



BASIC FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTARY INFORMATION
AND SINGLE AUDIT REPORT IN
ACCORDANCE WITH OMB CIRCULAR A-133

St. Johns County District School Board
Year Ended June 30, 2012
With Report of Independent Certified Public Accountants

Ernst & Young LLP

 **ERNST & YOUNG**

St. Johns County District School Board

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

Year Ended June 30, 2012

Contents

Report of Independent Certified Public Accountants1

Management’s Discussion and Analysis3

Financial Statements

Statement of Net Assets13

Statement of Activities.....15

Balance Sheet – Governmental funds16

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets18

Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds.....19

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities21

Statement of Net Assets – Internal Service Funds.....22

Statement of Revenues, Expenses, and Changes in Net Assets – Internal
Service Funds.....23

Statement of Cash Flows – Internal Service Funds24

Statement of Fiduciary Assets and Liabilities – Agency Funds25

Notes to the Financial Statements.....26

St. Johns County District School Board

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

Year Ended June 30, 2012

Contents

Required Supplementary Information

Schedule of Funding Progress – Other Postemployment Benefits Plan67
Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and
Actual – General Fund68
Notes to the Required Supplementary Information69

Schedule of Expenditures of Federal Awards70
Notes to the Schedule of Expenditures of Federal Awards72
Report of Independent Certified Public Accountants on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance with *Government Auditing Standards*74
Report of Independent Certified Public Accountants on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-13376
Schedule of Findings and Questioned Costs78
Summary Schedule of Prior Audit Findings82

Report of Independent Certified Public Accountants

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

We have audited 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 (the District), as of and for the year ended June 30, 2012, 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 discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for the aggregate discretely presented component units referred to above, are based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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 of the District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States require that management's discussion and analysis, budgetary comparison schedule – general fund, and the schedule of funding progress – other post employment benefit plans on pages 1 through 12 and 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads 'Ernst & Young LLP'.

March 1, 2013

St. Johns County District School Board

Management's Discussion and Analysis

For the Year Ended June 30, 2012

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 information; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant information in individual funds.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-2012 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2012 by \$446,277,332 (net assets). After deducting net assets invested in capital assets (net of related debt) and restricted net assets, the District had a deficit unrestricted net assets of \$753,280.
- In total, net assets decreased \$22,169,267, which represents a 4.7% decrease from the 2010-11 fiscal year.
- General revenues total \$237,288,116, or 86% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$39,169,556 or 14%.
- Expenses total \$298,626,939; only \$39,169,556 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$22,169,267.
- The total assigned and unassigned portion of the General Fund balance, which represents net current financial resources available for general appropriation by the Board, was \$56,410,648 at June 30, 2012 or 26% of total General Fund expenditures.
- The District's capital asset-related long-term debt decreased by a net amount of \$10,709,112, mainly because of the repayment of principal.

St. Johns County District School Board

Management's Discussion and Analysis (continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition to the basic financial statements, the report also presents certain required supplementary information.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the 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 presents 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., doing business as First Coast Technical College, charter technical career center; and the St. Johns County Education Foundation, Inc. Although

St. Johns County District School Board

Management's Discussion and Analysis (continued)

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 (Corporation) that is also a legally separate entity. The Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District, as further discussed in Note 9. Due to the substantive economic relationship between the District and the Corporation, the Corporation has been included as an integral part of the primary government.

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide

St. Johns County District School Board

Management's Discussion and Analysis (continued)

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 Special Revenue – ARRA Economic Stimulus Fund, the Debt Service – Other Debt Service Fund, the Capital Projects – Local Capital Improvement Fund, 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 fund includes an agency fund to account for resources held for student activities and groups.

Notes to Financial Statements

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

St. Johns County District School Board

Management’s Discussion and Analysis (continued)

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, 2012, compared to net assets as of June 30, 2011:

Net Assets, End of Year

| | Governmental Activities | |
|--|--------------------------------|-----------------------|
| | 2012 | 2011 |
| Current and other assets | \$ 161,806,208 | \$ 196,633,016 |
| Capital assets (net) | 512,457,953 | 506,202,735 |
| Total assets | <u>674,264,161</u> | <u>702,835,751</u> |
| Long-term liabilities | 198,393,092 | 203,655,449 |
| Other liabilities | 29,593,737 | 30,733,704 |
| Total liabilities | <u>227,986,829</u> | <u>234,389,153</u> |
| Net assets: | | |
| Invested in capital assets – net of related debt | 386,087,241 | 381,731,717 |
| Restricted | 60,943,371 | 71,391,772 |
| Unrestricted (deficit) | (753,280) | 15,323,109 |
| Total net assets | <u>\$ 446,277,332</u> | <u>\$ 468,446,598</u> |

The largest portion of the District’s net assets (87%) 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 (14%) represents resources that are subject to external restrictions on how they may be used. The District currently has a deficit unrestricted net assets balance of \$753,280.

The District’s net assets decreased by \$22,169,267 during the 2011-2012 fiscal year. The decrease represents the degree to which ongoing expenses have exceeded ongoing revenues. The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

St. Johns County District School Board

Management's Discussion and Analysis (continued)

Operating Results for the Fiscal Year Ended

| | Governmental Activities | |
|--|--------------------------------|-----------------------|
| | 2012 | 2011 |
| Program revenues: | | |
| Charges for services | \$ 19,685,961 | \$ 19,388,563 |
| Operating grants and contributions | 11,611,790 | 11,176,024 |
| Capital grants and contributions | 7,871,805 | 6,796,903 |
| General revenues: | | |
| Property taxes, levied for operational purposes | 117,952,145 | 124,940,872 |
| Property taxes, levied for debt service | 1,540 | 9,358 |
| Property taxes, levied for capital projects | 27,311,388 | 28,559,447 |
| Grants and contributions not restricted to specific programs | 87,959,836 | 104,710,193 |
| Unrestricted investment earnings | 382,110 | 378,848 |
| Miscellaneous | 3,681,097 | 4,544,296 |
| Total revenues | 276,457,672 | 300,504,505 |
| Functions/program expenses: | | |
| Instruction | 154,917,563 | 160,281,144 |
| Pupil personnel services | 15,666,971 | 15,648,973 |
| Instructional media services | 4,482,159 | 4,665,654 |
| Instruction and curriculum development services | 6,724,688 | 6,918,909 |
| Instructional staff training services | 5,537,121 | 4,231,265 |
| Instruction related technology | 4,858,653 | 4,585,612 |
| Board of Education | 776,477 | 828,837 |
| General administration | 802,006 | 911,113 |
| School administration | 14,085,674 | 14,770,442 |
| Facilities acquisition and construction | 16,169,015 | 14,570,384 |
| Fiscal services | 1,940,256 | 1,809,452 |
| Food services | 10,330,383 | 10,190,739 |
| Central services | 10,620,862 | 10,704,206 |
| Pupil transportation services | 12,778,049 | 12,635,262 |
| Operation of plant | 19,738,298 | 20,507,802 |
| Maintenance of Plant | 8,173,519 | 8,365,885 |
| Administrative technology services | 1,122,670 | 1,276,100 |
| Community services | 3,442,864 | 3,434,471 |
| Interest on long-term debt | 6,459,711 | 6,538,768 |
| Total functions/program expenses | 298,626,939 | 302,875,017 |
| Decrease in net assets | \$ (22,169,267) | \$ (2,370,513) |

St. Johns County District School Board

Management's Discussion and Analysis (continued)

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 86% of total revenues, whereas program revenues provide approximately 14%. The majority of program revenues (86%) are in the facilities acquisition and construction, food services, central services, and pupil transportation services activities.

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

Student full-time equivalent (FTE) enrollment increased by 761 students, from 30,592 in the 2010-11 fiscal year to 31,353 in the 2011-12 fiscal year. Grants and contributions not restricted to specific programs decreased by \$16,750,356 as compared to the prior fiscal year, mainly because of decrease in Federal ARRA economic stimulus funding.

Instructional activities represent the majority of the District's expenses, totaling approximately 52% of total governmental expenses in both the 2010-11 and 2011-12 fiscal years. Instruction expenses decreased by \$5,363,581, or 3%, mainly as a result of a reduction in retirement costs. Overall, total expenses decreased \$4,248,078 or 1%, as compared to total revenues, which decreased \$24,046,832, or 9%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total assigned and unassigned fund balance is \$56,410,648, while the total fund balance is \$67,005,796. For the 2011-12 fiscal year, total fund balance decreased by \$2,356,129.

Key factors in these changes are as follows:

- Total revenues decreased by \$7,012,971, or 3%, mainly from a decrease in property taxes.

St. Johns County District School Board

Management's Discussion and Analysis (continued)

- Total expenditures increased by \$6,842,730, or 3%, due mainly to increased salary and benefit costs.
- Total expenditures exceeded total revenues by \$2,356,129 and net other financing sources, mainly from a decrease in property taxes.

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 2011-12 fiscal year, all available resources were used for current debt related expenditures.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$22,929,857, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$12,868,899 in the current fiscal year. Expenditures of \$15,760,716 were primarily for motor vehicle purchases and equipment, and various maintenance, remodeling, and renovation projects. Transfers out of \$24,498,318 were mainly to fund educational plant maintenance and debt service expenditures in other funds.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources. The total fund balance increased by \$3,147,256 in the current fiscal year to \$33,438,999, at June 30, 2012.

The Capital Projects – ARRA Economic Stimulus Fund is used to account for the financial resources of the \$16,000,000 Certificates of Participation, Qualified School Construction Bonds, Series 2010-QSCB, issued during the 2010-11 fiscal year. The total fund balance at June 30, 2012 is \$2,901,074.

The District's Health and Hospitalization Group Medical Self-Insurance Fund has a deficit net asset balance of \$9,997,458 at June 30, 2012. This deficit resulted from increased claims expenses relative to premium revenues. To improve the Fund's net asset position, the District has implemented increases in employer contributions beginning September 15, 2012 and increased retiree premiums beginning October 1, 2012. Operating expenses have been reduced by increasing the deductible of the stop loss insurance beginning July 1, 2012 and through vendor fee reductions.

St. Johns County District School Board

Management's Discussion and Analysis (continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$13,459,364. At the same time, final appropriations increased by \$26,486,897 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 \$28,454,426 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; carryover of noncategorical program, school, department, and other activity budgets; and medical plan recovery.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, is \$512,457,953 (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.

During the current fiscal year the District finalized the construction of Palencia Elementary. Additional information on the District's capital assets can be found in Notes 6 and 14 to the financial statements.

Long-Term Debt

At June 30, 2012, the District had total long-term debt outstanding of \$133,104,253 related to the construction and acquisition of capital assets. This amount is comprised of \$144,253 of Obligation Under Capital Lease; \$124,925,000 of Certificates of Participation; and \$8,035,000 of State School Bonds. During the fiscal year, the District's long-term debt decreased a net amount of \$10,709,112, or 8%. The net decrease is mainly due to the redemption of debt principal.

St. Johns County District School Board

Management's Discussion and Analysis (continued)

Additional information on the District's long-term debt can be found in Notes 8 through 12 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 \$5,579,515 workforce development program appropriation, as well as student fees, State and Federal grants, and various other sources. FCTI's financial data is included in the component units columns in the accompanying financial statements, was derived from their audit report for the fiscal year ended June 30, 2012.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the St. Johns County District School Board's finances and academic achievements. Separately issued financial statements of the District's component units can be obtained by contacting each respective charter school. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, St. Johns County District School Board, 40 Orange Street, St. Augustine, FL 32084.

