair Value
Dreyfus Treasury Prime Cash Management (1) State Board of Administration	55 Day Average	\$ 27,691,002.40
Debt Service Accounts	6 Months	<u>196,042.13</u>
Total Investments, Reporting Entity		<u><u>\$ 27,887,044.53</u></u>

Note: (1) These investments are held under a trust agreement in connection with the Certificates of Participation, Series 2003A and 2006 financing agreements (see Note 6).

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy authorizes investment of temporarily idle funds to earn the maximum return for the period available. The policy also indicates a high priority shall be placed on the safety and liquidity of the funds. The trust agreement in connection with certificates of participation financing arrangements does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Dreyfus Treasury Prime Cash Management money market mutual fund used by the trustee is designed to maintain a \$1 per share net asset value and provide immediate liquidity to meet cash flow needs.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; money market funds to Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to obligations of United States Government, certificates of deposit and time deposits in qualified public depositories, State-managed cooperative investment plans, such as the Local Government Surplus Funds Trust Fund, and other forms of investment authorized by Section 218.415, Florida Statutes.
- The District's investments in the Dreyfus Treasury Prime Cash Management Fund were rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy requires compliance with Section 218.415, Florida Statutes, when

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

entering into third-party custodial agreements, master purchase agreements, or security purchase agreements.

- The District's investments of \$27,691,002.40 in the Dreyfus Treasury Prime Cash Management Fund are held by the trustee in the District's name.

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 33,769,172.33	\$ 39,538.00	\$ 1,602,500.00	\$ 32,206,210.33
Construction in Progress	106,195,034.32	96,224,123.04	54,478,212.76	147,940,944.60
Total Capital Assets Not Being Depreciated	139,964,206.65	96,263,661.04	56,080,712.76	180,147,154.93
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,167,464.33	340,259.76		24,507,724.09
Buildings and Fixed Equipment	332,000,611.05	61,518,744.70		393,519,355.75
Furniture, Fixtures, and Equipment	27,330,714.30	3,600,950.81	1,823,189.17	29,108,475.94
Motor Vehicles	12,053,507.13	2,030,863.00	379,799.92	13,704,570.21
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	4,246,700.20	257,884.54	83,448.71	4,421,136.03
Total Capital Assets Being Depreciated	400,466,228.01	67,748,702.81	2,286,437.80	465,928,493.02
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	10,641,393.40	627,759.52		11,269,152.92
Buildings and Fixed Equipment	85,575,785.41	8,021,624.68		93,597,410.09
Furniture, Fixtures, and Equipment	19,042,913.38	5,803,177.60	1,823,189.17	23,022,901.81
Motor Vehicles	7,016,749.79	1,067,392.73	379,799.92	7,704,342.60
Property Under Capital Lease	266,892.42	66,723.10		333,615.52
Audio Visual Materials and Computer Software	3,458,697.80	466,285.62	83,448.71	3,841,534.71
Total Accumulated Depreciation	126,002,432.20	16,052,963.25	2,286,437.80	139,768,957.65
Total Capital Assets Being Depreciated, Net	274,463,795.81	51,695,739.56		326,159,535.37
Governmental Activities Capital Assets, Net	\$ 414,428,002.46	\$ 147,959,400.60	\$ 56,080,712.76	\$ 506,306,690.30
MAJOR COMPONENT UNIT				
Capital Assets Being Depreciated:				
Motor Vehicles	\$ 2,206,663.00	\$ 88,522.00	\$ 18,800.00	\$ 2,276,385.00
Furniture, Fixtures, and Equipment	94,721.00			94,721.00
Leasehold Improvements	1,652,280.00	138,680.00		1,790,960.00
Total Capital Assets Being Depreciated	3,953,664.00	227,202.00	18,800.00	4,162,066.00
Less Accumulated Depreciation for:				
Motor Vehicles	878,910.00	207,814.00	15,013.00	1,071,711.00
Furniture, Fixtures, and Equipment	46,303.00	11,800.00		58,103.00
Leasehold Improvements	265,200.00	111,399.00		376,599.00
Total Accumulated Depreciation	1,190,413.00	331,013.00	15,013.00	1,506,413.00
Major Component Unit Capital Assets, Net	\$ 2,763,251.00	\$ (103,811.00)	\$ 3,787.00	\$ 2,655,653.00

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

The class of property under capital lease is presented in Note 5.

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,067,392.73
Unallocated	<u>14,985,570.52</u>
Total Depreciation Expense - Governmental Activities	<u>\$16,052,963.25</u>
MAJOR COMPONENT UNIT	
Instruction	\$ 105,472.00
Pupil Personnel Services	57,760.00
School Administration	6,919.00
Central Services	3,028.00
Operation of Plant	37,734.00
Maintenance of Plant	119,726.00
Community Services	<u>374.00</u>
Total Depreciation Expense - Major Component Unit	<u>\$ 331,013.00</u>

5. 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>
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	81,904.44	77,300.72	4,603.72
2014	<u>68,253.70</u>	<u>66,952.26</u>	<u>1,301.44</u>
Total Lease Payments	<u>\$ 477,775.90</u>	<u>\$ 422,857.03</u>	<u>\$ 54,918.87</u>

