



ST. JOHNS COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

And Report of Independent Auditor

ST. JOHNS COUNTY SCHOOL DISTRICT
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Report of Independent Auditor

The Honorable Members of the School Board
St. Johns County School District
St. Augustine, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Johns County School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100% of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the 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 St. Johns County School District, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Notes II and III to the financial statements, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Also, as described in Note III to the financial statements, the District reported a correction of an error due to the omission of a land donation. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison schedules on page 62, the schedule of funding progress on page 63, and the pension schedules on pages 64 through 65 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 of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards on page 71 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Behant LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2016

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

The management of the St. Johns County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year are as follows:

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015, by \$351,942,832 (net position). After deducting investment in capital assets (net of related debt) and restricted net position, the District had a deficit unrestricted net position of \$127,620,394.
- In total, net position decreased \$91,785,424, or 21 percent, from the net position reported at June 30, 2014 prior to the restatement. This decrease is due to the adoption of GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans.
- General revenues totaled \$295,769,239, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$42,281,884, or 13 percent.
- Expenses totaled \$332,402,452; only \$42,281,884 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$5,648,671.
- 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 \$37,881,239 at June 30, 2015, or 15 percent of total General Fund revenues.
- The District's capital asset-related long-term debt decreased by a net amount of \$11,028,047, mainly because of the redemption of debt principal.
- The District's Health and Hospitalization – Group Medical Self-Insurance Fund continues to have a deficit net position of \$3,075,119. To improve the Fund's net position, effective July 1, 2015, the District once again increased the combined employer contribution and employee premium by a total of 12 percent, and increased the retiree premium by 12 percent. The District is also making a change related to its prescription benefits manager effective January 1, 2016. The District is monitoring the deficit and will continue to research additional plan changes for the Board to consider for implementation.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents 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 seven separate legal entities in this report: the ABLE School, Inc., Saint Augustine Montessori Community, Inc., St. Paul School of Excellence, Inc., the Therapeutic Learning Center Charter School and the St. Johns Community Campus Charter School operated by The ARC of the St. Johns, Inc.; the First Coast Technical Institute, Inc., d/b/a First Coast Technical College, charter technical career center; and the St. Johns County Education Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

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 entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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, Debt Service – Other Debt Service Fund, Capital Projects – Local Capital Improvement Fund, and 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 may be established to account for activities in which a fee is charged for services. The District maintains 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. The District's internal service funds have been included within governmental activities in the government-wide financial statements because the services predominantly benefit the District's governmental activities.

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

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

Notes to Financial Statements

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

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Other Information

In addition to the basic financial statements and accompanying notes, this report presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits and pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

	Net Position, End of Year	
	Governmental Activities	
	6/30/15	6/30/14
Current and Other Assets	\$ 182,539,153	\$ 185,728,171
Capital Assets	522,169,699	528,236,075
Total Assets	704,708,852	713,964,246
Deferred Outflow of Resources	26,226,656	-
Long-Term Liabilities	290,835,988	221,323,535
Other Liabilities	31,137,342	34,785,102
Total Liabilities	321,973,330	256,108,637
Deferred Inflow of Resources	57,019,346	14,127,353
Net Position:		
Net Investment in Capital Assets	395,238,425	400,396,915
Restricted	84,324,801	63,258,637
Unrestricted (Deficit)	(127,620,394)	(19,927,296)
Total Net Position	\$ 351,942,832	\$ 443,728,256

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

The largest portion of the District's net position is its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$25,812,313 in compensated absences payable, \$57,321,892 in other postemployment benefit obligations, and \$76,314,347 in pension obligations.

The District's net position decreased by \$91,785,424 during the 2014-15 fiscal year from what was previously reported, prior to restatement, at June 30, 2014. This decrease largely resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date-an amendment of GASB No. 68*.

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

The following is a summary of the District's operating results for the fiscal year ended June 30, 2015, compared to operating results for the fiscal year ended June 30, 2014:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6/30/15	6/30/14
Program Revenues:		
Charges for Services	\$ 23,115,405	\$ 21,860,144
Operating Grants and Contributions	13,178,882	12,282,754
Capital Grants and Contributions	5,987,597	6,088,899
General Revenues:		
Property Taxes, Levied for Operational Purposes	113,363,873	110,543,223
Property Taxes, Levied for Debt Service	-	590
Property Taxes, Levied for Capital Projects	29,106,294	27,436,618
Impact Fees	10,874,315	14,353,236
Proportionate Share Concurrency	5,798,873	-
Grants and Contributions Not Restricted to Specific Programs	131,468,770	120,979,009
Unrestricted Investment Earnings	344,555	355,206
Miscellaneous	4,812,559	6,717,421
Total Revenues	338,051,123	320,617,100
Functions/Program Expenses:		
Instruction	173,507,626	169,143,834
Student Personnel Services	20,093,904	18,267,087
Instructional Media Services	4,814,789	4,873,199
Instruction and Curriculum Development Services	6,271,030	5,914,184
Instructional Staff Training Services	5,806,845	5,415,067
Instruction Related Technology	6,515,405	5,809,924
School Board	1,131,053	984,863
General Administration	967,496	984,561
School Administration	16,444,564	15,758,884
Facilities Acquisition and Construction	17,234,877	11,944,402
Fiscal Services	1,833,604	1,951,820
Food Services	10,786,652	11,294,658
Central Services	13,673,785	12,079,000
Student Transportation Services	13,111,533	13,480,462
Operation of Plant	21,548,382	21,103,349
Maintenance of Plant	8,509,014	8,383,597
Administrative Technology Services	689,818	669,036
Community Services	3,787,343	3,466,553
Unallocated Interest on Long-Term Debt	5,674,732	6,481,995
Total Functions/Program Expenses	332,402,452	318,006,475
Change in Net Position	5,648,671	2,610,625
Net Position - Beginning, Restated	346,294,161	441,117,631
Net Position - Ending	\$ 351,942,832	\$ 443,728,256

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

The majority of the District's revenue 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 87 percent of total revenues, whereas program revenues provide approximately 13 percent. The majority of program revenues (94 percent) are in the facilities acquisition and construction, food services, central services, student transportation services, and community services activities.

The FEFP formula is used to allocate State revenue sources for current District operations, and utilizing student enrollment data, and is designed to maintain equity in funding across all Florida school districts considering funding ability based on the local property tax base. Student full-time equivalent (FTE) enrollment increased by 1,614 students, from 33,272 in the 2013-14 fiscal year to 34,886 in the 2014-15 fiscal year. Grants and contributions not restricted to specific programs increased by \$10,489,761, or 9 percent, as compared to the prior fiscal year, mainly because of an increase in FEFP funding.

Capital grants and contributions decreased \$101,302, or 2 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities.