St. Johns County District School Board

Statement of Net Assets

June 30, 2012

| | Component Units | | |
|--|----------------------------|----------------------------------|-----------------------------|
| | Governmental Activities | First Coast Technical College | Nonmajor Component Units |
| Assets | | | |
| Cash | \$ 130,440,097 | \$ 1,519,082 | \$ 881,720 |
| Investments | 5,225,943 | - | - |
| Accounts receivable | 451,602 | 383,464 | 53,624 |
| Due from reinsurer | 100,742 | - | - |
| Due from component units | 8,712 | - | 6,000 |
| Due from other agencies | 3,034,594 | 200,252 | - |
| Inventory | 533,029 | 161,313 | - |
| Prepaid items | | 753 | 3,025 |
| Restricted assets: | | | |
| Investments | 21,651,489 | - | - |
| Cash with fiscal agent | 360,000 | - | - |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 34,488,948 | - | - |
| Construction in progress | 13,032,401 | - | - |
| Improvements other than buildings | 24,795,305 | - | 204,720 |
| Less accumulated depreciation | (13,773,222) | - | (180,123) |
| Buildings and fixed equipment | 580,065,187 | - | - |
| Less accumulated depreciation | (139,239,400) | - | - |
| Furniture, fixtures and equipment | 27,225,234 | 2,595,210 | 124,909 |
| Less accumulated depreciation | (22,488,750) | (1,481,164) | (101,822) |
| Motor vehicles | 18,573,103 | 169,435 | - |
| Less accumulated depreciation | (10,721,491) | (115,484) | - |
| Property under capital leases | 667,231 | 2,125,826 | - |
| Less accumulated depreciation | (594,948) | (884,912) | - |
| Audio visual materials | 26,359 | - | - |
| Less accumulated depreciation | (7,908) | - | - |
| Computer software | 4,547,485 | 8,860 | - |
| Less accumulated amortization | (4,137,581) | (3,544) | - |
| Total capital assets net of accumulated depreciation | 512,457,953 | 2,414,227 | 47,684 |
| | | | |
| Total assets | \$ 674,264,161 | \$ 4,679,091 | \$ 992,053 |

| | Component Units | | |
|---|------------------------------------|--|-------------------------------------|
| | Governmental Activities | First Coast Technical College | Nonmajor Component Units |
| Liabilities and net assets | | | |
| Liabilities: | | | |
| Salaries and wages payable | \$ 1,338,632 | \$ — | \$ 45,358 |
| Payroll deductions and withholdings | 703,338 | — | — |
| Accounts payable | 8,388,365 | 84,902 | 16,769 |
| Deposits payable | 210,823 | — | — |
| Construction contracts payable | 1,793,865 | — | — |
| Construction contracts retainage payable | 364,573 | — | — |
| Matured certificates of participation payable | 10,345,000 | — | — |
| Matured interest payable | 2,649,108 | — | — |
| Due to component units | 200,252 | — | 1,650 |
| Due to other agencies | 1,224 | — | — |
| Deferred revenue | — | 264,236 | — |
| Estimated unpaid claims | 3,598,557 | — | — |
| Noncurrent liabilities: | | | |
| Portion due within one year: | | | |
| Obligations under capital leases | 77,301 | — | — |
| Bonds payable | 640,000 | — | — |
| Liability for compensated absences | 1,872,585 | 190,186 | — |
| Certificates of participation payable | 10,805,000 | — | — |
| Estimated liability for long-term claims | 101,558 | — | — |
| Portion due after one year: | | | |
| Obligations under capital leases | 66,952 | — | — |
| Bonds payable | 7,395,000 | — | — |
| Liability for compensated absences | 18,665,009 | 503,339 | — |
| Certificates of participation payable | 114,120,000 | — | — |
| Estimated liability for long-term claims | 517,855 | — | — |
| Other postemployment benefits obligation | 44,131,832 | — | — |
| Total liabilities | 227,986,829 | 1,042,663 | 63,777 |
| Net assets | | | |
| Invested in capital assets, net of related debt | 386,087,241 | 2,414,227 | 47,684 |
| Restricted for: | | | |
| Categorical carryover programs | 259,557 | — | — |
| Food service | 1,129,457 | — | — |
| Debt service | 1,514,969 | — | — |
| Capital projects | 58,039,388 | — | — |
| Other purposes | — | — | 359,966 |
| Unrestricted (deficit) | (753,280) | 1,222,201 | 520,626 |
| Total net assets | 446,277,332 | 3,636,428 | 928,276 |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Statement of Activities

For the Year Ended June 30, 2012

| Functions | Expenses | Program Revenues | | | Governmental Activities | Component Units |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|-------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | |
| Governmental activities: | | | | | | |
| Instruction | \$ 154,917,563 | \$ 979,611 | \$ - | \$ - | \$ (153,937,952) | |
| Pupil personnel services | 15,666,971 | - | - | - | (15,666,971) | |
| Instructional media services | 4,482,159 | - | - | - | (4,482,159) | |
| Instruction and curriculum development services | 6,724,688 | - | - | - | (6,724,688) | |
| Instructional staff training services | 5,537,121 | - | - | - | (5,537,121) | |
| Instructional-related technology | 4,858,653 | - | - | - | (4,858,653) | |
| School Board | 776,477 | - | - | - | (776,477) | |
| General administration | 802,006 | - | - | - | (802,006) | |
| School administration | 14,085,674 | - | - | - | (14,085,674) | |
| Facilities acquisition and construction | 16,169,015 | - | - | 6,887,040 | (9,281,975) | |
| Fiscal services | 1,940,256 | - | - | - | (1,940,256) | |
| Food services | 10,330,383 | 6,887,399 | 3,957,842 | - | 514,858 | |
| Central services | 10,620,862 | 7,654,626 | - | - | (2,966,236) | |
| Pupil transportation | 12,778,049 | 687,218 | 7,653,948 | - | (4,436,883) | |
| Operation of plant | 19,738,298 | - | - | - | (19,738,298) | |
| Maintenance of plant | 8,173,519 | - | - | - | (8,173,519) | |
| Administrative technology services | 1,122,670 | - | - | - | (1,122,670) | |
| Community services | 3,442,864 | 3,477,107 | - | - | 34,243 | |
| Interest on long-term debt | 6,459,711 | - | - | 984,765 | (5,474,946) | |
| Total Governmental Activities | \$ 298,626,939 | \$ 19,685,961 | \$ 11,611,790 | \$ 7,871,805 | \$ (259,457,383) | |
| Component Units: | | | | | | |
| Major Component Unit First Coast | | | | | | |
| Technical College (FCTC) | \$ 10,280,777 | \$ 2,421,183 | \$ 1,320,989 | \$ 162,434 | \$ - | \$ (6,376,171) |
| Total Nonmajor Component Units | 1,684,169 | 23,948 | 322,694 | 50,532 | - | (1,286,995) |
| Total Component Units | \$ 11,964,946 | \$ 2,445,131 | \$ 1,643,683 | \$ 212,966 | \$ - | \$ (7,663,166) |
| General revenues | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for operational purposes | | | | \$ 117,952,145 | \$ - | |
| Property taxes, levied for debt service | | | | 1,540 | - | |
| Property taxes, levied for capital projects | | | | 27,311,388 | - | |
| Grants and contributions not restricted to specific programs | | | | 87,959,836 | 7,680,988 | |
| Investment earnings | | | | 382,110 | 7,773 | |
| Miscellaneous | | | | 3,681,097 | - | |
| Total general revenues, specialties, extraordinary items and transfers | | | | 237,288,116 | 7,688,761 | |
| Change in net assets | | | | (22,169,267) | 25,595 | |
| Net assets – July 1, 2011 | | | | 468,446,599 | 4,539,109 | |
| Net assets – June 30, 2012 | | | | \$ 446,277,332 | \$ 4,564,704 | |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Balance Sheet – Governmental Funds

June 30, 2012

| | General Fund | Other Debt Service Fund | Capital Improvement Section 1011.71(2) F.S. Fund | Other Capital Projects Fund |
|--|----------------------|-------------------------------|--|--------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 57,658,125 | \$ – | \$ 23,679,086 | \$ 33,188,959 |
| Investments | 5,012,150 | 12,994,108 | – | – |
| Accounts receivable, net | 231,745 | – | – | 2,964 |
| Due from component unit | 72,923 | – | – | – |
| Budgetary funds | 7,462,824 | – | – | – |
| Internal funds | 211,768 | – | – | – |
| Due from other agencies | 135,542 | – | – | 730,648 |
| Inventory | 417,950 | – | – | – |
| Total assets | \$ 71,203,027 | \$ 12,994,108 | \$ 23,679,086 | \$ 33,922,571 |
| Liabilities and fund balances | | | | |
| Liabilities: | | | | |
| Salaries, benefits and payroll taxes payable | \$ 1,252,723 | \$ – | \$ – | \$ – |
| Payroll deductions and withholdings | 668,079 | – | – | – |
| Accounts payable | 2,188,978 | – | 399,788 | – |
| Construction contracts payable | – | – | 349,441 | 118,999 |
| Construction contracts payable-retained percentage | – | – | – | 364,573 |
| Matured bonds payable | – | 10,345,000 | – | – |
| Matured interest payable | – | 2,649,108 | – | – |
| Due to component Unit | 81,562 | – | – | – |
| Deposits payable | – | – | – | – |
| Due to other agencies | 30 | – | – | – |
| Budgetary funds | – | – | – | – |
| Internal funds | 5,859 | – | – | – |
| Total liabilities | 4,197,231 | 12,994,108 | 749,229 | 483,572 |
| Fund balances | | | | |
| Nonspendable: | | | | |
| Inventory | 417,950 | – | – | – |
| Total nonspendable fund balance | 417,950 | – | – | – |
| Restricted for: | | | | |
| State required carryover programs | 259,557 | – | – | – |
| Debt service | – | – | – | – |
| Capital projects | – | – | 22,929,857 | 31,461,056 |
| Restricted for special revenue – food service | – | – | – | – |
| Restricted for other restrictions | 172,974 | – | – | – |
| Total restricted fund balance | 432,531 | – | 22,929,857 | 31,461,056 |
| Committed to: | | | | |
| Economic stabilization | 6,059,702 | – | – | – |
| Committed for .25 discretionary millage | 3,684,965 | – | – | – |
| Total committed fund balance | 9,744,667 | – | – | – |
| Assigned to: | | | | |
| Capital projects | – | – | – | 1,977,943 |
| Assigned for other | 28,212,720 | – | – | – |
| Total assigned fund balance | 28,212,720 | – | – | 1,977,943 |
| Total unassigned fund balance | 28,197,928 | – | – | – |
| Total fund balances | 67,005,796 | – | 22,929,857 | 33,438,999 |
| Total liabilities and fund balances | \$ 71,203,027 | \$ 12,994,108 | \$ 23,679,086 | \$ 33,922,571 |

The accompanying notes are an integral part of the financial statements.