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ST. JOHNS COUNTY
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6. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2008, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2003A	\$ 17,000,000	2.90 - 4.10	2018	\$ 23,230,000
Series 2006	<u>131,040,000</u>	3.75 - 5.25	2021	145,000,000
Total Certificates of Participation	<u>\$ 148,040,000</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 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 lease 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 ground lease terms are as follows:

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

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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 leases together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 15,647,871.00	\$ 9,245,000.00	\$ 6,402,871.00
2010	15,648,634.00	9,585,000.00	6,063,634.00
2011	15,646,546.00	9,940,000.00	5,706,546.00
2012	15,643,216.00	10,345,000.00	5,298,216.00
2013	15,648,906.00	10,805,000.00	4,843,906.00
2014-2018	78,241,402.00	60,990,000.00	17,251,402.00
2019-2021	40,709,770.00	37,130,000.00	3,579,770.00
Total Minimum Lease Payments	\$ 197,186,345.00	\$ 148,040,000.00	\$ 49,146,345.00

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7. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 1,050,000	4.125 - 4.750	2019
Series 2000A (Partially Refunded)	250,000	5.000 - 5.125	2010
Series 2003A	485,000	3.00 - 4.25	2023
Series 2004A	680,000	3.250 - 4.625	2024
Series 2005A	240,000	4.0 - 5.0	2025
Series 2005B, Refunding	4,050,000	5	2020
Series 2006A	490,000	4.0 - 5.0	2026
Series 2008A	1,425,000	3.25 - 5.00	2028
District General Obligation Bonds:			
Refunding Bonds Series 2003	<u>7,545,000</u>	2.75 - 4.5	2010
Total Bonds Payable	<u><u>\$ 16,215,000</u></u>		

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

➤ **State School Bonds**

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

➤ **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.

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 901,225.42	\$ 515,000.00	\$ 386,225.42
2010	924,583.75	540,000.00	384,583.75
2011	914,571.25	555,000.00	359,571.25
2012	919,016.25	585,000.00	334,016.25
2013	921,928.75	615,000.00	306,928.75
2014-2018	4,624,890.00	3,560,000.00	1,064,890.00
2019-2023	1,849,333.75	1,470,000.00	379,333.75
2024-2028	938,825.00	830,000.00	108,825.00
Total State School Bonds	11,994,374.17	8,670,000.00	3,324,374.17
District General Obligation Bonds:			
2009	3,884,175.00	3,715,000.00	169,175.00
2010	3,886,993.75	3,830,000.00	56,993.75
Total District General Obligation Bonds	7,771,168.75	7,545,000.00	226,168.75
Total	\$19,765,542.92	\$16,215,000.00	\$3,550,542.92

8. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 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 liability for the in-substance defeased State School Bonds are not included in the District’s financial statements. On June 30, 2008, State School Bonds Series, 2000A, totaling \$1,450,000 are considered defeased in substance.

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ST. JOHNS COUNTY
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9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 2,704,000.00	\$ 636,034.76	\$ 629,034.76	\$ 2,711,000.00	\$ 629,034.76
Installment-Purchase Payable	585,349.32		585,349.32		
Obligation Under Capital Lease	485,476.33		62,619.30	422,857.03	65,313.55
Bonds Payable	18,885,000.00	1,425,000.00	4,095,000.00	16,215,000.00	4,230,000.00
Certificates of Participation Payable	156,950,000.00		8,910,000.00	148,040,000.00	9,245,000.00
Compensated Absences Payable	18,129,814.96	9,044,146.56	1,578,349.61	25,595,611.91	1,578,349.61
Postemployment Health Care Benefits Payable	6,271,382.00	9,440,374.00	2,052,649.00	13,659,107.00	
Total Governmental Activities	\$ 204,011,022.61	\$ 20,545,555.32	\$ 17,913,001.99	\$ 206,643,575.94	\$ 15,747,697.92
MAJOR COMPONENT UNIT					
Compensated Absences Payable	\$ 1,137,387.00	\$ 79,350.00	\$ 100,285.00	\$ 1,116,452.00	\$ 92,019.00

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 healthcare 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.

10. 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 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

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11. 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	\$6,014,609.79	\$ 4,293.22
Capital Projects - Other Capital Projects		5,447,528.02
Nonmajor Governmental		111,925.07
Internal Service	4,293.22	
Agency		455,156.70
Total	<u>\$6,018,903.01</u>	<u>\$ 6,018,903.01</u>

Interfund balances generally arise due to expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$11,695,355.98	\$ 2,800,000.00
Debt Service - Other Debt Service	15,711,346.34	
Capital Projects - Local Capital Improvement		27,286,167.78
Capital Projects - Other Capital Projects		120,534.54
Internal Service	2,800,000.00	
Total	<u>\$ 30,206,702.32</u>	<u>\$ 30,206,702.32</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, property insurance premiums, and to fund certain expenditures of the District’s facilities, information technology, and maintenance departments. The transfers out of General Fund to the Internal Service Fund were to provide additional funds in anticipation of future claims. The transfer out of the Capital Projects – Other Capital Projects Fund was to eliminate interfund activity with the Debt Service – Other Debt Service Fund at year-end.