Instructional activities represent the majority of the District's expenses, totaling approximately 53 percent of total governmental expenses in the 2013-14 fiscal year, and 52 percent in the 2014-15 fiscal year. Instruction expenses increased by \$4,363,793, or 3 percent, mainly as a result of hiring additional teachers to address the increase in student enrollment and salary increases. Overall, total expenses increased \$14,395,978, or 5 percent, as compared to total revenues, which increased \$17,434,023, or 5 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$3,657,234 during the fiscal year to \$132,608,680 at June 30, 2015. Of the total fund balance, \$5,709,091, or 4 percent, is unassigned; \$991,028, or 1 percent, is nonspendable; \$84,648,906, or 64 percent, is restricted; \$9,343,316, or 7 percent, is committed; and \$31,916,339, or 24 percent, is assigned.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, total assigned and unassigned fund balance is \$37,870,900, while the total fund balance is \$48,229,738. For the 2014-15 fiscal year, total fund balance decreased by \$11,400,665. This decrease was anticipated, as the District intentionally drew down on its fund balance when developing its 2014-15 budget plan.

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Key factors impacting these changes are as follows:

- Total revenues increased by \$14,932,426, or 6 percent, mainly from an increase in FEFP revenues.
- Total expenditures increased by \$21,815,026, or 9 percent, due mainly to increased salary and benefit costs.
- Total expenditures exceeded total revenues and net other financing sources, by \$11,400,664, due mainly to an increase in salary and benefit costs, and the District's plan to spend down Fund Balance reserves.

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 2014-15 fiscal year, all available resources were used for current debt-related expenditures. The total fund balance decreased by \$10,833 in the current fiscal year to \$16,084, at June 30, 2015.

The 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 and renovation and remodeling projects. The total fund balance increased by \$7,535,213 in the current fiscal year to \$23,772,020, at June 30, 2015. This increase is mainly due to a decrease in transfers out to debt services funds for payment of principal and interest payments.

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 to be used for educational capital outlay needs, including new construction and renovation and remodeling projects. The total fund balance decreased by \$1,090,183 to \$51,909,376, at June 30, 2015.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$16,473,124. At the same time, final appropriations increased by \$14,260,240 from the original budgeted amount. Budget revisions were necessary to recognize revenues and expenditures related to 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 \$19,367,469 less than anticipated, mainly because instruction, facilities acquisition and construction, community services day care and extended day care program, operation of plant, and salary and benefit expenditures were less than planned. Also, positive budget balances include amounts assigned for budget shortfalls, and other District and local programs and services.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's capital assets for its governmental activities as of June 30, 2015, is \$522,169,699 (net of accumulated depreciation). Capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

ST. JOHNS COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

Additional information on the District's capital assets can be found in notes V.E and V.L to the financial statements.

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of \$130,692,953 related to the construction and acquisition of capital assets. This amount is comprised of \$125,205,953 of Certificates of Participation and \$5,487,000 of State School Bonds. During the fiscal year, the District's long-term debt decreased a net amount of \$11,028,047, or 8 percent, mainly from the redemption of debt principal.

Additional information on the District's long-term debt can be found in notes I.F.7, and V.K.1 through V.K.4 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, 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.

BASIC FINANCIAL STATEMENTS

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government	Component Units
	Governmental Activities	Total Nonmajor Component Units
ASSETS		
Cash and cash equivalents	\$ 139,165,061	\$ 2,406,715
Investments	134,997	-
Accounts receivable, net	458,030	629,146
Land contributions receivable	14,127,353	-
Due from other agencies	6,800,126	-
Due from component units	202,725	-
Due from primary government	-	781
Inventory	735,220	174,213
Prepaid items	255,809	33,467
Restricted cash and cash equivalents	20,659,832	-
Capital assets:		
Nondepreciable capital assets	36,767,127	-
Depreciable capital assets-net	485,402,572	2,737,069
Total assets	704,708,852	5,981,391
DEFERRED OUTFLOWS OF RESOURCES		
Net carrying amount of loss on debt refunding	3,149,020	-
Pension	23,077,636	-
Total deferred outflows of resources	26,226,656	-
LIABILITIES		
Accrued salaries and benefits	2,370,943	60,469
Payroll deductions and withholdings	841,395	529
Accounts payable	7,166,169	266,671
Due to component	149,208	-
Due to primary government	-	54,298
Deposits payable	316,495	-
Due to other agencies	32,028	-
Construction contracts payable	1,598,788	-
Construction contracts payable - retained percentage	550,800	-
Estimated unpaid claims - self-insurance program	2,840,256	-
Unearned revenues	-	92,941
Matured bonds payable	12,955,000	-
Matured interest payable	2,316,260	-
Portion due within one year:		
Bonds and notes payable	706,000	21,533
Liability for compensated absences	1,771,193	250,685
Lease-purchase agreements payable	14,612,659	-
Estimated liability for long-term claims	142,894	-
Net pension liability	1,730,231	-
Due within one year	18,962,977	272,218
Portion due after one year:		
Bonds and notes payable	4,781,000	27,765
Liability for compensated absences	24,041,120	333,684
Lease-purchase agreements payable	110,593,294	-
Estimated liability for long-term claims	551,589	-
Net other postemployment benefits obligation	57,321,892	-
Net pension liability	74,584,116	-
Due in more than one year	271,873,011	361,449
Total liabilities	321,973,330	1,108,575
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues and land contributions	14,184,192	-
Pension	42,835,154	-
Total deferred inflows of resources	57,019,346	-
NET POSITION		
Net investment in capital assets net of related debt	395,238,425	2,704,271
Restricted for:		
Categorical carryover programs	450,665	-
Food Service	1,291,797	-
Debt service	3,916,015	-
Capital projects	78,558,470	-
Other purposes	107,854	396,830
Unrestricted	(127,620,394)	1,771,715
Total net position	\$ 351,942,832	\$ 4,872,816