| ARRA Economic Stimulus Capital Projects Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|--|---|
| \$ - | \$ 7,112,628 | \$ 121,638,798 |
| 7,716,205 | 1,154,969 | 26,877,432 |
| - | 10,983 | 245,692 |
| - | - | 72,923 |
| - | - | 7,462,824 |
| - | - | 211,768 |
| - | 2,168,404 | 3,034,594 |
| - | 115,079 | 533,029 |
| \$ 7,716,205 | \$ 10,562,063 | \$ 160,077,060 |

| | | |
|-----------|-----------|--------------|
| \$ - | \$ 85,909 | \$ 1,338,632 |
| - | 35,259 | 703,338 |
| 96,239 | 182,962 | 2,867,967 |
| 1,053,122 | 272,304 | 1,793,866 |
| - | - | 364,573 |
| - | - | 10,345,000 |
| - | - | 2,649,108 |
| - | 182,902 | 264,464 |
| - | 210,823 | 210,823 |
| - | 1,194 | 1,224 |
| 3,665,770 | 1,803,285 | 5,469,055 |
| - | - | 5,859 |
| 4,815,131 | 2,774,638 | 26,013,909 |

| | | |
|---|---------|---------|
| - | 115,079 | 533,029 |
| - | 115,079 | 533,029 |

| | | |
|-----------|-----------|------------|
| - | - | 259,557 |
| - | 1,154,969 | 1,154,969 |
| 2,901,074 | 5,503,000 | 62,794,987 |
| - | 1,014,377 | 1,014,377 |
| - | - | 172,974 |
| 2,901,074 | 7,672,346 | 65,396,864 |

| | | |
|---|---|-----------|
| - | - | 6,059,702 |
| - | - | 3,684,965 |
| - | - | 9,744,667 |

| | | |
|---|---|------------|
| - | - | 1,977,943 |
| - | - | 28,212,720 |
| - | - | 30,190,663 |
| - | - | 28,197,928 |

| | | |
|---------------------|----------------------|-----------------------|
| 2,901,074 | 7,787,425 | 134,063,151 |
| \$ 7,716,205 | \$ 10,562,063 | \$ 160,077,060 |

St. Johns County District School Board

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2012

| | | | |
|---|----|-------------|-----------------------|
| Total fund balances – governmental funds | | | \$ 134,063,151 |
| Amounts reported for <i>governmental activities</i> 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. | | | 512,457,953 |
| 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. | | | (2,830,093) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | | | |
| Long-term liabilities at year-end consist of: | | | |
| Obligation Under Capital Lease | \$ | 144,253 | |
| Bonds Payable | | 8,035,000 | |
| Certificates of Participation Payable | | 124,925,000 | |
| Compensated Absences Payable | | 20,537,594 | |
| Postemployment Healthcare Benefits Payable | | 44,131,832 | |
| Proceeds of Refunding Bonds | | (360,000) | (197,413,679) |
| Total net assets – governmental activities | | | <u>\$ 446,277,332</u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

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

For the Year Ended June 30, 2012

| | General | Other Debt Service | Capital Improvement Section 1011.71(2) F.S. | Other Capital Projects |
|---|----------------------|-----------------------|--|------------------------------|
| Revenues | | | | |
| Federal direct | \$ 304,810 | \$ – | \$ – | \$ – |
| Federal through state and local | – | – | – | – |
| State sources | 81,446,139 | – | – | 133,728 |
| Local sources: | | | | |
| Property taxes levied for operational purposes | 116,981,632 | – | – | – |
| Property taxes levied for capital projects | – | – | 27,083,261 | – |
| Charges for service – food service | – | – | – | – |
| Impact fees | – | – | – | 6,533,308 |
| Other local revenue | 9,753,864 | – | 306,874 | 64,791 |
| Total local sources | <u>126,735,496</u> | <u>–</u> | <u>27,390,135</u> | <u>6,598,099</u> |
| Total revenues | 208,486,445 | – | 27,390,135 | 6,731,827 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 130,350,012 | – | – | – |
| Pupil personnel services | 11,699,234 | – | – | – |
| Instructional media services | 3,896,554 | – | – | – |
| Instruction and curriculum development services | 3,037,143 | – | – | – |
| Instructional staff training services | 3,777,720 | – | – | – |
| Instructional-related technology | 4,362,516 | – | – | – |
| School Board | 732,108 | – | – | – |
| General administration | 316,425 | – | – | – |
| School administration | 12,227,977 | – | – | – |
| Facilities acquisition and construction | 4,836,866 | – | 8,748,057 | 1,370,315 |
| Fiscal services | 1,708,202 | – | – | – |
| Food services | – | – | – | – |
| Central services | 2,459,641 | – | – | – |
| Pupil transportation services | 10,627,319 | – | – | – |
| Operation of plant | 18,358,088 | – | – | – |
| Maintenance of plant | 7,364,085 | – | – | – |
| Administrative technology services | 1,081,440 | – | – | – |
| Community services | 3,027,835 | – | – | – |
| Debt service: | | | | |
| Retirement of principal | – | 10,345,000 | 74,112 | – |
| Interest | – | 5,298,216 | 7,792 | – |
| Dues, fees and issuance costs | – | 9,500 | – | – |
| Capital outlay: | | | | |
| Facilities acquisition and construction | 48,736 | – | 6,930,755 | 2,162,216 |
| Other capital outlay | 252,388 | – | – | – |
| Total expenditures | <u>220,164,289</u> | <u>15,652,716</u> | <u>15,760,716</u> | <u>3,532,531</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(11,677,844)</u> | <u>(15,652,716)</u> | <u>11,629,419</u> | <u>3,199,296</u> |
| Other financing sources (uses) | | | | |
| Refunding bonds issued | – | – | – | – |
| Premium on refunding bonds | – | – | – | – |
| Proceeds from the sale of capital assets | – | – | – | 2,350 |
| Loss recoveries | 95,531 | – | – | – |
| Payments to refunded bond escrow agent (Function 9299) | – | – | – | – |
| Transfers in | 9,226,184 | 15,652,716 | – | 1,540 |
| Transfers out | – | – | (24,498,318) | (55,930) |
| Total other financing sources (uses) | <u>9,321,715</u> | <u>15,652,716</u> | <u>(24,498,318)</u> | <u>(52,040)</u> |
| Net change in fund balances | (2,356,129) | – | (12,868,899) | 3,147,256 |
| Fund balances, July 1, 2011 | 69,361,925 | – | 35,798,756 | 30,291,743 |
| Fund balances, June 30, 2012 | <u>\$ 67,005,796</u> | <u>\$ –</u> | <u>\$ 22,929,857</u> | <u>\$ 33,438,999</u> |

The accompanying notes are an integral part of the financial statements.

| ARRA | | |
|------------------------------------|-----------------------------|--------------------------|
| Economic Stimulus Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
| \$ - | \$ 1,758,303 | \$ 2,063,113 |
| - | 15,880,593 | 15,880,593 |
| - | 1,239,421 | 82,819,288 |
| - | - | 116,981,632 |
| - | - | 27,083,261 |
| - | 6,887,399 | 6,887,399 |
| - | - | 6,533,308 |
| 5 | 163,617 | 10,289,151 |
| 5 | 7,051,016 | 167,774,751 |
| 5 | 25,929,333 | 268,537,745 |
| - | 6,239,800 | 136,589,812 |
| - | 1,906,006 | 13,605,240 |
| - | 5,631 | 3,902,185 |
| - | 2,817,450 | 5,854,593 |
| - | 1,073,898 | 4,851,618 |
| - | 85,282 | 4,447,798 |
| - | - | 732,108 |
| - | 442,263 | 758,688 |
| - | 6,552 | 12,234,529 |
| 209,319 | 829,942 | 15,994,499 |
| - | - | 1,708,202 |
| - | 9,589,834 | 9,589,834 |
| - | 110,180 | 2,569,821 |
| - | 176,055 | 10,803,374 |
| - | 2,664 | 18,360,752 |
| - | 1,465 | 7,365,550 |
| - | - | 1,081,440 |
| - | - | 3,027,835 |
| - | 610,000 | 11,029,112 |
| - | 1,178,423 | 6,484,431 |
| 4,750 | 1,981 | 16,231 |
| 12,087,205 | 1,514,736 | 22,743,648 |
| - | 239,879 | 492,267 |
| 12,301,274 | 26,832,041 | 294,243,567 |
| (12,301,269) | (902,708) | (25,705,822) |
| - | 320,000 | 320,000 |
| - | 48,683 | 48,683 |
| - | - | 2,350 |
| - | - | 95,531 |
| - | (367,732) | (367,732) |
| - | 941,176 | 25,821,616 |
| - | (1,267,368) | (25,821,616) |
| - | (325,241) | 98,832 |
| (12,301,269) | (1,227,949) | (25,606,990) |
| 15,202,343 | 9,015,374 | 159,670,141 |
| \$ 2,901,074 | \$ 7,787,425 | \$ 134,063,151 |

St. Johns County District School Board

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2012

| | | |
|---|----------------|-------------------------------|
| Net change in fund balances – governmental funds | | \$ (25,606,990) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period:</p> | | |
| Capital outlay expenditures | \$ 23,235,915 | |
| Depreciation expense | (17,127,827) | |
| Donations and adjustments | <u>147,129</u> | 6,255,217 |
| <p>Long-term debt proceeds are reported as other financing sources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The following details the amount of long-term bonded debt that was issued during the current period:</p> | | |
| Bonds payable | (320,000) | |
| Proceeds of refunding bonds | <u>360,000</u> | 40,000 |
| <p>Repayment of long-term debt is an expenditure in the governmental funds, but the repayment long-term liabilities in the statement of net assets. The following details the amount of long-term debt principal repaid in the current period:</p> | | |
| Certificates of participation payable | 10,345,000 | |
| Bonds payable | 610,000 | |
| Capital lease payable | <u>74,112</u> | 11,029,112 |
| <p>In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of vacation and sick leave used in excess of the amount earned in the current period.</p> | | |
| | | 122,184 |
| <p>Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment health care benefits liability for the current fiscal year.</p> | | |
| | | (5,881,473) |
| <p>Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.</p> | | |
| | | <u>(8,127,317)</u> |
| Change in net assets of governmental activities | | <u><u>\$ (22,169,267)</u></u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Statement of Net Assets (Deficit) –
Internal Service Funds

June 30, 2012

| | Governmental Activities – Internal Service Funds |
|--|---|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 8,801,301 |
| Accounts receivable, net | 100,742 |
| Total current assets | <u>8,902,043</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Buildings and fixed equipment | 299,292 |
| Accumulated depreciation | (27,435) |
| Furniture, fixtures and equipment | 158,700 |
| Accumulated depreciation | (39,989) |
| Total capital assets net of accumulated depreciation | <u>390,568</u> |
| Total noncurrent assets | <u>390,568</u> |
| Total assets | <u>9,292,611</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 5,520,398 |
| Due to other funds – budgetary | 1,993,768 |
| Estimated unpaid claims | 4,217,970 |
| Total current liabilities | <u>11,732,136</u> |
| Total liabilities | <u>11,732,136</u> |
| Net assets (deficit) | |
| Invested in capital assets, net of related debt | 390,568 |
| Unrestricted (deficit) | (2,830,093) |
| Total net assets (deficit) | <u>\$ (2,439,525)</u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficits) –
Internal Service Funds

For the Year Ended June 30, 2012

| | Governmental Activities – Internal Service Funds |
|--|---|
| Operating revenues | |
| Premium revenue | \$ 32,905,255 |
| Other operating revenues | 485,072 |
| Total operating revenues | <u>33,390,327</u> |
| Operating expenses | |
| Purchased services | 2,542,940 |
| Materials and supplies | 5,158 |
| Other expenses | 38,989,837 |
| Depreciation | 37,950 |
| Total operating expenses | <u>41,575,886</u> |
| Operating income (loss) | <u>(8,185,559)</u> |
| Nonoperating revenues (expenses) | |
| Interest revenue | 20,292 |
| Total nonoperating revenues (expenses) | <u>20,292</u> |
| Income (loss) before operating transfers | <u>(8,165,267)</u> |
| Change in net assets | (8,165,267) |
| Net assets – July 1, 2011 | 5,725,742 |
| Net assets (deficit) – June 30, 2012 | <u>\$ (2,439,525)</u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Statement of Cash Flows –
Internal Service Funds

For the Year Ended June 30, 2012

| | Governmental Activities – Internal Service Funds |
|--|---|
| Operating activities | |
| Receipts from customers and users | \$ 33,390,327 |
| Payments to suppliers | (5,602,271) |
| Payments for interfund services used | (33,877,323) |
| Net cash provided (used) by operating activities | <u>(6,089,267)</u> |
| Investing activities | |
| Interest and dividends received | 20,292 |
| Net cash provided (used) by investing activities | <u>20,292</u> |
| Net increase (decrease) in cash and cash equivalents | (6,068,975) |
| Cash and cash equivalents – July 1, 2011 | 14,870,276 |
| Cash and cash equivalents – June 30, 2012 | <u>\$ 8,801,301</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | (8,185,559) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation expense | 37,950 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (83,470) |
| Increase (decrease) in accounts payable | 34,298 |
| Increase (decrease) in due to other funds | 1,993,768 |
| Increase (decrease) in estimated unpaid claims | 113,746 |
| Total adjustments | <u>2,096,292</u> |
| Net cash provided (used) by operating activities | <u>\$ (6,089,267)</u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Statement of Fiduciary Assets and Liabilities –
Agency Funds

June 30, 2012

| | School Internal Accounts |
|----------------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ 3,492,856 |
| Due from other funds – budgetary | 5,859 |
| Total assets | <u>\$ 3,498,715</u> |
| Liabilities | |
| Due to other funds – budgetary | \$ 211,768 |
| Internal accounts payable | 3,286,947 |
| Total liabilities | <u>\$ 3,498,715</u> |

The accompanying notes are an integral part of the financial statements.