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12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Programs:	
Class Size Reduction	\$ 27,252,286.00
Transportation	7,330,813.00
Instructional Materials	2,934,916.00
Excellent Teaching Programs	2,182,107.12
School Recognition Funds	1,725,560.00
Other	879,951.38
Classrooms for Kids	26,594,997.00
Florida Education Finance Program	24,135,211.00
Gross Receipts Tax (Public Education Capital Outlay)	12,986,063.00
Workforce Development Program	6,547,954.00
Discretionary Lottery Funds	1,354,797.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,100,090.88
Mobile Home License Tax	79,527.92
Food Service Supplement	65,150.00
Miscellaneous	1,016,467.99
Total	<u>\$ 116,185,892.29</u>

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

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13. PROPERTY TAXES

The following is a summary of millages and taxes levied, budgeted, and collected on the 2007 tax roll for the 2007-08 fiscal year:

	Millages	Taxes		
		Levied	Budgeted (1) (2)	Collected (2)
<u>GENERAL FUND</u>				
Nonvoted School Tax:				
Required Local Effort	4.932	\$121,559,932.08	\$115,824,929.10	\$115,824,929.10
Basic Discretionary Local Effort	0.510	12,570,065.97	11,977,030.38	11,977,030.38
Supplemental Discretionary Local Effort	0.119	2,933,015.39	2,794,640.42	2,794,640.42
<u>DEBT SERVICE FUNDS</u>				
Voted Tax:				
Special Tax School District No. 1 Interest and Sinking	0.160	3,943,550.11	3,734,352.92	3,734,352.92
<u>CAPITAL PROJECTS FUNDS</u>				
Nonvoted Tax:				
Local Capital Improvements	2.000	49,294,376.35	46,968,746.58	46,968,746.58
Total	7.721	\$190,300,939.90	\$181,299,699.40	\$181,299,699.40

Notes: (1) The District budgets about 95 percent of the taxes levied to allow for taxes that will not be collected as a result of early payment discounts, changes in property value assessments, and various other factors.
 (2) The budgeted and collected columns do not include delinquent tax receipts reported as revenue in the 2007-08 fiscal year to satisfy prior years' unpaid taxes.

14. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 492 District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$1,393,068.46.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

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Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
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 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, 2006, June 30, 2007, and June 30, 2008, totaled \$8,570,770.96, \$10,727,186.28, and \$12,928,909.12, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

15. SPECIAL TERMINATION BENEFITS

The School 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.

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- 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 \$615,057.98 during the 2007-08 fiscal year.

16. POSTEMPLOYMENT HEALTHCARE 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 the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Health Care Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. 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 2007-08 fiscal year, 387 retirees received postemployment healthcare benefits. The District provided required contributions of \$2,052,649 toward the annual OPEB cost, comprised of benefit payments made on behalf

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of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$1,221,722.

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 healthcare benefits:

Description	Amount
Normal Cost (service cost for one year)	\$ 5,951,735
Amortization of Unfunded Actuarial Accrued Liability	3,461,762
Interest on Normal Cost and Amortization	0
Annual Required Contribution	9,413,497
Interest on Net OPEB Obligation	250,855
Adjustment to Annual Required Contribution	(223,978)
Annual OPEB Cost (Expense)	9,440,374
Contribution Toward the OPEB Cost	(2,052,649)
Increase in Net OPEB Obligation	7,387,725
Net OPEB Obligation, Beginning of Year	6,271,382
Net OPEB Obligation, End of Year	\$ 13,659,107

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, 2008, and the preceding two years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2006	\$ 3,928,080	\$ 875,762	22.3%	\$ 3,052,318
6/30/2007	4,321,247	1,102,183	25.5	6,271,382
6/30/2008	9,440,374	2,052,649	21.7	13,659,107

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Funded Status and Funding Progress. As of October 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$101,836,119, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$101,836,119. The covered payroll (annual payroll of active participating employees) was \$110,357,392, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 92.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and 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. The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's October 1, 2007, OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and the 2007-08 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10 percent for the 2007-08 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 27 years.

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17. 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
New Ponte Vedra High School:			
Architect	\$ 1,997,500.00	\$ 1,916,201.75	\$ 81,298.25
Contractor	44,497,241.37	43,456,782.97	1,040,458.40
Direct Purchases	16,427,034.11	15,034,441.21	1,392,592.90
New Creekside High School:			
Architect	2,040,000.00	1,997,792.40	42,207.60
Contractor	35,597,276.42	35,566,007.65	31,268.77
Direct Purchases	13,687,458.08	12,672,681.69	1,014,776.39
New Liberty Pines K-8 School:			
Architect	811,800.00	670,725.00	141,075.00
Contractor	19,615,641.02	17,238,582.80	2,377,058.22
Direct Purchases	7,634,567.75	7,119,724.31	514,843.44
Julington Creek Elementary School Additions:			
Architect	795,600.00	755,452.80	40,147.20
Contractor	8,438,557.85	6,683,542.73	1,755,015.12
Direct Purchases	4,037,853.75	1,407,930.68	2,629,923.07
Total	\$ 155,580,530.35	\$ 144,519,865.99	\$ 11,060,664.36

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

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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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 property insurance purchased through the Trust for the 2007-08 fiscal year provided for several school districts to share combined coverage of \$100,000,000 on a per occurrence basis with a \$25,000 deductible for all other perils excluding wind damage from a named storm. The deductible for a named storm is 5 percent of the total insured value, per location, subject to a minimum \$50,000 deductible per occurrence.