ST. JOHNS COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Governmental Activities:						
Instruction	\$ 173,507,626	\$ 828,625	\$ -	\$ -	\$ (172,679,001)	\$ -
Student support services	20,093,904	-	-	-	(20,093,904)	-
Instructional media services	4,814,789	-	-	-	(4,814,789)	-
Instruction and curriculum development services	6,271,030	-	-	-	(6,271,030)	-
Instructional staff training services	5,806,845	-	-	-	(5,806,845)	-
Instructional related technology	6,515,405	-	-	-	(6,515,405)	-
Board	1,131,053	-	-	-	(1,131,053)	-
General administration	967,496	-	-	-	(967,496)	-
School administration	16,444,564	-	-	-	(16,444,564)	-
Facilities acquisition and construction	17,234,877	-	-	4,303,013	(12,931,864)	-
Fiscal services	1,833,604	-	-	-	(1,833,604)	-
Food services	10,786,652	6,829,933	4,748,588	-	791,869	-
Central services	13,673,785	10,044,757	-	-	(3,629,028)	-
Student transportation services	13,111,533	571,486	8,430,294	-	(4,109,753)	-
Operation of plant	21,548,382	-	-	-	(21,548,382)	-
Maintenance of plant	8,509,014	-	-	-	(8,509,014)	-
Administrative technology services	689,818	-	-	-	(689,818)	-
Community services	3,787,343	4,840,604	-	-	1,053,261	-
Unallocated interest on long-term debt	5,674,732	-	-	1,684,584	(3,990,148)	-
Total governmental activities	<u>332,402,452</u>	<u>23,115,405</u>	<u>13,178,882</u>	<u>5,987,597</u>	<u>(290,120,568)</u>	<u>-</u>
Total primary government	<u>\$ 332,402,452</u>	<u>\$ 23,115,405</u>	<u>\$ 13,178,882</u>	<u>\$ 5,987,597</u>	<u>(290,120,568)</u>	
Component units:						
Nonmajor component units	\$ 12,919,009	\$ 3,895,545	\$ 1,606,406	\$ 439,091		(6,977,967)
Total component units	<u>\$ 12,919,009</u>	<u>\$ 3,895,545</u>	<u>\$ 1,606,406</u>	<u>\$ 439,091</u>		<u>(6,977,967)</u>
General revenues:						
Taxes:						
Property taxes, levied for operational purposes					113,363,873	-
Property taxes, levied for capital projects					29,106,294	-
Grants and Contributions not restricted to specific programs					131,468,770	6,398,347
Impact fees					10,874,315	-
Proportionate share concurrency					5,798,873	-
Investment earnings					344,555	4,260
Miscellaneous					4,812,559	-
Total general revenues					<u>295,769,239</u>	<u>6,402,607</u>
Change in net position					5,648,671	(575,360)
Net position - beginning - restated					346,294,161	5,448,176
Net position - ending					<u>\$ 351,942,832</u>	<u>\$ 4,872,816</u>

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

ST. JOHNS COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Other Debt Service Fund	Local Capital Improvement Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 52,461,834	\$ -	\$ 24,050,397	\$ 50,839,136	\$ 1,388,167	\$ 128,739,534
Restricted cash and cash equivalents	-	15,287,344	-	1,607,553	3,764,935	20,659,832
Investments	-	-	-	-	134,997	134,997
Accounts receivable, net	147,368	-	-	-	1,158	148,526
Due from other agencies	292,462	-	-	1,132,177	5,375,487	6,800,126
Due from other funds	1,578,679	-	-	-	-	1,578,679
Due from component units	202,725	-	-	-	-	202,725
Due from internal funds	141,040	-	-	-	-	141,040
Inventory	446,664	-	-	-	288,555	735,219
Prepaid items	10,339	-	-	-	245,470	255,809
Total assets	\$ 55,281,111	\$ 15,287,344	\$ 24,050,397	\$ 53,578,866	\$ 11,198,769	\$ 159,396,487
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accrued salaries and benefits	\$ 2,250,547	\$ -	\$ -	\$ -	\$ 120,396	\$ 2,370,943
Payroll deductions and withholdings	800,091	-	-	-	41,303	841,394
Accounts payable	3,361,421	-	259,473	195,823	204,656	4,021,373
Due to component units	62,632	-	-	-	86,576	149,208
Deposits payable	-	-	-	-	316,495	316,495
Due to other agencies	1,166	-	-	-	30,862	32,028
Due to other funds	-	-	-	-	1,578,679	1,578,679
Construction contracts payable	575,516	-	18,904	922,867	81,501	1,598,788
Construction contracts payable - retainage	-	-	-	550,800	-	550,800
Matured bonds payable	-	12,955,000	-	-	-	12,955,000
Matured interest payable	-	2,316,260	-	-	-	2,316,260
Total liabilities	<u>7,051,373</u>	<u>15,271,260</u>	<u>278,377</u>	<u>1,669,490</u>	<u>2,460,468</u>	<u>26,730,968</u>
Deferred inflow of resources:						
Unavailable revenues	-	-	-	-	56,839	56,839
Fund balances:						
Nonspendable:						
Inventory	446,664	-	-	-	288,555	735,219
Prepaid	10,339	-	-	-	245,470	255,809
Restricted for:						
State required carryover programs	450,665	-	-	-	-	450,665
Debt service	-	16,084	-	-	3,899,932	3,916,016
Capital projects	-	-	23,772,020	51,909,376	3,489,733	79,171,129
Food service	-	-	-	-	1,003,242	1,003,242
Restricted for other restrictions	107,854	-	-	-	-	107,854
Committed to:						
Economic stabilization	7,574,259	-	-	-	-	7,574,259
Committed for .25 discretionary millage	1,769,057	-	-	-	-	1,769,057
Assigned to:						
Assigned for other	31,916,339	-	-	-	-	31,916,339
Unassigned	5,954,561	-	-	-	(245,470)	5,709,091
Total fund balances	<u>48,229,738</u>	<u>16,084</u>	<u>23,772,020</u>	<u>51,909,376</u>	<u>8,681,462</u>	<u>132,608,680</u>
Total liabilities, deferred inflow of resources and fund balances	\$ 55,281,111	\$ 15,287,344	\$ 24,050,397	\$ 53,578,866	\$ 11,198,769	\$ 159,396,487

ST. JOHNS COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

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

Ending fund balance - governmental funds	\$	132,608,680
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.		522,169,699
Land contribution receivable arising from land to be donated to the District as required by an amended development order for Twin Creeks Development.		14,127,353
Deferred outflows of resources are not available to pay for current expenditures and, therefore, are not reported in the government funds. This is the deferred outflow reported as a result of the net difference between the carrying amount of refunded debt and its reacquisition cost and certain changes in the net pension liability.		26,226,656
Deferred inflows of resources are not recognized as revenue in the current period, and, therefore, are not reported in the government funds. This is the deferred inflow as a result of certain changes in the net pension liability		(42,835,154)
Deferred inflow of resources as a result of the land contribution receivable that has not been conveyed to the District and, as such, is not yet permitted to use.		(14,127,353)
Internal service funds are used by management to charge the cost of certain activities such as insurance, to individual funds. The assets and liabilities of the internal service funds are not included in governmental activities in the statement of net position.		3,914,456
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds payable	\$	(5,487,000)
Certificates of participation payable		(117,990,000)
Unamortized premiums on certificates of participation		(7,215,953)
Compensated absences payable		(25,812,313)
Postemployment healthcare benefits payable		(57,321,892)
Net pension liability		(76,314,347)
		<u>(290,141,505)</u>
Net position of governmental activities	\$	<u><u>351,942,832</u></u>