St. Johns County District School Board

Notes to the Basic Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

- *Blended Component Unit.* The St. Johns County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- *Discretely Presented Component Units.* The component unit columns in the government-wide financial statements include the financial data of the District's three component units as follows:

The St. Johns County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, *Florida Statutes*, to receive, hold, invest, and administer property and

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

to make expenditures to and for the benefit of public prekindergarten through twelfth grade education in St. Johns County. The nature and significance of its relationship with the District requires that the Foundation be considered a component unit.

The ABLE School, Inc., a charter school established pursuant to Section 1002.33, *Florida Statutes*, and the First Coast Technical Institute, Inc., d/b/a First Coast Technical College, a charter technical career center established pursuant to Section 1002.34, *Florida Statutes*, are organized as not-for-profit corporations pursuant to Chapter 617, *Florida Statutes*, the Florida Not For Profit Corporation Act. The charter school and the charter technical career center operate under charters approved by their sponsor, the St. Johns County District School Board. The charter school and the charter technical career center are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support. The District considers First Coast Technical College to be a major component unit based on its significance relative to the total discretely presented component units and based on its nature and significance to the District.

The financial data reported on the accompanying statements for the Foundation, the charter school, and the charter technical career center represents a compilation of their audited financial statements for the fiscal year ended June 30, 2012.

The District also considered the Therapeutic Learning Center Charter School and the St. Johns Community Campus Charter School operated by The ARC of the St. Johns, Inc., for inclusion in its reporting entity; however, because The ARC of the St. Johns, Inc., is a component unit of a nongovernmental not-for-profit organization, the charter schools do not meet the criteria for inclusion as District component units. The charter 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, (i.e., the statement of net assets and the statement of activities), present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component units.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is allocated to the various expense functions based on actual and estimated usage of the assets in those functions.

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

The effects of interfund activity have been eliminated from the government-wide financial statements, except for interfund services provided and used.

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

The District reports the following major governmental funds:

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

- *Capital Projects – Local Capital Improvement Fund* – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.
- *Capital Projects – Other Capital Projects Fund* – to account mainly for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovations and remodeling projects.
- *Capital Projects – ARRA Economic Stimulus Fund* – to account for the financial resources of the QSCBs to be used for certain capital construction.

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

- *Internal Service Funds* – to account for the District’s self-insured health and hospitalization programs, which include medical, dental, and vision plans, and the District’s self-insured workers’ compensation program (for claims incurred prior to June 30, 2008).
- *Agency Funds* – to account for resources of the school internal funds, which are used to administer monies collected at several schools in connection with school, student athletic, class, and club activities.

Basis of Accounting

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

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

Deposits and Investments

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

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

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

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

Investments made locally consist of amounts placed in a money market mutual fund under a trust agreement in connection with certificates of participation financing arrangements, including QSCBs, and are reported at fair value.

Types and amounts of investments held at fiscal year-end are described in Note 4.

Restricted Investments

Certain assets held by a trustee under a trust agreement, in the name of the District, in connection with certificates of participation financing arrangements are classified as restricted assets on the statement of net assets because they are set aside for repayment of maturing debt as required by

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

applicable debt covenants or represent proceeds from the sale of Qualified School Construction Bonds (QSCBs). These assets consist of \$12,994,108 restricted for the repayment of certificates of participation principal and interest, all of which is payable on July 1, 2012, and reported as current liabilities on the statement of net assets, \$941,176 restricted for the repayment of QSCBs principal that is maintained in a sinking fund account, and \$7,716,205 of QSCBs proceeds restricted for the construction of Palencia Elementary.

Inventories

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

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

| Description | Estimated Lives |
|--|------------------------|
| Improvements other than buildings | 10–40 years |
| Buildings and fixed equipment | 10–50 years |
| Furniture, fixtures and equipment | 3–15 years |
| Motor vehicles | 5–10 years |
| Property under capital lease | 10 years |
| Audio visual materials and computer software | 5 years |

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

| Description | Estimated Lives |
|-----------------------------------|------------------------|
| Furniture, fixtures and equipment | 5–15 years |
| Motor vehicles | 5 years |
| Leasehold improvements | 10–30 years |
| Intangible | 5 years |

Current year information relative to changes in capital assets is described in Note 6.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Long-Term Liabilities

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

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

In the government-wide financial statements, compensated absences (i.e. paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

Changes in long-term liabilities for the current year are reported in Note 12.

Compensated Absences

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

State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, *Florida Statutes*. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

A schedule of revenue from State sources for the current fiscal year is presented in Note 16.

District Property Taxes

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

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

The School Board adopted the 2011 tax levy on September 13, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4% for early payment.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

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

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

Millages and taxes levied for the current year are presented in Note 17.

Educational Impact Fees

St. Johns County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1987. This ordinance was most recently updated in March 2005, when Ordinance 2005-27 established, in part, revised rates to be collected. The educational impact fee is collected by the County for most new residential construction. The fees can only be used to acquire, construct, expand, and equip the educational sites and educational capital facilities necessitated by new development and to pay for certain collection and legal defense costs.

Federal Revenue Sources

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

2. Adjustments to Beginning Net Assets – Major Component Unit

The District’s major component unit, First Coast Technical College, decreased its beginning net assets by \$217,675 to correct the recording of capital items purchased as both prepaid assets and capital assets at June 30, 2012. This adjustment is summarized below:

| | <u>Amount</u> |
|---|---------------------|
| Major Component Unit – First Coast Technical College: | |
| Net assets July 1, 2011 | \$ 3,767,178 |
| Correct prior year capital assets | (217,675) |
| Net assets, July 1, 2011, as restated | <u>\$ 3,549,503</u> |

3. Budgetary Compliance and Accountability

Budgetary Information

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

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

3. Budgetary Compliance and Accountability (continued)

Deficit Net Assets in Proprietary Funds – Internal Service Fund

The following Internal Service Fund has a deficit net asset balance at June 30, 2012.

| | Beginning Net Assets | Change in Net Assets Fiscal Year 2011–2012 | Ending Net Assets |
|--|---------------------------------|---|------------------------------|
| Health and hospitalization – group medical self-insurance fund | \$ (964,871) | \$(9,032,587) | \$(9,997,458) |

The decrease in Health and Hospitalization – Group Medical Self-Insurance Fund’s net assets resulted from increased claims expenses relative to premium revenues. To improve the Fund’s net asset position, the District has implemented increases in employer contributions beginning September 15, 2012 and increased retiree premiums beginning October 1, 2012. Operating expenses have been reduced by increasing the deductible of the stop loss insurance beginning July 1, 2012 and through vendor fee reductions.

4. Investments

As of June 30, 2012, the District has the following investments and maturities:

| Investment | Maturities | Fair Value |
|--|-------------------|----------------------|
| Dreyfus Treasury Prime Cash Management Fund ⁽¹⁾ | 52 Day Average \$ | 21,651,489 |
| Florida Education Investment Trust Fund ⁽²⁾ | 46 Day Average | 5,012,150 |
| State Board of Administration debt service accounts | 6 Months | 213,793 |
| Total investments, primary government | | <u>\$ 26,877,432</u> |

Notes:

- ⁽¹⁾ These investments are held under a trust agreement in connection with the Certificates of Participation, Series 2003A, 2006, and 2010-QSCB financing agreements (see Note 9) and are reported as restricted cash equivalents for financial reporting purposes.
- ⁽²⁾ The investment is reported as a cash equivalent for financial statement of reporting purposes.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

4. Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes the investment of temporarily idle funds to earn the maximum return for the period available. The policy also indicates a high priority shall be placed on the safety and liquidity of the funds. The trust agreement in connection with certificates of participation financing does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Dreyfus Treasury Prime Cash Management money market mutual fund and the Florida Education Investment Trust Fund (FEITF) are designed to maintain a \$1 per share net asset value and provide immediate liquidity to meet cash flow needs.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), *Florida Statutes*, limits investments to the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, *Florida Statutes*; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, *Florida Statutes*; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.

As of June 30, 2012, the District's investments in the Florida Education Investment Trust Fund were rated AAAM by Standard and Poor's and the investment in Dreyfus Treasury Prime Cash Management Fund is rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

5. Due From Other Agencies

The \$ 3,034,594 reported as due from other agencies primarily consists of \$2,168,404 due from the Florida Department of Education for reimbursement of Federal grant expenditures.

6. Changes in Capital Assets

Changes in capital assets are presented in the table below:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|---------------------------------|---------------------|---------------------|----------------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 34,490,498 | \$ – | \$ 1,550 | \$ 34,488,948 |
| Construction in progress | 4,153,161 | 12,298,306 | 3,419,066 | 13,032,401 |
| Total capital assets not being depreciated | <u>38,643,659</u> | <u>12,298,306</u> | <u>3,420,616</u> | <u>47,521,349</u> |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 24,795,305 | – | – | 24,795,305 |
| Buildings and fixed equipment | 567,843,987 | 12,221,200 | – | 580,065,187 |
| Furniture, fixtures, and equipment | 28,438,333 | 1,237,244 | 2,450,344 | 27,225,234 |
| Motor vehicles | 18,038,232 | 966,734 | 431,863 | 18,573,103 |
| Property under capital lease | 667,231 | – | – | 667,231 |
| Audio-visual materials | 33,770 | – | 7,411 | 26,359 |
| Computer software | 4,621,155 | 80,175 | 153,845 | 4,547,485 |
| Total capital assets being depreciated: | <u>644,438,013</u> | <u>14,505,353</u> | <u>3,043,463</u> | <u>655,899,903</u> |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | 13,124,501 | 648,721 | – | 13,773,222 |
| Buildings and fixed equipment | 126,407,329 | 12,832,070 | – | 139,239,400 |
| Furniture, fixtures, and equipment | 23,024,980 | 1,914,113 | 2,450,344 | 22,488,750 |
| Motor vehicles | 9,753,158 | 1,400,196 | 431,863 | 10,721,491 |
| Property under capital lease | 528,225 | 66,723 | – | 594,948 |
| Audio-visual materials | 7,381 | 7,938 | 7,411 | 7,908 |
| Computer software | 4,033,362 | 258,066 | 153,845 | 4,137,581 |
| Total accumulated depreciation | <u>176,878,936</u> | <u>17,127,827</u> | <u>3,043,463</u> | <u>190,963,300</u> |
| Total capital assets being depreciated, net | <u>467,559,077</u> | <u>(2,622,474)</u> | <u>–</u> | <u>464,936,603</u> |
| Governmental activities capital assets, net | <u>\$ 506,202,736</u> | <u>\$ 9,675,832</u> | <u>\$ 3,420,616</u> | <u>\$ 512,457,953</u> |