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 \$2,923,148 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2008, 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 self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$ 2,742,864.00	\$ 19,399,693.25	\$(19,394,263.25)	\$ 2,748,294.00
2007-08	2,748,294.00	23,630,392.12	(23,455,538.12)	2,923,148.00

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 insurance to \$250,000 per occurrence and, except

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

for the 2004-05 fiscal year, by aggregate excess insurance per plan year ranging from \$1,000,000 to \$3,818,988. For the 2004-05 fiscal year, aggregate excess insurance was not purchased.

A workers' compensation program liability of \$2,711,000 was actuarially determined to cover the District's liability at June 30, 2008, and is reported net of excess insurance recoverable on unpaid claims.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$ 2,409,000.00	\$ 1,158,303.06	\$ (863,303.06)	\$ 2,704,000.00
2007-08	2,704,000.00	636,034.76	(629,034.76)	2,711,000.00

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

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

19. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the Internal Service Funds for the 2007-08 fiscal year:

	Self-Insurance Funds				Total
	Health and Hospitalization			Workers' Compensation Liability Insurance	
	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance		
Total Assets	\$14,576,061.49	\$ 662,172.62	\$ 555,456.03	\$ 4,927,025.94	\$ 20,720,716.08
Liabilities and Net Assets:					
Accounts Payable	\$ 3,391,870.82	\$ 273,560.11	\$ 38,934.32	\$ 801.03	\$ 3,705,166.28
Estimated Insurance Claims Payable	2,667,730.00	223,528.00	31,890.00	2,711,000.00	5,634,148.00
Unrestricted Net Assets	8,516,460.67	165,084.51	484,631.71	2,215,224.91	11,381,401.80
Total Liabilities and Net Assets	\$14,576,061.49	\$ 662,172.62	\$ 555,456.03	\$ 4,927,025.94	\$ 20,720,716.08
Revenues and Transfers In:					
Insurance Premiums	\$24,614,515.72	\$2,621,551.71	\$ 467,798.40	\$ 1,848,196.47	\$ 29,552,062.30
Interest Income	381,713.23	1,078.46	18,121.75	132,166.87	533,080.31
Transfers In	1,800,000.00			1,000,000.00	2,800,000.00
Total Revenues and Transfers In	26,796,228.95	2,622,630.17	485,920.15	2,980,363.34	32,885,142.61
Total Expenses	(25,095,525.44)	(1,861,739.98)	(483,119.74)	(1,411,945.88)	(28,852,331.04)
Change in Net Assets	\$ 1,700,703.51	\$ 760,890.19	\$ 2,800.41	\$ 1,568,417.46	\$ 4,032,811.57

20. 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 on its significance relative to the total discreetly presented component units, and based upon its nature and significance to the District.

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Summary information derived from the component units' June 30, 2008, financial data comprising the component unit columns reported on Exhibits - A and B is shown below:

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 and Cash Equivalents	\$ 143,545	\$ 615,004	\$ 305,634	\$ 1,064,183
Investments			41,310	41,310
Accounts Receivable		233,499	2,287	235,786
Due from Primary Government	4,314	289,385		293,699
Pledges Receivable			43,695	43,695
Inventories		101,406		101,406
Deposit Receivable	4,465			4,465
Prepaid Items		181,825		181,825
Capital Assets:				
Depreciable Capital Assets, Net	142,228	2,655,653		2,797,881
TOTAL ASSETS	\$ 294,552	\$ 4,076,772	\$ 392,926	\$ 4,764,250
LIABILITIES				
Salaries and Benefits Payable	\$ 39,648		\$ 20,269	\$ 59,917
Accounts Payable		241,284		241,284
Due to Primary Government		50,272		50,272
Deferred Revenue		270,762		270,762
Noncurrent Liabilities:				
Portion Due Within One Year:				
Note Payable	18,055			18,055
Compensated Absences Payable		92,019		92,019
Portion Due After One Year:				
Compensated Absences Payable		1,024,433		1,024,433
Total Liabilities	57,703	1,678,770	20,269	1,756,742
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	124,173	2,655,653		2,779,826
Restricted			118,975	118,975
Unrestricted	112,676	(257,651)	253,682	108,707
Total Net Assets	236,849	2,398,002	372,657	3,007,508
TOTAL LIABILITIES AND NET ASSETS	\$ 294,552	\$ 4,076,772	\$ 392,926	\$ 4,764,250

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

STATEMENT OF ACTIVITIES
ALL COMPONENT UNITS

	<u>Charter Schools</u>		St. Johns County Education Foundation, Inc.	Total
	ABLE School, Inc.	First Coast Technical Institute, Inc.		
EXPENSES				
Instruction	\$ 387,601	\$ 5,410,653	\$ 386,544	\$ 6,184,798
Pupil Personnel Services		2,763,110		2,763,110
Instruction and Curriculum Development Services	900			900
General Administration	398,348		49,165	447,513
School Administration		676,929		676,929
Fiscal and Community Services		1,323,662		1,323,662
Central Services		98,184		98,184
Operation of Plant		1,314,518		1,314,518
Maintenance of Plant		425,402		425,402
Total Expenses	786,849	12,012,458	435,709	13,235,016
PROGRAM REVENUES				
Charges for Services	24,870	2,141,314		2,166,184
Operating Grants and Contributions		1,680,967		1,680,967
Capital Grants and Contributions		600,000		600,000
Total Program Revenues	24,870	4,422,281		4,447,151
Net Expense	(761,979)	(7,590,177)	(435,709)	(8,787,865)
GENERAL REVENUES				
Grants and Contributions, Not Restricted to Specific Programs	916,860	7,861,743	627,351	9,405,954
Unrestricted Investment Earnings		21,692	7,261	28,953
Total General Revenues	916,860	7,883,435	634,612	9,434,907
Change in Net Assets	154,881	293,258	198,903	647,042
Net Assets - July 1, 2007	81,968	2,104,744	173,754	2,360,466
Net Assets - June 30, 2008	\$ 236,849	\$ 2,398,002	\$ 372,657	\$ 3,007,508