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2015

	General Fund	Other Debt Service Fund	Local Capital Improvement Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Federal direct	\$ 222,452	\$ -	\$ -	\$ -	\$ 1,794,059	\$ 2,016,511
Federal through state and local	-	-	-	-	16,301,292	16,301,292
State sources	126,930,704	-	-	130,948	5,049,912	132,111,564
Local sources	124,266,647	66	29,231,214	16,835,812	6,978,674	177,312,413
Total revenues	<u>251,419,803</u>	<u>66</u>	<u>29,231,214</u>	<u>16,966,760</u>	<u>30,123,937</u>	<u>327,741,780</u>
Expenditures						
Current:						
Instruction	160,202,388	-	-	-	6,082,742	166,285,130
Student support services	16,987,939	-	-	-	2,175,369	19,163,308
Instructional media services	4,596,139	-	-	-	-	4,596,139
Instruction and curriculum development services	3,845,519	-	-	-	2,140,502	5,986,021
Instructional staff training services	4,084,498	-	-	-	1,493,168	5,577,666
Instruction related technology	6,325,529	-	-	-	-	6,325,529
Board	1,113,640	-	-	-	-	1,113,640
General administration	366,424	-	-	-	584,654	951,078
School administration	15,676,630	-	-	-	-	15,676,630
Facilities acquisition and construction	3,963,465	-	5,522,998	4,599,611	3,083,755	17,169,829
Fiscal services	1,754,238	-	-	-	-	1,754,238
Food services	-	-	-	-	10,499,785	10,499,785
Central services	3,433,160	-	-	-	-	3,433,160
Student transportation services	11,861,639	-	-	-	74,994	11,936,633
Operation of plant	21,022,296	-	-	-	212	21,022,508
Maintenance of plant	8,209,006	-	-	-	8,314	8,217,320
Administrative technology services	673,692	-	-	-	-	673,692
Community services	3,562,110	-	-	-	60,534	3,622,644
Capital outlay:						
Facilities acquisition and construction	969,826	-	94,430	2,641,760	378,963	4,084,979
Other capital outlay	315,505	-	2,194,839	672,233	316,392	3,498,969
Debt service:						
Principal	-	12,955,000	-	-	685,000	13,640,000
Interest	-	4,962,143	-	-	1,035,896	5,998,039
Dues, fees and issuance costs	-	430,597	-	-	11,265	441,862
Total expenditures	<u>268,963,643</u>	<u>18,347,740</u>	<u>7,812,267</u>	<u>7,913,604</u>	<u>28,631,545</u>	<u>331,668,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,543,840)</u>	<u>(18,347,674)</u>	<u>21,418,947</u>	<u>9,053,156</u>	<u>1,492,392</u>	<u>(3,927,019)</u>
Other financing sources (uses)						
Loss recoveries	50,088	-	-	-	-	50,088
Refunding bonds issued	-	-	-	-	1,526,000	1,526,000
Premium on refunding bonds	-	-	-	-	145,063	145,063
Refunding certificates of participation	-	54,845,000	-	-	-	54,845,000
Premium on refunding certificates of participation	-	8,418,612	-	-	-	8,418,612
Payments to refunded bond escrow agent	-	(62,833,858)	-	-	(1,881,120)	(64,714,978)
Transfers in	6,093,087	17,907,087	-	-	1,005,899	25,006,073
Transfers out	-	-	(13,883,734)	(10,143,339)	(979,000)	(25,006,073)
Total other financing sources (uses)	<u>6,143,175</u>	<u>18,336,841</u>	<u>(13,883,734)</u>	<u>(10,143,339)</u>	<u>(183,158)</u>	<u>269,785</u>
Net change in fund balances	<u>(11,400,665)</u>	<u>(10,833)</u>	<u>7,535,213</u>	<u>(1,090,183)</u>	<u>1,309,234</u>	<u>(3,657,234)</u>
Fund balance - beginning	<u>59,630,403</u>	<u>26,917</u>	<u>16,236,807</u>	<u>52,999,559</u>	<u>7,372,228</u>	<u>136,265,914</u>
Fund balance - ending	<u>\$ 48,229,738</u>	<u>\$ 16,084</u>	<u>\$ 23,772,020</u>	<u>\$ 51,909,376</u>	<u>\$ 8,681,462</u>	<u>\$ 132,608,680</u>

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

ST. JOHNS COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds		\$ (3,657,234)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period:		
Capital outlay expenditures	\$ 7,583,947	
Depreciation expense	(18,296,203)	
Donations	<u>205,880</u>	(10,506,376)
Long-term debt proceeds are reported as other financing sources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The following details the amount of long-term bonded debt that was issued during the current period:		
Refunding of SBE Bonds	(1,526,000)	
Certificates of Participation issued	(54,845,000)	
Certificates of Participation issued	<u>(8,418,612)</u>	(64,789,612)
Refunded long-term debt is removed from long-term liabilities in the statement of net position and, therefore, decreases long-term liabilities in the statement of net position. This is the amount of long-term debt that was refunded during the current period:		
Removal of COPs 2006 debt	59,160,000	
Removal of SBE Bonds Series 2005A	170,000	
Removal of SBE Bonds Series 2005B	<u>1,645,000</u>	60,975,000
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The following details the amount of long-term debt principal repaid in the current period.		
Certificates of Participation payable	12,955,000	
Bonds Payable	<u>685,000</u>	13,640,000
Premiums on bond issues are amortized over the life of the debt in the statement of activities, but are reported upon issuance in the fund statements. This is the amount of current amortization.		
		1,202,659
Loss on debt refunding is amortized over the life of the debt in the statement of activities, but is reported as expense in the fund statements. This is the amount of the loss and the current amortization:		
Loss on COPs refunding	3,673,857	
Current amortization of Net Carrying amount	<u>(524,837)</u>	3,149,020
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 paid in the current year.		
		(907,363)
Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year.		
		(3,359,835)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		
		4,100,182
Deferred Outflows and Inflows related to changes in the pension liability are reported in the statement of activities.		
		<u>5,802,230</u>
Change in net position of governmental activities		<u>\$ 5,648,671</u>

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2015

	Governmental Activities Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 10,425,527
Accounts receivable, net	168,465
Total current assets	<u>10,593,992</u>
Noncurrent assets	
Capital assets, net	276,631
Total noncurrent assets	<u>276,631</u>
Total assets	<u><u>\$ 10,870,623</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,144,797
Estimated unpaid claims - self-insurance program	2,983,150
Total current liabilities	<u>6,127,947</u>
Noncurrent liabilities	
Estimated unpaid claims - self-insurance program	<u>551,589</u>
Total liabilities	<u>6,679,536</u>
NET POSITION	
Invested in capital assets	276,631
Unrestricted	3,914,456
Total net position	<u><u>\$ 4,191,087</u></u>