The class of property under capital lease is presented in Note 8.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

6. Changes in Capital Assets (continued)

| | Balances as Previously Reported July 1, 2011 | Prior Period Adjustment | Balance, as Restated July 1, 2011 | Additions | Deletions | Ending Balance |
|---|---|------------------------------------|--|------------------|------------------|---------------------------|
| Major component unit – First Coast Technical College | | | | | | |
| Capital assets being depreciated: | | | | | | |
| Furniture, fixtures, and equipment | \$ 2,513,842 | \$ (217,675) | \$ 2,296,167 | \$ 299,043 | \$ – | \$ 2,595,210 |
| Motor vehicles | 156,980 | – | 156,980 | 16,355 | 3,900 | 169,435 |
| Leasehold improvements | 2,125,826 | – | 2,125,826 | – | – | 2,125,826 |
| Intangible Assets | 8,860 | – | 8,860 | – | – | 8,860 |
| Total capital assets being depreciated | 4,805,508 | (217,675) | 4,587,833 | 315,398 | 3,900 | 4,899,331 |
| Less accumulated depreciation for: | | | | | | |
| Furniture, fixtures, and equipment | 1,311,110 | – | 1,311,110 | 170,054 | – | 1,481,164 |
| Motor vehicles | 100,841 | – | 100,841 | 18,543 | 3,900 | 115,484 |
| Leasehold improvements | 743,557 | – | 743,557 | 141,355 | – | 884,912 |
| Intangible assets | 1,772 | – | 1,772 | 1,772 | – | 3,544 |
| Total accumulated depreciation | 2,157,280 | – | 2,157,280 | 331,724 | 3,900 | 2,485,104 |
| Major component unit capital assets, net | \$ 2,648,228 | \$ (217,675) | \$ 2,430,553 | \$ (16,326) | \$ – | \$ 2,414,227 |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

6. Changes in Capital Assets (continued)

Depreciation expense was charged to functions as follows:

| Function | Amount |
|---|----------------------|
| Governmental activities: | |
| Instruction | \$ 9,908,193 |
| Pupil personnel services | 1,114,596 |
| Instructional media services | 313,541 |
| Instruction and curriculum development services | 470,384 |
| Instructional staff training services | 370,591 |
| Instruction related technology | 222,113 |
| School board | 23,986 |
| General administration | 23,418 |
| School administration | 1,000,750 |
| Facilities acquisition and construction | 94,345 |
| Fiscal services | 125,451 |
| Food services | 400,349 |
| Central services | 231,741 |
| Pupil transportation services | 1,400,196 |
| Operation of plant | 744,717 |
| Maintenance of plant | 436,798 |
| Administrative technology services | 22,289 |
| Community services | 224,369 |
| Total depreciation expenses – governmental activities | <u>\$ 17,127,827</u> |
| | |
| Major component unit – First Coast Technical College | |
| Instruction | \$ 96,301 |
| Pupil personnel services | 21,869 |
| School administration | 5,536 |
| Central services | 524 |
| Operation of plant | 32,452 |
| Maintenance of plant | 171,711 |
| Community services | 3,331 |
| Total depreciation expense – major component unit | <u>\$ 331,724</u> |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

7. Due to Component Units

The \$200,252 reported as due to component units mainly represents amounts due to the First Coast Technical College (FCTC), mainly to provide certain capital outlay and Federal program funding from the District to FCTC.

8. 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 the provisions of Section 1013.15, *Florida Statutes*. The District borrowed \$667,231 at a stated interest rate of 4.22%. Payments are payable monthly through April 16, 2014. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

| | Total | Principal | Interest |
|----------------------------|-------------------|-------------------|-----------------|
| Fiscal year ending June 30 | | | |
| 2013 | \$ 81,904 | \$ 77,301 | \$ 4,604 |
| 2014 | 68,254 | 66,952 | 1,301 |
| Total lease payments | <u>\$ 150,158</u> | <u>\$ 144,253</u> | <u>\$ 5,905</u> |

9. Certificates of Participation

Certificates of Participation at June 30, 2012, are as follows:

| Series | Amount Outstanding | Interest Rates (Percent) | Lease Term Maturity | Original Amount |
|------------------------------|---------------------------|---------------------------------|----------------------------|------------------------|
| Series 2003A | \$ 10,920,000 | 3.50 – 4.10 | 2018 | \$ 23,230,000 |
| Series 2006 | 98,005,000 | 3.90 – 5.25 | 2021 | 145,000,000 |
| Series 2010-QSCB | <u>16,000,000</u> | 4.94 (1) | 2027 | 16,000,000 |
| Total minimum lease payments | <u>\$ 124,925,000</u> | | | |

Notes:

- (1) Series 2010-QSCB (Qualified School Construction Bonds) are primarily principal only bonds, repaid by the District. The QSCBs were issued as direct subsidy bonds, whereby the District pays the full amount of taxable interest to the lender and then files for a direct cash subsidy payment from the United States Treasury. The entire 4.94% stated interest rate is eligible for direct cash subsidy from the United States Treasury.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

9. Certificates of Participation (continued)

The District entered into a master financing arrangement on November 15, 2003, characterized as a lease purchase agreement, with the St. Johns County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of certificates of participation to be repaid from the proceeds of rents paid by the District.

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

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

9. Certificates of Participation (continued)

A summary of the lease terms are as follows:

| Certificates | Lease Term |
|---------------------|---|
| Series 2003A | Earlier of the date paid in full or July 1, 2018 |
| Series 2006 | Earlier of the date paid in full or July 1, 2021 |
| Series 2010-QSCB | Earlier of the date paid in full or September 1, 2027 |

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

| Certificates | Description of Properties |
|---------------------|---|
| Series 2003A | Construction of Timberlin Creek Elementary School and South Woods Elementary School |
| Series 2006 | Construction of Wards Creek Elementary School, Pacetti Bay Middle School, a ninth grade center at the existing Bartram Trail High School, Ponte Vedra School, and Creekside High School |
| Series 2010-QSCB | Construction of Palencia Elementary |

Except for the QSCBs, the lease payments are payable by the District semiannually, on July 1 and January 1, and must be remitted as of the 15th day of the month preceding the payment dates. The QSCBs are payable March 1 and September 1. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

9. Certificates of Participation (continued)

| Fiscal Year Ending June 30 | Total | Principal | Interest |
|------------------------------|-----------------------|-----------------------|----------------------|
| 2013 | \$ 16,439,306 | \$ 10,805,000 | \$ 5,634,306 |
| 2014 | 16,440,406 | 11,230,000 | 5,210,406 |
| 2015 | 16,435,556 | 11,670,000 | 4,765,556 |
| 2016 | 16,437,059 | 12,145,000 | 4,292,059 |
| 2017 | 16,441,115 | 12,705,000 | 3,736,115 |
| 2018-2022 | 60,310,635 | 50,370,000 | 9,940,635 |
| 2023-2027 | 3,952,000 | - | 3,952,000 |
| 2028 | 16,395,200 | 16,000,000 | 395,200 |
| Total minimum lease payments | <u>\$ 162,851,277</u> | <u>\$ 124,925,000</u> | <u>\$ 37,926,277</u> |

10. Bonds Payable

Bonds payable at June 30, 2012, are as follows:

| Bond Type | Amount Outstanding | Interest Rates (Percent) | Annual Maturity To |
|-------------------------|---------------------------|---------------------------------|---------------------------|
| State school bonds: | | | |
| Series 2003A | \$ 385,000 | 3.00 – 4.25 | 2023 |
| Series 2004A | 555,000 | 3.750 – 4.625 | 2024 |
| Series 2005A | 200,000 | 4.0 – 5.0 | 2025 |
| Series 2005B, refunding | 2,895,000 | 5.0 | 2020 |
| Series 2006A | 410,000 | 4.000 – 4.625 | 2026 |
| Series 2008A | 1,290,000 | 3.50 – 5.00 | 2028 |
| Series 2009A, refunding | 675,000 | 4.0 – 5.0 | 2019 |
| Series 2009A | 595,000 | 4.0 – 5.0 | 2029 |
| Series 2010A | 710,000 | 4.0 – 5.0 | 2030 |
| Series 2011A, refunding | 320,000 | 3.0 – 5.0 | 2023 |
| Total bonds payable | <u>\$ 8,035,000</u> | | |

These bonds were issued by the State Board of Education to finance capital outlay projects of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

10. Bonds Payable (continued)

security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------------|----------------------|---------------------|---------------------|
| State School Bonds: | | | |
| 2013 | \$ 1,014,402 | \$ 640,000 | \$ 374,402 |
| 2014 | 1,040,179 | 695,000 | 345,179 |
| 2015 | 1,032,054 | 720,000 | 312,054 |
| 2016 | 1,042,084 | 765,000 | 277,084 |
| 2017 | 1,044,821 | 805,000 | 239,821 |
| 2018-2022 | 3,155,155 | 2,440,000 | 715,155 |
| 2023-2027 | 1,766,550 | 1,480,000 | 286,550 |
| 2028-2030 | 522,638 | 490,000 | 32,638 |
| Total State School Bonds | <u>\$ 10,617,883</u> | <u>\$ 8,035,000</u> | <u>\$ 2,582,883</u> |

11. Defeased Debt

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2011A, dated January 5, 2012, to advance-refund callable portions of the District's State School Bonds, Series 2003A. The Refunding Bonds are being issued to advance-refund the \$360,000 principal amount of the District's State School Bonds, Series 2003A, that matures on January 1, 2014. The District's pro rata share of net proceeds totaling \$367,732 (after deduction of \$951 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. These bonds will be considered to be in-substance defeased and the liability removed from the government wide financial statements in fiscal year 2012-2013.

The Series 2011A bonds were issued to reduce the total debt service payments over the next 11 years by approximately \$463,125 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$42,952.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

12. Changes in Long-Term Liabilities

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

| Description | Balance July 1, 2011 | Additions | Deductions | Balance June 30, 2012 | Due in One Year |
|--|-------------------------|---------------|---------------|--------------------------|--------------------|
| Governmental activities: | | | | | |
| Estimated insurance claims payable | \$ 931,947 | \$ – | \$ 312,534 | \$ 619,413 | \$ 101,558 |
| Obligation under capital lease | 218,365 | – | 74,112 | 144,253 | 77,301 |
| Bonds payable | 8,325,000 | 320,000 | 610,000 | 8,035,000 | 640,000 |
| Certificates of participation payable | 135,270,000 | – | 10,345,000 | 124,925,000 | 10,805,000 |
| Compensated absences payable | 20,659,778 | 1,750,401 | 1,872,585 | 20,537,594 | 1,872,585 |
| Other postemployment benefits payable | 38,250,359 | 8,465,466 | 2,583,993 | 44,131,832 | – |
| Total governmental activities | \$ 203,655,449 | \$ 10,535,867 | \$ 15,798,224 | \$ 198,393,092 | \$ 13,496,444 |

**Major component unit –
First Coast Technical
College**

| | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|
| Compensated absences payable | \$ 611,764 | \$ 279,581 | \$ 197,820 | \$ 693,525 | \$ 153,917 |
|---------------------------------|------------|------------|------------|------------|------------|

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. The estimated insurance claims are generally liquidated with resources of the Workers’ Compensation Liability Program Internal Service Fund. For the governmental activities, compensated absences are generally liquidated with resources of the General Fund, and other postemployment benefits are generally liquidated with the resources of the General Fund and Special Revenue Funds.