EXHIBIT - L (Continued)
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

21. LITIGATION

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT - M
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 235,060.00	\$ 293,159.39	\$ 293,159.39	\$
Federal Through State	400,000.00			
State	70,709,329.00	75,386,913.52	75,386,913.52	
Local:				
Current Taxes	130,407,574.00	130,596,599.90	130,596,599.90	
Delinquent Taxes		112,762.70	112,762.70	
Miscellaneous	3,073,637.00	8,760,231.36	8,715,008.36	(45,223.00)
Total Revenues	204,825,600.00	215,149,666.87	215,104,443.87	(45,223.00)
Expenditures				
Current - Education:				
Instruction	130,732,694.00	140,121,911.90	129,164,178.61	10,957,733.29
Pupil Personnel Services	11,263,544.00	11,871,090.71	11,750,832.53	120,258.18
Instructional Media Services	4,312,841.00	4,642,315.64	4,583,153.28	59,162.36
Instruction and Curriculum Development Services	3,495,634.00	3,525,268.75	3,442,365.71	82,903.04
Instructional Staff Training Services	282,900.00	1,885,588.72	1,646,215.67	239,373.05
Instruction Related Technology	4,307,755.00	4,517,322.62	4,204,675.72	312,646.90
Board of Education	885,859.00	897,629.48	728,090.37	169,539.11
General Administration	409,312.00	434,733.69	434,571.30	162.39
School Administration	13,331,801.00	14,663,328.21	14,331,556.51	331,771.70
Facilities Acquisition and Construction	3,068,488.00	4,055,388.21	3,071,231.97	984,156.24
Fiscal Services	1,655,748.00	1,681,433.76	1,635,757.39	45,676.37
Central Services	2,674,719.00	2,895,449.46	2,615,487.04	279,962.42
Pupil Transportation Services	9,848,593.00	10,753,887.31	10,683,911.37	69,975.94
Operation of Plant	20,986,649.00	20,998,907.61	19,401,761.02	1,597,146.59
Maintenance of Plant	7,134,968.00	7,434,379.42	7,263,520.72	170,858.70
Administrative Technology Services	1,312,349.00	1,093,229.81	693,319.18	399,910.63
Community Services	129,005.00	4,332,156.94	3,083,235.56	1,248,921.38
Fixed Capital Outlay:				
Other Capital Outlay		498,776.14	498,776.14	
Total Expenditures	215,832,859.00	236,302,798.38	219,232,640.09	17,070,158.29
Deficiency of Revenues Under Expenditures	(11,007,259.00)	(21,153,131.51)	(4,128,196.22)	17,024,935.29
Other Financing Sources (Uses)				
Transfers In	9,470,789.00	12,630,840.00	11,695,355.98	(935,484.02)
Insurance Loss Recoveries			5,300.00	5,300.00
Transfers Out		(2,800,000.00)	(2,800,000.00)	
Total Other Financing Sources (Uses)	9,470,789.00	9,830,840.00	8,900,655.98	(930,184.02)
Net Change in Fund Balance	(1,536,470.00)	(11,322,291.51)	4,772,459.76	16,094,751.27
Fund Balance, July 1, 2007	1,636,470.00	19,898,120.72	19,908,344.28	10,223.56
Fund Balance, June 30, 2008	\$ 100,000.00	\$ 8,575,829.21	\$ 24,680,804.04	\$ 16,104,974.83

EXHIBIT - N
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2005	\$ 0	\$ 47,133,660	\$ 47,133,660	0%	\$ 74,022,750	63.7%
10/1/2007	0	101,836,119	101,836,119	0	110,357,392	92.3