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

Year Ended June 30, 2015

	Governmental Activities Internal Service Funds
Operating revenues	
Premium revenues	\$ 44,637,698
Other operating revenues	566,288
Total operating revenues	<u>45,203,986</u>
Operating expenses	
Purchased services	2,431,493
Materials and supplies	10,599
Capital outlay	8,298
Other expenses	38,671,226
Depreciation	37,979
Total operating expenses	<u>41,159,595</u>
Operating income	<u>4,044,391</u>
Nonoperating revenue	
Investment earnings	17,812
Total nonoperating revenue	<u>17,812</u>
Change in net position	4,062,203
Total net position - beginning	<u>128,884</u>
Total net position - ending	<u><u>\$ 4,191,087</u></u>

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended June 30, 2015

	Governmental Activities Internal Service Funds
Cash flows from operating activities	
Cash received from customers	\$ 45,203,986
Payments to suppliers	(10,305,328)
Payments for interfund services used	(33,192,677)
Net cash provided by operating activities	<u>1,705,981</u>
Cash flows from investing activities	
Interest and dividends received	17,812
Net cash provided by investing activities	<u>17,812</u>
Net increase in cash and cash equivalents	<u>1,723,793</u>
Cash and cash equivalents	
Beginning of year	<u>8,701,734</u>
End of year	<u>\$ 10,425,527</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 4,044,391
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	37,979
Change in assets and liabilities	
Accounts receivable	9,919
Accounts payable	(269,962)
Due to other funds	(2,116,969)
Estimated unpaid claims - self-insurance program	623
Total adjustments	<u>(2,338,410)</u>
Net cash provided by operating activities	<u>\$ 1,705,981</u>

ST. JOHNS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

JUNE 30, 2015

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 3,657,858
Total assets	<u>\$ 3,657,858</u>
LIABILITIES	
Internal accounts payable	\$ 3,516,818
Due to other funds	141,040
Total liabilities	<u>\$ 3,657,858</u>

DISTRICT SCHOOL BOARD OF ST. JOHNS COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the St. Johns County School District's (District) 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 functions.

B. 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. 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 legally separate 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.

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

Blended Component Unit. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as part of the District. 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 V.K.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

ST. JOHNS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. The component unit column consists of the St. Johns County Education Foundation, Inc. (Foundation), a charter technical career center, and five charter schools, as follows:

➤ **Foundation.** The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of public prekindergarten through twelfth grade education in St. Johns County. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

➤ **Charter Schools/Charter Technical Career Center (Charter Entities).** The Charter Entities consist of: The ABLE School, Inc., Saint Augustine Montessori Community, Inc., St. Paul School of Excellence, Inc., the Therapeutic Learning Center Charter School and the St. Johns Community Campus Charter School operated by The ARC of the St. Johns, Inc., and the First Coast Technical Institute, Inc., d/b/a First Coast Technical College. The Charter Entities are organized as not-for-profit corporations pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act. The Charter Entities were established pursuant to Sections 1002.33, Florida Statutes, except that First Coast Technical College was established pursuant to Sections 1002.34, Florida Statutes. The Charter Entities are considered to be component units of the District because the District is financially accountable for the Charter Entities as the District established the Charter Entities by approval of the charters, which is tantamount to the initial appointment of the Charter Entities, and there is potential for the Charter entities to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter Entities are public schools, and the district is responsible for the operation, control and supervision of the public schools within the District. Finally, the nature and significance of the Charter Entities are such that their exclusion would cause the District's basic financial statements to be misleading.

The financial data reported on the accompanying statements was derived from the Foundation and Charter Entities' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

ST. JOHNS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the certificates of participation.
- Capital Projects – 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 and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account mainly for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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E. **Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

The Charter Entities are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market funds, 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) and in money market mutual funds.

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.

2. Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed in FEITF, and those made locally.

The District's investments in the FEITF, a Securities and Exchange Commission (SEC) Rule 2a7-like 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 is 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 V.B.

3. Restricted Cash and Cash Equivalents

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 position because they are set aside for repayment of maturing debt as required by the applicable debt covenants or represent proceeds from the sale of certificates of participation. These assets consist of \$15,287,344 restricted for the repayment of certificates of participation principal and interest payable on July 1, 2015, and reported as current liabilities on the statement of net position, \$3,764,935 restricted for the repayment of QSCBs principal that is maintained in a sinking fund account, and \$1,607,553 of certificates of participation proceeds restricted for the construction of Patriot Oaks and Valley Ridge Academies.

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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4. Inventories and Prepaid Items

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 the 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

Current year information relative to changes in capital assets is described in note V.E.

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6. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in note V.F.

7. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued and 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.

Changes in long-term liabilities for the current year are reported in a note V.K.4.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and, as such, will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The *deferred outflows for loss on debt refunding* reported in the government-wide statement of net position results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized, as a component of interest expense, over the shorter of the life of the refunded or refunding debt. The *deferred outflows of resources related to pensions* are discussed in note V.F.1.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and, as such, will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items, which arises only under the accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the government-wide statement of

ST. JOHNS COUNTY SCHOOL DISTRICT

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net position. At June 30, 2014, the government-wide financial statements report unavailable revenues for a land contribution receivable as further discussed in note V.D. and other unavailable revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources related to *pensions* are discussed in note V.F.1.

9. **Net Position Flow Assumption**

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. **Fund Balance Flow Assumptions**

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Nonspendable Fund Balance. Nonspendable fund balance is 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. The District classifies its amounts reported as inventories and prepaid items as nonspendable.

Restricted Fund Balance. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, 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 as restricted, other than those in the General Fund. In the General Fund, unspent State

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Required Carryover (Categorical) Programs and earmarked educational funding that is legally or otherwise restricted are reported as restricted fund balance.

Committed Fund Balance. The committed fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported the following as committed fund balance in its General Fund:

- **Economic Stabilization Arrangement.** The District has established an economic stabilization arrangement in Board Rule 7.01, *School District Budget System*, which provides that the Board shall commit an amount equal to 3 percent of its estimated revenue from the first Florida Education Finance Program calculation under a stabilization arrangement for the use in an emergency. The District classified the stabilization arrangement moneys as committed fund balance and defines the circumstances that constitute an emergency are non-routine in nature and 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 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.

At June 30, 2015, the stabilization balance was \$7,574,259.

- **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 moneys be used to support the maintenance and equipment needs of its educational facilities. The unspent portion of the additional discretionary millage moneys, totaling \$1,769,057 at June 30, 2015, is classified as committed fund balance.

Assigned Fund Balance. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Board Rule 7.01 authorizes the Superintendent or Superintendent's designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

ST. JOHNS COUNTY SCHOOL DISTRICT

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G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

2. State Revenue Sources

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

The State provides financial assistance to administer certain educational programs. SBE 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 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 V.O.1.