13. Fund Balance Reporting

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

13. Fund Balance Reporting (continued)

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

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

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

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

Economic Stabilization Arrangement. Board Rule 7101, School District Budget System, provides that the Board shall commit an amount equal to 3% of its estimated revenue from the first Florida Education Finance Program calculation under a stabilization arrangement for use in an emergency situation. The District classifies the stabilization arrangement moneys as committed fund balance and defines the circumstances that constitute an emergency as non-routine in nature and to specifically include the following:

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

13. Fund Balance Reporting (continued)

Discretionary millage. In accordance with Section 1011.71(1), *Florida Statutes*, the District levied an additional 0.25 discretionary millage for critical operating needs. The School Board adopted the additional discretionary millage on September 28, 2010, and specified that the monies be used to support the maintenance and equipment needs of its educational facilities. The unspent portion of the additional discretionary millage monies is classified as committed fund balance.

Assigned. The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent or the Superintendent's designee as authorized by Board Rule 7.01, School District Budget System, and not included in other categories.

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

13. Fund Balance Reporting (continued)

The following is a schedule of fund balances by category at June 30, 2012:

| | Major Funds | | | | | | | Total Governmental Funds |
|---|----------------------|---|---|--|---|-----------------------------------|-------------|--------------------------------|
| | General | Debt Service – Other Debt Service | Capital Projects – Local Capital Improvement | Capital Projects – Other Capital Projects | Capital Projects – ARRA Economic Stimulus | Nonmajor Governmental Funds | | |
| Fund balances | | | | | | | | |
| Nonspendable: | | | | | | | | |
| Inventories | \$ 417,950 | \$ – | \$ – | \$ – | \$ – | \$ – | \$ 115,079 | \$ 533,029 |
| Spendable: | | | | | | | | |
| Restricted: | | | | | | | | |
| State required carryover programs | 259,557 | – | – | – | – | – | – | 259,557 |
| Full service schools | 57,210 | – | – | – | – | – | – | 57,210 |
| Dori Slossberg driver education | 70,240 | – | – | – | – | – | – | 70,240 |
| Retired and senior volunteer program | 45,524 | – | – | – | – | – | – | 45,524 |
| Debt service | – | – | – | – | – | 1,154,969 | – | 1,154,969 |
| Capital projects | – | – | 22,929,857 | 31,461,056 | 2,901,074 | 5,503,000 | – | 62,794,987 |
| Food service | – | – | – | – | – | 1,014,377 | – | 1,014,377 |
| Total restricted | 432,531 | – | 22,929,857 | 31,461,056 | 2,901,074 | 7,672,346 | – | 65,396,864 |
| Committed: | | | | | | | | |
| Economic stabilization | 6,059,702 | – | – | – | – | – | – | 6,059,702 |
| 0.25 discretionary millage | 3,684,965 | – | – | – | – | – | – | 3,684,965 |
| Total committed | 9,744,667 | – | – | – | – | – | – | 9,744,667 |
| Assigned: | | | | | | | | |
| 2012-13 budget shortfalls | 18,949,436 | – | – | – | – | – | – | 18,949,436 |
| Program and services | 4,367,397 | – | – | – | – | – | – | 4,367,397 |
| 2012-13 medical plan recovery | 1,993,768 | – | – | – | – | – | – | 1,993,768 |
| Extended day | 1,969,745 | – | – | – | – | – | – | 1,969,745 |
| Schools | 700,014 | – | – | – | – | – | – | 700,014 |
| Departments | 178,012 | – | – | – | – | – | – | 178,012 |
| School concurrency | 38,688 | – | – | – | – | – | – | 38,688 |
| Beverage program | 15,660 | – | – | – | – | – | – | 15,660 |
| Capital projects | – | – | – | 1,977,943 | – | – | – | 1,977,943 |
| Total assigned | 28,212,720 | – | – | 1,977,943 | – | – | – | 30,190,663 |
| Unassigned | 28,197,928 | – | – | – | – | – | – | 28,197,928 |
| Total Fund balances | \$ 67,005,796 | \$ – | \$ 22,929,857 | \$ 33,438,999 | \$ 2,901,074 | \$ 7,787,425 | \$ – | \$ 134,063,151 |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

14. Construction and Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2012.

| Major Funds | | | | | | |
|--------------|---|--|---|---|-----------------------------|--------------------------|
| General | Special Revenue – Federal Economic Stimulus | Capital Projects – Local Capital Improvement | Capital Projects – Other Capital Projects | Capital Projects – ARRA Economic Stimulus | Nonmajor Governmental Funds | Total Governmental Funds |
| \$ 1,458,110 | \$ 845 | \$ 3,922,415 | \$ 539,374 | \$ 1,676,568 | \$ 382,610 | \$ 7,979,922 |

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

| Project | Contract Amount | Completed to Date | Balance Committed |
|-----------------------------|-----------------|-------------------|-------------------|
| Palencia Elementary School: | | | |
| Architect | \$ 841,000 | \$ 780,359 | \$ 60,641 |
| Contractor | 7,775,314 | 7,291,465 | 483,849 |
| Total | \$ 8,616,314 | \$ 8,071,824 | \$ 544,490 |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

15. 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 | \$ 7,674,591 | \$ 5,859 |
| Capital projects: | | |
| ARRA economic stimulus | – | 3,665,770 |
| Nonmajor governmental | – | 1,803,285 |
| Proprietary fund: | | |
| Internal service fund – medical | – | 1,993,768 |
| Agency | 5,859 | 211,768 |
| Total | <u>\$ 7,680,450</u> | <u>\$ 7,680,450</u> |

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

15. Interfund Receivables, Payables and Transfers (continued)

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

| Funds | Interfund | |
|---------------------------|----------------------|----------------------|
| | Transfers In | Transfers Out |
| Major: | | |
| General | \$ 9,226,184 | \$ — |
| Debt service: | | |
| Other debt service | 15,652,716 | — |
| Capital projects: | | |
| Local capital improvement | — | 24,498,318 |
| Other capital projects | 1,540 | 55,930 |
| Nonmajor governmental | 941,176 | 1,267,368 |
| Total | <u>\$ 25,821,616</u> | <u>\$ 25,821,616</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, and maintenance departments. The transfer out of the nonmajor governmental funds were to reimburse the General Fund for expenses related to school food service operations and to transfer remaining District General Obligation Bonds debt service funds to the Capital Projects – Other Capital Projects Fund. The transfer out of the Capital Projects – Other Capital Projects Fund was to transfer revenue to the General Fund for subsequent disbursement to charter schools.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

16. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

| Source | Amount |
|---|-----------------------------|
| Florida Education Finance Program (FEFP): | |
| Transportation | \$ 7,653,948 |
| Supplemental academic instruction | 5,908,410 |
| Instructional materials | 2,388,363 |
| Comprehensive reading plan | 1,141,105 |
| Safe schools | 564,681 |
| Florida Teachers Lead | 379,119 |
| Other FEFP | 21,946,216 |
| Categorical educational program – class size reduction | 33,645,694 |
| Workforce development program | 5,579,515 |
| School recognition | 1,662,370 |
| Motor vehicle license tax (capital outlay and debt service) | 1,191,368 |
| Discretionary lottery funds | 101,503 |
| Adults with Disabilities | 101,176 |
| Mobile home license tax | 67,025 |
| Food service supplement | 65,738 |
| Miscellaneous | 423,057 |
| Total | <u>\$ 82,819,288</u> |

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

17. Property Taxes

The following is a summary of millages and taxes levied on the 2011 tax roll and amounts budgeted and collected for the 2011-2012 fiscal year:

| | Millages | Taxes | |
|----------------------------------|--------------|-----------------------|--|
| | | Taxes | Budgeted ^{(1) (2)} Collected ⁽²⁾ |
| General Fund | | | |
| Nonvoted school tax: | | | |
| Required local effort | 5.708 | \$ 106,976,155 | \$ 103,060,836 \$ 103,060,836 |
| Basic discretionary local effort | .748 | 14,018,599 | 13,505,519 13,505,519 |
| Other operating needs | .023 | 431,053 | 415,277 415,277 |
| Capital Projects Funds | | | |
| Nonvoted tax: | | | |
| Local capital improvements | 1.500 | 29,495,194 | 27,083,261 27,083,261 |
| Total | 7.979 | \$ 150,921,001 | \$ 144,064,893 \$ 144,064,893 |

Notes:

- (1) The District initially budgets about 96 percent of the taxes levied to allow for taxes that will not be collected as a result of early payment discounts, changes in property value assessments, and various other factors. The final budget amounts represent the Board-approved budgets, as amended.
- (2) The budgeted and collected columns do not include delinquent tax receipts reported as revenue in the 2011-12 fiscal year to satisfy prior years' unpaid taxes.

18. Florida Retirement System

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

18. Florida Retirement System (continued)

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

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

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

18. Florida Retirement System (continued)

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2011-12 fiscal year, contribution rates were as follows:

| Class or Plan | Percent of Gross Salary | |
|--|-------------------------|--------------|
| | Employee | Employer (A) |
| Florida Retirement System, regular | 3.00 | 4.91 |
| Florida Retirement System, elected county officers | 3.00 | 11.14 |
| Florida Retirement System, senior management service | 3.00 | 6.27 |
| Deferred retirement option program – applicable to members from all of the above classes | 0.00 | 4.42 |
| Employees terminated from DROP and FRS | 0.00 | 1.11 |
| Florida Retirement System, reemployed retiree | (B) | (B) |

Notes:

(A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP 0.03 percent for administrative costs of PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$12,335,850, \$14,114,868, and \$6,115,413 respectively, which were equal to the required contributions for each fiscal year. There were 554 PEORP participants during the 2011-12 fiscal year. Required contributions made to PEORP totaled \$899,662.

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.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

18. Florida Retirement System (continued)

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

19. Special Termination Benefits

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

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

In addition to payments for accrued leave and regular termination benefits, the District reported expenditures for special termination benefits, totaling \$540,983 during the 2011-2012 fiscal year.

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

20. Other Postemployment Health Care Benefits

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, *Florida Statutes*, employees who retire from the District or its major component unit, First Coast Technical College, and eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. Benefits under the Plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 408 retirees received other postemployment benefits. The District provided required contributions of \$2,583,993 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of excess insurance), administrative expenses, and excess insurance premiums, net of retiree contributions totaling \$1,834,261. Retiree contributions represent 1.2% of covered payroll.

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

20. Other Postemployment Health Care Benefits (continued)

| Description | Amount |
|--|-----------------------------|
| Normal cost (service cost for one year) | \$ 5,094,741 |
| Amortization of unfunded actuarial accrued liability | 3,729,801 |
| Interest on normal cost and amortization | — |
| Annual Required Contribution | 8,824,542 |
| Interest on net OPEB obligation | 1,147,511 |
| Adjustment to annual required contribution | <u>(1,506,587)</u> |
| Annual OPEB cost (expense) | 8,465,466 |
| Contribution toward the OPEB cost | <u>(2,583,993)</u> |
| Increase in net OPEB obligation | 5,881,473 |
| Net OPEB obligation, beginning of year | <u>38,250,359</u> |
| Net OPEB obligation, end of year | <u><u>\$ 44,131,832</u></u> |

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and the preceding two years, were as follows:

| Fiscal Year | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------|------------------|--------------------|--|---------------------|
| 2009-10 | \$ 10,757,080 | \$ 1,732,745 | 16.1% | \$ 28,989,317 |
| 2010-11 | 11,359,774 | 2,098,732 | 18.5% | 38,250,359 |
| 2011-12 | 8,465,466 | 2,583,993 | 30.5% | 44,131,832 |

Funded Status and Funding Progress. As of January 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$93,305,724, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$93,305,724, and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$124,302,642, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 75.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

20. Other Postemployment Health Care Benefits (continued)

contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's January 1, 2012, OPEB actuarial valuation, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the District's 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3% rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5% per year, and an annual healthcare cost trend rate of 8.5% initially for the 2011-12 fiscal year, reduced by 0.5% per year, to an ultimate rate of 4.5% after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 23 years.

21. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The St. Johns County District School Board has established self-insurance programs for its employee health and hospitalization and its workers' compensation liability coverage. For workers' compensation and most of its other insurance coverage, effective July 1, 2008, the Board became a member of the Florida School Board Insurance Trust (Trust) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

21. Risk Management Programs (continued)

necessary by the members of the Trust. Section 1001.42(12)(k), *Florida Statutes*, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. If a member district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to the member district. The Board of Directors for the Trust is mainly composed of school board members and a district level business officer selected from participating districts.

The District’s health and hospitalization self-insurance program, which includes medical, dental, and vision coverage, is being provided on a self-insured basis up to specified limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above \$200,000 per insured per year. The program’s administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. The funds for these coverages were established in accordance with Chapter 112, *Florida Statutes*. The program is administered through the Internal Service Funds. Contributions to the program were made by the St. Johns County District School Board and the First Coast Technical College, and by covered current and former employees and retirees of the Board and the First Coast Technical College.

A liability in the amount of \$3,598,557 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2012, and is reported net of excess insurance recoverable on unpaid claims.

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

| | Beginning-of- Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|---------|--|---|----------------------------|---|
| 2010-11 | \$ 3,113,560 | \$ 29,374,567 | \$ (29,315,850) | \$ 3,172,277 |
| 2011-12 | 3,172,277 | 34,202,045 | (33,775,765) | 3,598,557 |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

21. Risk Management Programs (continued)

The Board established a self-insurance program to provide workers' compensation coverage for its employees for claims incurred prior to June 30, 2008. The District's liability was limited by excess insurance to \$150,000 or \$250,000 per occurrence, depending on the year of occurrence, and by aggregate excess insurance per plan year, ranging from \$1,000,000 to \$3,211,800, except for the 2004-05 plan year, for which aggregate excess insurance was not purchased. For claims incurred on or after July 1, 2008, the District's workers' compensation coverage was administered by the Trust.

A workers' compensation program liability of \$619,413 was actuarially determined to cover the District's liability at June 30, 2012 (for plan years ending June 30, 2008 and prior), and is reported net of excess insurance recoverable on unpaid claims.

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

| | Beginning-of- Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|---------|--|---|----------------------------|---|
| 2010-11 | \$ 1,144,884 | \$ (136,137) | \$ (76,800) | \$ 931,947 |
| 2011-12 | 931,947 | (210,976) | (101,558) | 619,413 |

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

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

22. Internal Service Funds

The following is a summary of financial information as reported in the internal service funds for the 2011-12 fiscal year:

| | Self-Insurance Funds | | | | Total |
|--|-----------------------------------|-------------------------------|-------------------------------|--|----------------|
| | Health and Hospitalization | | | Workers' Compensation Liability Insurance | |
| | Group Medical Insurance | Group Dental Insurance | Group Vision Insurance | | |
| Total assets | \$ 575,668 | \$ 3,165,527 | \$ 638,872 | \$ 4,912,544 | \$ 9,292,611 |
| Liabilities and net assets (deficit): | | | | | |
| Accounts payable | \$ 5,126,381 | \$ 362,119 | \$ 22,187 | \$ 9,711 | \$ 5,520,398 |
| Due to budgetary | 1,993,768 | - | - | - | 1,993,768 |
| Estimated insurance claims payable | 3,452,977 | 107,318 | 38,262 | 619,413 | 4,217,970 |
| Net assets (deficit): | | | | | |
| Invested in capital assets | 390,568 | - | - | - | 390,568 |
| Unrestricted net assets (deficit) | (10,388,026) | 2,696,090 | 578,423 | 4,283,420 | (2,830,093) |
| Total liabilities and net assets (deficit) | \$ 575,668 | \$ 3,165,527 | \$ 638,872 | \$ 4,912,544 | \$ 9,292,611 |
| Revenues: | | | | | |
| Insurance premiums | \$ 28,747,321 | \$ 2,972,786 | \$ 545,890 | \$ 1,124,330 | \$ 33,390,327 |
| Interest income | 3,363 | 5,966 | 1,193 | 9,770 | 20,292 |
| Total revenues | 28,750,684 | 2,978,752 | 547,083 | 1,134,100 | 33,410,619 |
| Total expenses | (37,783,271) | (2,331,574) | (481,260) | (979,781) | (41,575,886) |
| Change in net assets (deficit) | \$ (9,032,587) | \$ 647,178 | \$ 65,823 | \$ 154,319 | \$ (8,165,267) |

St. Johns County District School Board

Notes to the Basic Financial Statements (continued)

23. Component Units

As discussed in Note 1, the District had three component units, the ABLE School, Inc., charter school; the First Coast Technical College (FCTC), charter technical career center; and the St. Johns County Education Foundation, Inc. The District considers the FCTC to be a major component unit based on its significance relative to the total discretely presented component units and based upon its nature and significance to the District. FCTC is primarily funded through the District's \$5,579,515 workforce development program appropriation. In addition, the District processes and pays the salaries and benefits of FCTC employees, which are subsequently reimbursed by FCTC.

24. 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.

25. Subsequent Events

Refunding Certificates of Participation – On December 6, 2012, the District issued advanced refunding Certificates of Participation in the amount of \$9,510,000 with an interest rate of 1.08 percent and a final maturity date coterminous with the outstanding refunded certificates of July 1, 2018. The advanced refunding certificates were issued through a private placement bid process and the purpose of the issuance was to lower interest costs to maturity by capitalizing on the net present value savings.

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

Required Supplementary Information

St. Johns County District School Board

Required Supplementary Information
 Schedule of Funding Progress –
 Other Postemployment Benefits Plan

June 30, 2012

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Projected Unit Credit (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll [(b-a)/c] |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| July 1, 2005 | \$ – | \$ 47,133,660 | \$ 47,133,660 | 0% | \$ 74,022,750 | 64% |
| October 1, 2007 | \$ – | \$ 101,836,119 | \$ 101,836,119 | 0% | \$ 110,357,392 | 92% |
| October 1, 2007 | \$ – | \$ 79,372,892 | \$ 79,372,892 | 0% | \$ 110,357,392 | 72% |
| January 1, 2009 | \$ – | \$ 112,079,956 | \$ 112,079,956 | 0% | \$ 121,342,166 | 92% |
| January 1, 2012 (1) | \$ – | \$ 93,305,724 | \$ 93,305,724 | 0% | \$ 124,302,642 | 75% |

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

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

St. Johns County District School Board

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

For the Year Ended June 30, 2012

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget – |
|---|------------------|---------------|-------------------|---------------------------------|
| | Original | Final | | Positive (Negative) |
| Revenues | | | | |
| Federal direct | \$ 260,769 | \$ 345,864 | \$ 304,810 | \$ (41,054) |
| Federal through state | 600,000 | 600,000 | – | (600,000) |
| State sources | 75,339,672 | 81,508,628 | 81,446,139 | (62,489) |
| Local sources: | | | | |
| Property taxes levied for operational purposes | 116,668,460 | 116,981,632 | 116,981,632 | – |
| Other local revenue | 1,543,999 | 8,436,140 | 9,753,864 | 1,317,724 |
| Total local sources | 118,212,459 | 125,417,772 | 126,735,496 | 1,317,724 |
| Total revenues | 194,412,900 | 207,872,264 | 208,486,445 | 614,181 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 136,199,240 | 146,598,114 | 130,350,012 | 16,248,102 |
| Pupil personnel services | 11,758,553 | 12,015,685 | 11,699,234 | 316,451 |
| Instructional media services | 4,212,811 | 3,937,471 | 3,896,554 | 40,917 |
| Instruction and curriculum development services | 3,174,945 | 3,123,461 | 3,037,143 | 86,318 |
| Instructional staff training services | 348,334 | 3,947,512 | 3,777,720 | 169,792 |
| Instructional-related technology | 4,425,492 | 4,830,127 | 4,362,516 | 467,611 |
| School board | 691,473 | 747,696 | 732,108 | 15,588 |
| General administration | 305,745 | 322,103 | 316,425 | 5,678 |
| School administration | 12,771,897 | 12,928,595 | 12,227,977 | 700,618 |
| Facilities acquisition and construction | 4,107,328 | 7,941,851 | 4,836,867 | 3,104,984 |
| Fiscal services | 1,750,583 | 1,725,965 | 1,708,202 | 17,763 |
| Central services | 3,106,153 | 2,924,045 | 2,459,641 | 464,404 |
| Pupil transportation | 10,907,732 | 11,547,039 | 10,627,319 | 919,720 |
| Operation of plant | 19,813,439 | 19,807,119 | 18,358,088 | 1,449,031 |
| Maintenance of plant | 7,662,154 | 8,107,668 | 7,364,085 | 743,583 |
| Administrative technology services | 851,940 | 1,617,528 | 1,081,440 | 536,088 |
| Community services | 44,000 | 5,178,498 | 3,027,835 | 2,150,663 |
| Capital outlay: | | | | |
| Facilities acquisition and construction | – | 559,901 | 48,736 | 511,165 |
| Other capital outlay | – | 758,338 | 252,388 | 505,950 |
| Total expenditures | 222,131,819 | 248,618,716 | 220,164,290 | 28,454,426 |
| Excess (deficiency) of revenues over (under) expenditures | (27,718,919) | (40,746,452) | (11,677,845) | 29,068,607 |
| Other financing sources (uses) | | | | |
| Loss recoveries | – | – | 95,530 | 95,530 |
| Transfers in | 8,612,787 | 9,496,980 | 9,226,184 | (270,796) |
| Transfers out | – | – | – | – |
| Total other financing sources (uses) | 8,612,787 | 9,496,980 | 9,321,714 | (175,266) |
| Net change in fund balances | (19,106,132) | (31,249,472) | (2,356,130) | 28,893,342 |
| Fund balances, July 1, 2011 | 19,106,132 | 69,361,925 | 69,361,925 | – |
| Fund balances, June 30, 2012 | \$ – | \$ 38,112,453 | \$ 67,005,795 | \$ 28,893,342 |

The accompanying notes to the required supplementary information are an integral part of this statement.