EXHIBIT - O
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

1. SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE BENEFITS

The October 1, 2007, unfunded actuarial accrued liability of \$101,836,119 was significantly higher than the July 1, 2005, liability of \$47,133,660 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Effective January 1, 2007, the Board lengthened the period it would subsidize the cost of retiree group insurance coverage. Before July 1, 2007, the length of the subsidized period was determined based on the number of years of service with the District (after a minimum of ten years), and generally covered from about two and one-half to ten years. After the expiration of the subsidized period, continued retiree and dependent coverage was subject to payment of a "bridge rate" (or full blended rate) until becoming eligible for Medicare. After July 1, 2007, all employees retiring with more than ten years of District service are eligible to participate in the group insurance plan at the subsidized rate from the retirement date until becoming eligible for Medicare.
- The number of enrolled retirees was expected to increase to 330; however, enrolled retirees increased from 269 in the July 1, 2005, valuation to 387 in the October 1, 2007, valuation. Similarly, the number of active employees was not expected to increase in the previous valuation; however, the number increased from 1,982 to 2,709 in the current valuation.
- In the previous valuation, the cost of coverage was expected to increase from \$560 to \$657 per employee per month; however, the cost actually increased to \$692 per employee per month for the 2007-08 fiscal year. At the same time, the premium payments required from retirees changed very little.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to increase at 10 percent in the first year, decreasing by 1 percent each year to an ultimate rate of 5 percent after five years. In the current valuation, the trend is assumed to be an increase of 10 percent in the first year, decreasing by a 0.5 percent each year to an ultimate rate of 5 percent after ten years.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 454,228.36	\$
National School Lunch Program	10.555	300	1,654,960.57	
Summer Food Service Program for Children	10.559	323	61,692.69	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	375,430.48	
Total Child Nutrition Cluster			2,546,312.10	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A1927	10,438.68	
Total United States Department of Agriculture			2,556,750.78	
United States Department of Labor:				
Indirect:				
First Coast Workforce Development, Inc.:				
WIA Youth Activities	17.259	None	141,085.23	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	4,775,747.35	
Special Education - Preschool Grants	84.173	267	79,238.43	
University of South Florida:				
Special Education - Grants to States	84.027	None	76,165.50	
Total Special Education Cluster			4,931,151.28	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	163,834.53	163,834.53
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	2,469,957.73	
Title I Program for Neglected and Delinquent Children	84.013	223	328,285.26	
Career and Technical Education - Basic Grants to States	84.048	151, 152	373,457.07	225,382.43
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	144,470.31	
Tech-Prep Education	84.243	157	23,482.66	
Charter Schools	84.282	298	131,918.58	131,918.58
State Grants for Innovative Programs	84.298	113	32,791.42	
Education Technology State Grants	84.318	121, 122	633,938.51	
English Language Acquisition Grants	84.365	102	15,914.98	
Improving Teacher Quality State Grants	84.367	224	536,824.34	
St. Johns River Community College:				
Tech-Prep Education	84.243	21164	30,687.37	
Total United States Department of Education			9,816,714.04	521,135.54
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600(3)	N/A	916,782.45	
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	75,050.03	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	75,505.14	
Air Force Junior Reserve Officers Training Corps	None	N/A	82,395.41	
Navy Junior Reserve Officers Training Corps	None	N/A	163,941.66	
Total United States Department of Defense			321,842.21	
Total Expenditures of Federal Awards			\$ 13,828,224.74	\$ 521,135.54

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2007-08 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 - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year and includes cash-in-lieu of commodities totaling \$29,442.86. Commodities are valued at fair value as determined at the time of donation.

(3) Head Start. Expenditures of \$916,782.45 are for grant number/program year 04CH0594/11. The grant budget period was initially for the period October 1, 2006, through September 30, 2007, but was extended by the grantor through June 30, 2008.



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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, 2008, 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. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

Compliance and Other Matters

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

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

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit – P. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 24, 2009



David W. Martin, CPA
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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 St. Johns County District School Board'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, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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 \$1,516,597 in Federal Awards for the fiscal year ended June 30, 2008. 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, 2008. However, the results of our auditing procedures disclosed 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 **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

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 a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

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 deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

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 the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit – P. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 24, 2009

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Dollar threshold used to distinguish between Type A and Type B programs:	\$414,846
Auditee qualified as low-risk auditee?	No

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENT FINDING

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District’s 2007-08 fiscal year annual financial report disclosed that enhancements in procedures could be made in financial reporting. On the government-wide statements, the District understated capital grants and contributions program revenues by \$31,969,818.71, and overstated grants and contributions not restricted to specific programs by the same amount. Inquiry with District personnel indicated that the error occurred mainly because of confusion over the State’s handling of certain construction funding as both State categorical funding and as a capital appropriation. State capital appropriations are considered program revenues because they support the District’s facilities acquisition and construction function, and should be reported as such to provide a comparison of direct expenses by function to related program revenues, and demonstrate the extent to which the function is self-financing. We extended our audit procedures to determine the adjustment necessary, and the adjustment was accepted by the District to properly report the transaction.

Recommendation: To facilitate proper financial reporting, the District should enhance procedures to ensure that transactions are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Ad Valorem Taxation

The District incurred costs, totaling \$523,873, from its capital outlay millage levy funds that were not, of record, allowable under the provisions of Section 1011.71(2), Florida Statutes. The District was authorized, pursuant to Section 1011.71(2), Florida Statutes, to levy ad valorem taxes for capital outlay purposes within specified millage rates. Additionally, Section 1011.71(2), Florida Statutes, provided that revenue generated by the capital outlay millage levy should be used only for certain allowable purposes, such as the costs of new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; the purchase of new and replacement equipment; and payment of property-casualty insurance premiums subject to certain conditions and limitations.

Pursuant to Section 1011.71(2), Florida Statutes, the District levied the ad valorem taxes for capital outlay purposes, budgeted the capital outlay taxes for specific projects, and accounted for the capital outlay millage levy proceeds in its Local Capital Improvement Fund (LCIF). LCIF expenditures and transfers to other funds totaled approximately \$12 million and \$27 million, respectively, for the 2007-08 fiscal year. However, our review of LCIF expenditures disclosed that the District purchased software, costing \$523,873, which was not specifically included in the 2007-08

fiscal year law as an allowable use of the capital outlay millage levy proceeds. The software expenditures included purchases such as encryption and security software, Microsoft Office software, school library accountability software, employment application Web site upgrades, absentee management software, and telephone notification system services. In October 2008, the Florida Department of Education responded to another school district regarding its purchase of computer software noting that “the expenditure of capital improvement funds for computer software is not authorized in Section 1011.71, Florida Statutes.”