3. District Property Taxes

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

ST. JOHNS COUNTY SCHOOL DISTRICT

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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 Board adopted the 2014 tax levy on September 16, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

Millages and taxes levied for the current year are presented in note V.O.2.

4. **Educational Impact Fees**

St. Johns County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 1987. This ordinance was most recently amended in March 2011, when Ordinance 2011-7 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.

5. **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.

6. **Compensated Absences**

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities using the vesting method. Under this method, the liability amount is estimated based on the accumulated leave at fiscal year-end for employees who are currently eligible, or expected to become eligible, to receive 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

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retirements. The liability for compensated absences includes salary related benefits, where applicable.

7. **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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 District's internal service funds are charges for employee health insurance premiums and workers' compensation insurance. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 68. The District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68*, which require employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$101,874,095 due to the adoption of this Statement. The District's proportionate share of the net pension liabilities at July 1, 2014, totaled \$76,314,347.

III. PRIOR PERIOD ADJUSTMENTS

GASB Statement No. 68 The District decreased the beginning net position on the statement of activities by \$101,874,095 due to the adoption of GASB 68 and GASB 71, which requires employers participating in cost-sharing multi-employer defined benefit plans to report the employers' proportionate share of the net pension liability and related pension amounts of the defined plan of defined pension plans.

Land Donation. The District increased beginning net position on the statement of activities by \$4,440,000 to correct an error in reporting its net investment in capital assets. The District did not previously report land donated by a developer for the construction of Valley Ridge Academy.

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These prior period adjustments are summarized below:

Net position, beginning, as previously reported	\$ 443,728,256
Prior period adjustment to implement GASB Statement No. 68:	
Net pension liability July 1, 2014	(112,656,175)
Deferred outflows - District's contributions made during fiscal year 2014	10,782,080
Total prior period adjustment to implement GASB Statement No. 68	(101,874,095)
Prior period adjustment for donated land:	4,440,000
Total prior period adjustments	(97,434,095)
Net position, beginning, as restated	\$ 346,294,161

IV. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Net Position in Proprietary Funds – Internal Service Fund

The following internal service fund has a deficit net position balance at June 30, 2015:

	<u>Beginning Net Position</u>	<u>Change in Net Position</u>	<u>Ending Net Position</u>
Health and Hospitalization - Group Medical Self-Insurance Fund	\$ (7,295,688)	\$ 4,220,569	\$ (3,075,119)

The Health and Hospitalization – Group Medical Self-Insurance Fund continues to have a deficit net position. To improve the Fund's net position, effective July 1, 2015, the District once again increased the combined employer contribution and employee premium by a total of 12 percent, and increased the retiree premium by 12 percent. The District is also making a change related to their prescription benefits manager effective January 1, 2016. The District is monitoring the deficit and will continue to research additional plan changes for the Board to consider for implementation.

V. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund based on average daily balances.

ST. JOHNS COUNTY SCHOOL DISTRICT
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B. Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Goldman Sachs Financial Square Treasury Obligations Fund (1)	38 Day Average	\$ 20,659,832
FEITF (2)	32 Day Average	5,032,961
SBA Debt Service Accounts	6 Months	134,997
Total Investments		<u>\$ 25,827,790</u>

Notes: (1) This investment is held under a trust agreement in connection with the Certificates of Participation Series 2006, 2010-QSCB, 2012, 2013, and 2015 financing agreements, and is reported as restricted cash equivalents for financial reporting purposes (See note V.K.1).

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

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 arrangements does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Goldman Sachs Financial Square Treasury Obligations Fund money market mutual fund and the 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 SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; SEC 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.

The District's investment in the FEITF was rated AAAM by Standard and Poor's and the investments in Goldman Sachs Financial Square Treasury Obligations Fund were rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

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

C. Due From Other Agencies

The \$6,800,126 reported as due from other agencies primarily consists of \$4,117,275 due from the Florida Department of Education for remodeling, renovation, maintenance, repair, and site improvement projects of District facilities; \$870,546 due from the Florida Department of Education for reimbursement of Federal grant expenditures; \$1,084,210 due from the St. Johns County Board of County Commissioners for the collection of educational impact fees; and \$351,561 due from the Department of Health and Human Services related to the District's Head Start Program.

D. Land Contribution Receivable

The \$14,127,353 reported as land contribution receivable represents the value of certain properties required to be donated to the District, in exchange for future impact fee credits, pursuant to an amended development order for the Twin Creeks Development of Regional Impact (DRI). The amended development order was approved by the St. Johns County Board of County Commissioner on June 3, 2014, and required, in part, that the developer provide three land parcels totaling 127 acres within 180 days in exchange for three other parcels previously provided to the District. As of June 30, 2014, the District had returned the three parcels previously provided by the developer, but the 127 acres specified in the revised development order had not been conveyed to the District. On February 27, 2014, one of the DRI landowners filed a complaint against the other landowner seeking compensation for loss of value resulting from the proposed amended development order and, on July 23, 2014, the same landowner petitioned to appeal the amended development order to the Florida Land and Water Adjudicatory Commission. As of February 23, 2015, the two landowners and the County were participating in mediation proceedings pursuant to Section 70.51, Florida Statutes, *Land Use and Environmental Dispute Resolution*. Accordingly, a deferred inflow of resources – unavailable land contribution has been reported in the government-wide statement of net position until the properties are conveyed to the District.

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E. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustment (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 32,263,642	\$ 4,440,000	\$ -	\$ -	\$ 36,703,642
Construction in Progress	42,670,461		63,485	42,670,461	63,485
Total Capital Assets Not Being Depreciated	74,934,103	4,440,000	63,485	42,670,461	36,767,127
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	24,795,305		53,802	-	24,849,107
Buildings and Fixed Equipment	598,866,697		46,638,152	-	645,504,849
Furniture, Fixtures, and Equipment	24,098,566		2,327,379	1,971,881	24,454,064
Motor Vehicles	20,125,324		1,336,649	512,998	20,948,975
Audio Visual Materials and Computer Software	4,401,456		40,822	194,408	4,247,870
Total Capital Assets Being Depreciated	672,287,348	-	50,396,804	2,679,287	720,004,865
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	15,064,639		645,509	-	15,710,148
Buildings and Fixed Equipment	166,741,681		14,297,408	-	181,039,089
Furniture, Fixtures, and Equipment	19,963,171		1,807,918	1,971,881	19,799,208
Motor Vehicles	13,011,722		1,390,841	512,998	13,889,565
Audio Visual Materials and Computer Software	4,204,164		154,527	194,408	4,164,283
Total Accumulated Depreciation	218,985,377	-	18,296,203	2,679,287	234,602,293
Total Capital Assets Being Depreciated	453,301,971	-	32,100,601	-	485,402,572
Governmental Activities Capital Assets, Net	\$ 528,236,074	\$ 4,440,000	\$ 32,164,086	\$ 42,670,461	\$ 522,169,699

Note (1): This adjustment relates to a prior period correction of an error. This adjustment is discussed in Note III.