St. Johns County District School Board

Notes to the Required Supplementary Information

June 30, 2012

Budget Legal Compliance

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

- Budgets are prepared in accordance with procedures and time intervals prescribed by law and State Board of Education rules, as described below:
 - By July 1st (or the Date of Certification, whichever is later) the property appraiser provides certified tax values within the jurisdiction of the school district.
 - Within 24 days of the certification of taxable value, the Superintendent sends the budget to the school board for approval.
 - Within 29 days of the certification of taxable value, the school district advertises its intent to adopt a tentative budget and millage rates.
 - Within 2 to 5 days of the ads for the tentative budget hearing, the school district holds a public hearing on the tentative budget and millage. At this hearing, the school district adopts the tentative millage rates and tentative budget, and publicly announces the percent, if any, by which the millage rates exceed the rolled-back rate.
 - Within 65 to 80 days of certification of value, the school district will hold a public hearing on the final budget and millage rates. At this meeting, the school district
 - A. Amends the tentatively adopted budget and millage rate, and publicly announces the percent, if any, by which the re-computed millage exceeds the rolled-back rate.
 - B. Adopts a final millage and budget.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

St. Johns County District School Board

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

| Federal Grantor / pass-through grantor / program Title | CFDA Number | Grant / Contract Number | Federal Expenditures (Notes 1, 2, 5) | Amount Provided to Subrecipients |
|---|-----------------|----------------------------|--|--|
| U.S. Department of Agriculture | | | | |
| Child Nutrition Cluster: | | | | |
| <i>Pass-through Florida Department of Education</i> | | | | |
| School Breakfast Program | 10.553 | 321 | \$ 668,999 | \$ - |
| National School Lunch Program | 10.555 | 300 | 2,724,102 | - |
| Summer Food Service Program for Children | 10.559 | 323 | 58,384 | - |
| <i>Pass-through Florida Department of Agriculture and Consumer Services</i> | | | | |
| National School Lunch Program | 10.555 (Note 3) | None | 440,619 | - |
| Total Child Nutrition Cluster | | | 3,892,104 | - |
| Total U.S. Department of Agriculture | | | 3,892,104 | - |
| U.S. Department of Education | | | | |
| Title I, Part A Cluster: | | | | |
| <i>Pass-through Florida Department of Education</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 212, 222, 223, 226, 228 | 3,208,860 | - |
| ARRA – Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | 212, 226 | 65,248 | - |
| Total Title I, Part A Cluster: | | | 3,274,108 | - |
| Special Education Cluster (IDEA): | | | | |
| <i>Pass-through Florida Department of Education</i> | | | | |
| Special Education – Grants to States | 84.027 | 263 | 5,843,614 | - |
| Special Education – Preschool Grants | 84.173 | 267 | 94,152 | - |
| <i>Pass-through Volusia County District School Board</i> | | | | |
| Special Education – Grants to States | 84.027 | 7751 | 2,765 | - |
| Total Special Education Cluster (IDEA): | | | 5,940,531 | - |
| Education of Homeless Children and Youth Cluster | | | | |
| <i>Pass-through Florida Department of Education</i> | | | | |
| Education for Homeless Children and Youth | 84.196 | 127 | 64,668 | - |
| ARRA – Education for Homeless Children and Youth, Recovery Act | 84.387 | 127 | 114 | - |
| Total Education of Homeless Children and Youth Cluster | | | 64,782 | - |
| School Improvement Grants Cluster | | | | |
| <i>Pass-through Florida Department of Education</i> | | | | |
| School Improvement Grants | 84.377 | 126 | 127,682 | - |
| ARRA – School Improvement Grants, Recovery Act | 84.388 | 126 | 688,585 | - |
| Total School Improvement Grants Cluster | | | 816,267 | - |
| <i>Pass-through Florida Department of Education</i> | | | | |
| Adult Education – Basic Grants to States | 84.002 | 191, 193 | 359,576 | 359,576 |
| Career and Technical Education – Basic Grants to States | 84.048 | 161 | 355,988 | 186,831 |
| Safe and Drug-Free Schools and Communities – State Grants | 84.186 | 103 | 16,627 | - |
| English Language Acquisition State Grants | 84.365 | 102 | 23,113 | - |
| Improving Teacher Quality State Grants | 84.367 | 224 | 664,496 | - |
| ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | RL1, RS6, RG3 | 473,001 | 452 |
| Total U.S. Department of Education | | | 11,988,489 | 546,859 |

St. Johns County District School Board

Schedule of Expenditures of Federal Awards (continued)

| Federal Grantor / pass-through grantor / program Title | CFDA Number | Grant / Contract Number | Federal Expenditures (Notes 1, 2, 5) | Amount Provided to Subrecipients |
|---|----------------|----------------------------|--|--|
| U.S. Department of Health and Human Services | | | | |
| Head Start (Note 4) | 93.600 | None | \$ 967,903 | \$ - |
| Total U.S. Department of Health and Human Services | | | 967,903 | - |
| Corporation for National and Community Service | | | | |
| Retired and Senior Volunteer Program | 94.002 | None | 60,822 | - |
| Total Corporation for National and Community Service | | | 60,822 | - |
| Total Expenditures of Federal Awards | | | \$ 16,909,318 | \$ 546,859 |

See accompanying notes.

St. Johns County District School Board

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the St. Johns County District School Board (the District) for the year ended June 30, 2012. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the accompanying Schedule. The District's reporting entity is defined in Note 1 of the District's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net assets of the District.

The District's financial statements include the operations of the First Coast Technical Institute, Inc. DBA First Coast Technical College, a discretely presented component unit of the District, which received \$2,486,803 in federal awards which is not included in the schedule of expenditures of federal awards for the year ended June 30, 2012. The schedule of expenditures of federal awards did not include the operations of the discretely presented component unit, First Coast Technical Institute, Inc. DBA First Coast Technical College, because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

2. Basis of Accounting

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

3. Non-cash Assistance

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

St. Johns County District School Board

Notes to the Schedule of Expenditures of Federal Awards (continued)

4. Head Start Expenditures

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

| <u>Grant Number / Program Year</u> | <u>Expenditure Amount</u> |
|------------------------------------|-------------------------------|
| 04CH0594 / 14 | \$ 48 |
| 04CH0594 / 15 | \$ 967,855 |

5. Grant Contingencies

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

Report of Independent Certified Public Accountants on Internal Control Over
Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited 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 (the District) as of and for the year ended June 30, 2012, which collectively comprise District's basic financial statements and have issued our report thereon dated March 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal control over financial reporting

Management of District is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and other matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

This report is intended solely for the information and use of management, the Superintendent and members of the District School Board, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

March 1, 2013

Report of Independent Certified Public Accountants on
Compliance With Requirements That Could Have a
Direct and Material Effect on Each Major Federal Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited St. Johns County School District's (the District) compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's financial statements include the operations of the First Coast Technical Institute, Inc. DBA First Coast Technical College, a discretely presented component unit of the District, which received \$2,486,803 in federal awards which is not included in the schedule for the year ended June 30, 2012. Our audit, described below, did not include the operations of the discretely presented component unit, First Coast Technical Institute, Inc. DBA First Coast Technical College, because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal control over compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Superintendent and members of the District School Board, the Auditor General of the State of Florida, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

March 1, 2013

St. Johns County District School Board

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

Part I – Summary of auditor’s results

Financial statements section

Type of auditor’s report issued (unqualified, qualified, adverse or disclaimer):

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Noncompliance material to financial statements noted?

_____ **Yes** X **No**

Federal awards section

Internal control over major programs:

Material weakness(es) identified?

_____ **Yes** X **No**

Significant deficiency(ies) identified?

_____ **Yes** X **None reported**

Type of auditor’s report issued on compliance for major programs (unqualified, qualified, adverse or disclaimer):

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?

_____ **Yes** X **No**

St. Johns County District School Board

Schedule of Findings and Questioned Costs (continued)

Part I – Summary of auditor’s results (continued)

Identification of major programs:

| CFDA number(s) | Name of federal program or cluster |
|---------------------------------|--|
| CFDA 10.553, 10.555, and 10.559 | Child Nutrition Cluster |
| CFDA 84.377 and ARRA – 84.388 | School Improvement Grants Cluster |
| CFDA ARRA – 84.395 | ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants, Recovery Act |

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 507,280

Auditee qualified as low-risk auditee?

X **Yes** **No**

St. Johns County District School Board

Schedule of Findings and Questioned Costs (continued)

Part II – Financial statement findings section

No matters were reported.

St. Johns County District School Board

Schedule of Findings and Questioned Costs (continued)

Part III – Federal award findings and questioned costs section

The audit disclosed no findings required to be reported by OMB Circular A-133.

St. Johns County District School Board

Summary Schedule of Prior Audit Findings

Status of Prior Year Findings

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

Federal program information

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

Criteria

United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1, provides in part, that costs must be adequately documented to be allowable under Federal awards. In addition, OMB A-87 provides that charges to Federal Awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification.

Condition

The District recorded salary and benefit expenditures for the ARRA School Improvement Grants (SIG) program totaling \$372,642. Our tests of the salary and benefit payments totaling \$255,724 for four employees paid 100 percent from the SIG program disclosed that the District did not maintain the required semiannual certifications to support these expenditures, contrary to Federal requirements. District personnel initially provided a semiannual certification indicating that two employees worked solely for, and one employee worked 50 percent for, the Title I program, but did not provide a certification for the other employee. We compared position titles and descriptions in the SIG program application with personnel records for the four employees worked solely for the SIG program. When personnel activity reports or other evidence to delineate the job responsibilities and work activities are not properly maintained, there is an increased risk that personnel costs may be inappropriately charged to a Federal Program.

Questioned Costs

Not applicable

Current Status

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

St. Johns County District School Board

Summary Schedule of Prior Audit Findings (continued)

Finding 2011-166 (1) Subrecipient Monitoring

Federal program information

United States Department of Education State Fiscal Stabilization Fund – Education State Grants – CFDA No. 84.394

Criteria

The District had not established adequate procedures over Federal funds passed through to the First Coast Technical College (FCTC) to demonstrate compliance with the monitoring requirements of United States Office of Management and Budget (OMB) Circular A-133, paragraph 400(d). Pursuant to this circular, a pass-through entity is responsible, in part, for identifying certain Federal award information to subrecipients, such as the award name and awarding Federal agency; advising subrecipients of Federal requirements and monitoring subrecipient Federal compliance; and ensuring that subrecipients expending \$500,000 or more in Federal awards during the fiscal year obtain the required audits. In addition, the pass-through entity is responsible for implementing procedures to timely track the Federal funds passed-through to, and expended by, each subrecipient to determine the level of accountability required; adequately considering factors such as size of awards, percentage of the total program's funds awarded to the subrecipients, and the complexity of the compliance requirements; and properly documenting the process. Subrecipient monitoring normally occurs throughout the year and may include reviewing financial and performance reports submitted by the subrecipient, performing site visits to review financial information and programmatic records and observe operations, and regular contracts and appropriate inquiries with the subrecipients concerning program activities.

Condition

The District, as the sponsor for FCTC, was required to pass-through State Workforce Development Program funding. For the 2009-10 fiscal year, a portion of the Workforce Development Program funding provided to the District included Federal State Fiscal Stabilization Fund – Education State grants funds, totaling \$330,232, which were made available through the American Recovery and Reinvestment Act (ARRA). These funds were budgeted and expended to construct a building on the FCTC campus, to replace the roof of another building, and to upgrade lighting energy efficiency. Our review of the required OMB Circular A-133 audit report obtained by FCTC disclosed that the opinion on the State Fiscal Stabilization Fund – Education State grants program was qualified for noncompliance with procurement and contracting requirements applicable to the construction projects, including the Davis-Bacon Act requirements, Suspension and Debarment requirements, and the Buy American Act.

St. Johns County District School Board

Summary Schedule of Prior Audit Findings (continued)

Condition (continued)

The District's monitoring procedures over these program funds included reviewing a sample of expenditures to ensure the purchase occurred in the period of availability, was allowable for the Federal grant, the invoice matched the purchase order, the account coding was correct, and that capital outlay purchase were properly recorded in the subsidiary capital asset records. However, the District's monitoring procedures did not include ensuring compliance with the Davis-Bacon Act, Suspension and Debarment, and Buy American Act requirements.

When applicable Federal program compliance requirements are not adequately identified and communicated to subrecipients, and timely monitored by the District, the risk of material noncompliance is increased.

Questioned Costs

Not applicable

Current Status

Corrected.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