In response to our inquiries, we were advised by District personnel that software was included in the District’s published notice of intent to levy ad valorem taxes for capital outlay millage required by Section 200.065(10)(a), Florida Statutes. However, the published notice to use such proceeds for software purchases does not exempt the District from compliance with Section 1011.71(2), Florida Statutes. District personnel further indicated that they could have transferred additional LCIF funds, totaling \$845,648.05, to the General Fund as reimbursement for other allowable 2007-08 fiscal year expenditures; however, the District did not report this transfer in the financial statements.

Recommendation: The District should document to the Florida Department of Education the allowability of the software expenditures, totaling \$523,873, or these costs should be restored to the Capital Projects – Local Capital Improvement Fund. Further, the District should enhance controls to ensure that LCIF proceeds are only expended for the purposes set forth in Section 1011.71, Florida Statutes.

Finding No. 3: Purchasing Practices

State Board of Education (SBE) Rule 6A-1.012(5), Florida Administrative Code, provides that in lieu of requesting bids from three or more sources, the School Board may make purchases at the unit prices in contracts awarded by another school board when the bidder awarded the contract will permit purchases by the School Board at the same terms, conditions, and unit prices awarded in such contract, and such purchases are to the economic advantage of the School Board.

On July 1, 2008, the Board approved a multiyear contract with a firm to provide energy education training and monitoring services. District records indicate the firm was selected pursuant to the provisions of the above SBE rule based on another school board’s evaluation and contract award for these services. However, contrary to this rule, the District’s contract did not contain the same terms, conditions, and unit prices awarded in the other school board’s contract. For example, payments to the firm under the District’s contract provided for a base fee of \$36,060 per month and a performance fee of \$36,060 per month, for 48 months each, or a total (maximum) of \$3,461,760 assuming minimum documented energy savings of \$8,767,000 are realized over the term of the contract. The other school board’s contract provided for payments to the firm equal to 35 percent of documented energy savings over a five-year period. Using the District’s \$8,767,000 minimum (target) savings amount and the 35 percent fee provided in the other school board’s contract, the District would pay \$3,068,450 to the firm, or \$393,310 less than it would pay under its contract. In this example, the original contract contains more favorable terms than the District’s contract unless the District realizes a certain level of cost savings (35 percent energy cost savings).

In the above circumstances, the District based its contract award to the firm on the other school board’s selection process, rather than on the terms, conditions, and unit prices in the other school board’s contract award. Subsequent to our inquiries, the District provided us with a comparison of projected costs under each contract at various levels of energy savings relative to the \$8,767,000 targeted savings amount, several of which showed an economic advantage to the District, and indicated that extensive time and effort by District staff resulted in

improvement in the District's contract. However, under these circumstances, since the terms of the contract differ and there is no certain economic advantage to the District, the projected cost comparison does not provide the authority for the District to contract with the firm and to forego the SBE rule bidding requirements.

Recommendation: The District should enhance its purchasing practices to ensure that, when using a contract awarded by another school board, the contract is awarded with the same terms and conditions of the other school board's contract, and is to the Board's economic advantage.

Finding No. 4: Collection of Social Security Numbers

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

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that, as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was also required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

The District collects SSNs from students, employees and prospective employees, and certain contracted vendors for record keeping and tax related purposes. Our inquiry and review disclosed that the District had assigned unique student and employee identification numbers as an alternative to minimize the need for collecting, maintaining, and using SSNs for identification purposes; notified current District employees of the purpose for collection of the numbers; submitted the required certification of its compliance to the Legislature; and reported to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. However, contrary to the above law, the District did not provide written statements to prospective employees or parents and legal guardians of the reasons SSNs were collected for certain purposes, such as when collected on employment applications, student enrollment forms, and student emergency and health information forms. Subsequent to our inquiries, District management developed written statements indicating the purposes for collecting SSNs.

Recommendation: The District should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes, and properly monitor its collection and use of social security numbers.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$144,701.80

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, the total amount of which is dependent upon product purchases and other factors. Subsequent to our inquiries, the District received correspondence from its exclusive beverage contractor during January 2009, detailing the noncash incentives provided and indicating that 49,173 cases of beverage product were sold in the District for the 2007-08 fiscal year. Based on the terms of the exclusive beverage agreement, the District received cash and noncash incentives totaling \$517,482 for the 2007-08 fiscal year.

Federal regulations require 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 noncash) 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 noncash 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.

For the 2007-08 fiscal year, the District deposited \$165,787.40 received from the exclusive beverage contractor to the food service program, and the remainder was provided to District schools. However, based on the correspondence provided by the exclusive beverage contractor, approximately 40 percent of the product was used in the District's schools and 60 percent was used in the food service program. In these circumstances, based on the \$517,482 of cash and noncash incentives provided under the agreement, the District should have allocated 60 percent to the food service program, or \$310,489.20. As a result of the improper allocation of cash and noncash incentives, \$144,701.80 was deposited outside the food service program account and, therefore, represents program questioned costs. A similar finding was noted in our report No. 2008-145.