ST. JOHNS COUNTY SCHOOL DISTRICT
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Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES:	
Instruction	\$ 10,625,658
Student Personnel Services	1,369,083
Instructional Media Services	321,676
Instruction and Curriculum Development Services	419,302
Instructional Staff Training Services	337,165
Instruction Related Technology	279,344
School Board	25,617
General Administration	24,154
School Administration	1,129,776
Facilities Acquisition and Construction	95,698
Fiscal Services	116,762
Food Services	422,036
Central Services	270,265
Student Transportation Services	1,390,842
Operation of Plant	773,661
Maintenance of Plant	429,136
Administrative Technology Services	23,724
Community Services	242,304
Total Depreciation Expense - Governmental Activities	<u>\$ 18,296,203</u>

F. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer

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defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site www.dms.myflorida.com.

The District's pension expense totaled \$6,701,976 for the fiscal year ended June 30, 2015.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to 4 years of credit for military service toward creditable 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 to eligible participants.

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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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<u>Class, Initial Enrollment, and Retirement Age/Years of Serv</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	*	*

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

* Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions, including employee contributions, to the Plan totaled \$10,297,105 for the fiscal year ended June 30, 2015. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$24,773,804 for its

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proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was .406030045 percent, which was an increase of .016173623 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$2,783,163 related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,533,077
Change of assumptions	4,290,411	
Net difference between projected and actual earnings on FRS pension plan investments	-	41,326,818
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	2,342,263	-
District FRS contributions subsequent to the measurement date	10,297,105	-
Total	<u>\$ 16,929,779</u>	<u>\$ 42,859,895</u>

The deferred outflows of resources related to pensions, totaling \$10,297,105, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (9,369,516)
2017	(9,369,516)
2018	(9,369,516)
2019	(9,369,516)
2020	962,188
Thereafter	288,657
Total	<u>\$ (36,227,219)</u>

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Actuarial Assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension liability	<u>\$ 105,960,849</u>	<u>\$ 24,773,804</u>	<u>\$ (42,758,327)</u>

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$2,351,683 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,207,102 for the fiscal year ended June 30, 2015.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$51,540,543 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was .5511221367 percent, which was an increase of .028100688 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$3,918,813 related to the HIS Plan. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -
Change of assumptions	1,834,017
Net difference between projected and actual earnings on HIS pension plan investments	24,741
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	2,106,738
District contributions subsequent to the measurement date	<u>2,207,102</u>
Total	<u>\$ 6,172,598</u>

The deferred outflows of resources related to pensions, totaling \$2,207,102, resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 641,791
2017	641,791
2018	641,791
2019	641,791
2020	635,606
Thereafter	762,726
Total	<u>\$ 3,965,496</u>

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Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.29 percent) or 1-percentage-point higher (5.29 percent) than the current rate:

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
District's proportionate share of the net pension liability	<u>\$ 58,623,194</u>	<u>\$ 51,540,543</u>	<u>\$ 45,628,556</u>

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$375,774 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

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2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30%
FRS, Elected County Officers	11.34%
FRS, Senior Management Service	7.67%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution,

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leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$1,802,833 for the fiscal year ended June 30, 2015.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of \$400,421 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2015.

G. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District and the First Coast Technical College charter technical career center, and eligible dependents, are eligible 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 OPEB 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 OPEB 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 this 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 assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB 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 OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 385 retirees received other postemployment benefits. The District provided required contributions of \$1,373,065 toward the annual OPEB cost, net of retiree contributions totaling \$2,516,167, which represents 1.9 percent 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

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District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 3,018,836
Amortization of Unfunded Actuarial Accrued Liability	2,548,023
Annual Required Contribution	5,566,859
Interest on Net OPEB Obligation	1,618,862
Adjustment to Annual Required Contribution	(2,452,821)
Annual OPEB Cost (Expense)	4,732,900
Contribution Toward the OPEB Cost	(1,373,065)
Increase in Net OPEB Obligation	3,359,835
Net OPEB Obligation, Beginning of Year	53,962,057
Net OPEB Obligation, End of Year	<u>\$ 57,321,892</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 8,836,418	\$ 1,657,050	18.8%	\$ 51,311,200
2013-14	4,523,681	1,872,824	41.4%	53,962,057
2014-15	4,732,900	1,373,065	29.0%	57,321,892

Funded Status and Funding Progress. As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$53,625,376, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$53,625,376, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$131,804,532, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 40.69 percent.

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

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB 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 OPEB actuarial valuation as of January 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, projected salary increase of 4 to 8.23 percent, and an annual healthcare cost trend rate of 8.5 percent beginning January 1, 2014, reduced by 0.5 percent per year, to an ultimate rate of 4.5 percent beginning January 1, 2021, and increasing to a rate of 4.84 percent beginning January 1, 2039, for the Federal excise tax on high-cost employer health plans. The investment rate of return and projected salary increase rates include a general price inflation of 3 percent. 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, 2015, was 21 years.

H. **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 percent of final salary times the number of years of St. Johns County District School Board service or \$10,000, whichever is greater, provided that the employee retires by the end of the first fiscal year of eligibility. Employees hired on or after January 2, 2002, are not eligible for the retirement incentive, and employees hired before that date and reclassified from another category are eligible for an incentive equal to 1 percent of final salary times the number of years of St. Johns County District School Board service or \$10,000, whichever is less, provided that the employee retires by the end of the first fiscal year of eligibility.
- The Board's collective bargaining agreement with St. Johns Education Association provides for the payment of a special retirement incentive of 30 percent of final salary or \$10,000, whichever is greater, for instructional employees who retire with a minimum of 10 years of service, provided that the employee retires by the end of the first fiscal year of eligibility.
- The Board's collective bargaining agreement with the St. Johns School Support Association provides for the payment of special retirement benefits to noninstructional employees upon retirement of \$3,000 for employees with 15 years of services 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 \$782,348 during the 2014-15 fiscal year.

ST. JOHNS COUNTY SCHOOL DISTRICT
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I. 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, 2015:

Major Funds				
General	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,510,671	\$ 2,786,129	\$ 2,127,952	\$ 1,617,503	\$ 8,042,255

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

Project	Contract Amount	Completed to Date	Balance Committed
Nease High School Expansion:			
Architect	\$ 1,050,000	\$ -	\$ 1,050,000
Total	\$ 1,050,000	\$ -	\$ 1,050,000

J. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District 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 District participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks relating to property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members are included in the group program.

Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the program is composed of one board member from each participating district and a superintendent and district-level business officer selected from one of the participating districts.