Recommendation: The District should document to the grantor (Florida Department of Education) that program income attributable to the exclusive beverage contract for the 2007-08 fiscal year was properly allocated to the food service program, or the questioned costs of \$144,701.80 should be restored to the program. The District should also enhance its monitoring procedures to ensure that 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: Child Nutrition Cluster (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(2)(c), 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 three high schools from the District's most recent review, conducted in October 2008, which disclosed that two of the high schools (St. Augustine and Allen D. Nease) were not in compliance. Our review, conducted during January 2009, disclosed that 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.

A similar finding was noted in our report No. 2008-145.

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs and **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2008-145.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit – P.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

ST. JOHNS COUNTY
 DISTRICT SCHOOL BOARD
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2008

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2008-145 (1)	Child Nutrition Cluster [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)] - Program Income - Exclusive Beverage Contract	Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the food service program account, resulting in questioned costs of \$195,792.	Not corrected	The grantor has not contacted the District regarding these questioned costs. As indicated in correspondence with the auditors in the prior audit, the District is of the opinion the food service program did not receive program income as a result of other food service costs having been paid from the General Fund. Furthermore, in the response to the prior audit, the District stated it had 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. We are taking action to comply with our response.
2008-145 (2)	National School Lunch Program (CFDA 10.555) - 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.	Not corrected	The grantor has not contacted the District regarding this finding.
2008-145 (3)	School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA 10.555) - Eligibility	Improvements were needed in District procedures to ensure the eligibility of students receiving free and reduced-price meals.	Corrected	The grantor has not contacted the District regarding this finding.
2008-145 (4)	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)] - Allowable Costs/Cost Principles - Contract Provisions	Improvements were needed in District procedures to provide for required provisions in contracts funded with Federal moneys.	Corrected	
2008-145 (5)	Improving Teacher Quality State Grants (CFDA 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)] - Debarment and Suspension	District records did not always evidence compliance with suspension and debarment requirements.	Corrected	

EXHIBIT – P
MANAGEMENT’S RESPONSE

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

Joseph G. Joyner, Ed.D.
Superintendent



March 5, 2009

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, 2008.

Dear Mr. Martin,

On February 6, 2009, your staff delivered our preliminary and tentative audit findings for the fiscal year ended June 30, 2008.

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

Finding No. 1: Financial Reporting

District Response:

The District will continue to enhance procedures to properly report account balances on the financial statements.

Finding No. 2: Ad Valorem Taxation

District Response:

The District will enhance controls to ensure that LCIF proceeds are expended for the purposes set forth in Section 1011.71; however, the District could have transferred an additional \$845,648.05 of LCIF funds to reimburse General Fund for allowable expenditures. The \$845,648.05 offsets the software expenditures of \$523,873.

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. 3: Purchasing Practices***District Response:***

The acceptance of Energy Education, Inc. as the energy conservation firm for the District was based on the Sarasota contract including the existing terms, conditions, and pricing. Only after the Sarasota contract was determined to be to the economic advantage of the District did the staff and legal counsel negotiate a more favorable contract. The responsibilities and expectations of the firm did not change. The cost analysis demonstrated that in a greater number of performance scenarios the St. Johns County School District contract revisions were advantageous.

Furthermore, included in the St. Johns contract was improved language defined as termination for convenience and reduced termination fees as compared to the Sarasota contract. It is the position of the District that the decision to approve the Energy Education, Inc. contract provided a distinct economic advantage. As of February 2009, the program has demonstrated a five month cost avoidance to the District of \$1,010,821. At this pace the St. Johns contract will far exceed the savings that would have been realized by the Sarasota contract.

The recommendation to the District is to enhance its purchasing practices to ensure that, when using a contract awarded by another school board, the contract is awarded with the same terms and conditions of the other school board's contract, and is to the Board's economic advantage. Effective February 25, 2009, the new State Purchasing Policy "permits purchases by a district school board at the same terms, conditions, and prices (or below such prices) awarded in such contract, and such purchases are to the economic advantage of the district school board." The St. Johns County School District is of the opinion it negotiated a better contract that is economically advantageous. The District has enhanced its purchasing practices to ensure that, when using a contract awarded by another school board, the contract is awarded with the same terms and conditions of the other school board's contract, and is to the Board's economic advantage.

Finding No. 4: Collection of Social Security Numbers***District Response:***

The District's on-line application system now has a written statement indicating the purpose for collecting social security numbers, which is electronically signed by the applicant. In addition, the Student Information/Entry form now notifies parents as to the purpose of collecting their child's SSN. The School District no longer requests the child's social security number on the Declaration of Intent to Terminate School Enrollment form. Furthermore, a written statement is now developed and provided to each individual and student whose SSN is requested. In the future, the District will include a statement in the District's Student Code of Conduct Parent/Student Acknowledgement of Student's Rules and Regulations of Operation signature form. The District will continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statute and properly monitor its collection and use of social security numbers.

**Federal Awards Finding No. 1: Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education Program: Child Nutrition
Cluster (CFDA Nos. 10.553, 10.555, and 10.559) Finding Type: Significant Deficiency and
Noncompliance Questioned Costs: \$144,701.80.**

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: Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education Program: Child Nutrition
Cluster (CFDA No. 10.555) Finding Type: Noncompliance Questioned Costs: Not
Applicable**

District Response:

The District will continue with its audit functions to ensure compliance with Federal regulations and State rules relating to the sale of food and beverages in competition with the National School Lunch Program.

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