ST. JOHNS COUNTY SCHOOL DISTRICT
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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 claims amounts above \$350,000 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 Chapter 112, Florida Statutes. The program is administered through the Internal Service Funds. Contributions to the program were made by the District and the First Coast Technical College, and covered by current and former employees and retirees of the Board and the First Coast Technical College.

A liability in the amount of \$2,840,256 was actuarially determined for estimated insurance claims payable for claims incurred, but not reported for health and hospitalization coverage.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	\$ 2,907,263	\$ 34,093,323	\$ (34,201,998)	\$ 2,798,588
2014-15	\$ 2,798,588	\$ 33,091,451	\$ (33,049,783)	\$ 2,840,256

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 Florida School Boards Association program.

A liability in the amount of \$694,483 was actuarially determined to for estimated insurance claims payable for claims incurred, but not reported for workers' compensation coverage.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	\$ 583,025	\$ 282,593	\$ (130,090)	\$ 735,528
2014-15	\$ 735,528	\$ 101,849	\$ (142,894)	\$ 694,483

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

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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K. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2015, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2006	\$ 10,300,000	4.50%	2016	\$ 145,000,000
Series 2010-QSCB	16,000,000	4.94% (1)	2027	16,000,000
Series 2012, Refunding	5,730,000	1.08%	2018	9,510,000
Series 2013	31,115,000	3.00% - 5.00%	2033	33,480,000
Series 2015, Refunding	54,845,000	5.00%	2021	54,845,000
Total Certificates of Participation	<u>\$117,990,000</u>			<u>\$ 258,835,000</u>

Note: (1) The Series 2010-QCSBs (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. Beginning with the 2013-14 fiscal year, the direct subsidy interest payments from the United States Treasury were reduced by 8.7 percent, from 4.94 percent to 4.51 percent.

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 gave 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 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 annually on September 1, 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

ST. JOHNS COUNTY SCHOOL DISTRICT
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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. Beginning with the 2013-14 fiscal year, the direct subsidy interest payments from the United States Treasury was reduced by 8.7 percent, from 4.94 percent to 4.51 percent.

The District issued Refunding Certificates of Participation, Series 2015, dated January 7, 2015, in the amount of \$54,845,000. The proceeds were for refunding the District's outstanding Certificates of Participation, Series 2006. The Refunding Certificates of Participation were issued with an average interest rate of 1.6 percent and replaced outstanding callable Certificates of Participation with an average interest rate of 4.5 percent.

A summary of the lease terms are as follows:

Certificates	Lease Term
Series 2006	Earlier of the date paid in full or July 1, 2021
Series 2010-QSCB	Earlier of the date paid in full or September 1, 2027
Series 2012, Refunding	Earlier of the date paid in full or July 1, 2018
Series 2013	Earlier of the date paid in full or July 1, 2033
Series 2015, Refunding	Earlier of the date paid in full or July 1, 2021

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

Certificates	Description of Properties
Series 2006	Construction of Wards Creek Elementary School, Pacetti Bay Middle School, a Ninth Grade Center at the Existing Bartram Trail High School, Ponte Vedra High School, and Creekside High School
Series 2010-QSCB	Construction of Palencia Elementary and Valley Ridge Academy
Series 2012, Refunding	Construction of Timberlin Creek Elementary School and South Woods Elementary School
Series 2013	Construction of Patriot Oaks Academy and Valley Ridge Academy
Series 2015, Refunding	Construction of Wards Creek Elementary School, Pacetti Bay Middle School, a Ninth Grade Center at the Existing Bartram Trail High School, Ponte Vedra High School, and Creekside High School

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 QSCB lease payments are payable March 1 and September 1.

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JUNE 30, 2015

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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 21,473,892	\$ 13,410,000	\$ 8,063,892
2017	17,825,310	13,090,000	4,735,310
2018	17,825,782	13,645,000	4,180,782
2019	15,869,988	12,270,000	3,599,988
2020	15,876,488	12,890,000	2,986,488
2021-2025	28,699,938	20,140,000	8,559,938
2026-2030	30,049,250	25,770,000	4,279,250
2031-2033	7,249,038	6,775,000	474,038
Total Minimum Lease Payments	<u>\$ 154,869,686</u>	<u>\$ 117,990,000</u>	<u>\$ 36,879,686</u>

2. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2006A	\$ 345,000	4.125 - 4.625	2026
Series 2008A	1,165,000	4.25 - 5.00	2028
Series 2009A, Refunding	415,000	5.0	2019
Series 2009A	555,000	4.0 - 5.0	2029
Series 2010A	660,000	3.5 - 5.0	2030
Series 2011A, Refunding	275,000	3.0 - 5.0	2023
Series 2014A, Refunding	546,000	3.0 - 5.0	2025
Series 2014B, Refunding	1,526,000	2.0 - 5.0	2020
Total Bonds Payable	<u>\$ 5,487,000</u>		

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

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	\$ 968,115	\$ 706,000	\$ 262,115
2017	979,868	758,000	221,868
2018	995,578	811,000	184,578
2019	545,215	401,000	144,215
2020	443,621	319,000	124,621
2021-2025	1,903,993	1,487,000	416,993
2026-2030	1,112,818	1,005,000	107,818
Total State School Bonds	\$ 6,949,208	\$ 5,487,000	\$ 1,462,208

3. Defeased Debt

Refunding State School Bonds, Series 2014A. On May 22, 2014, the Florida Department of Education issued SBE, Capital Outlay Refunding Bonds, Series 2014A. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014A, was \$581,000. The refunding bonds established a trust account for the District's \$170,000 portion of the SBE Capital Outlay Bonds, Series 2005A, maturing January 1, 2015, and later. Accordingly, the SBE Capital Outlay Bonds were called during the 2014-15 fiscal year and, as a result, the trust account assets and the liability for the in substance defeased bonds were removed from the government-wide financial statements as of June 30, 2014.

Refunding State School Bonds, Series 2014B. On December 2, 2014, the Florida Department of Education issued SBE, Capital Outlay Refunding Bonds, Series 2014B. The District's portion of the refunding SBE Capital Outlay Bonds, Series 2014B, was \$1,526,000. The refunding bonds were issued to advance refund the District's State School Bonds, Series 2005B. The \$1,645,000 principal amount of the District's State School Bond Series 2005B was considered defeased in substance and the liability was removed from the government-wide financial statements as of June 30, 2014.

Refunding Certificates of Participation, Series 2015. The District issued Certificates of Participation 2015, dated January 7, 2015, to advance-refund callable portions of the District's Certificates of Participation, Series 2006. The Refunding Bonds are being issued to advance-refund the \$59,160,000 principal amount of the District's Certificate of Participation, Series 2006, that matures on July 1 in the years 2016 through 2021. These bonds are considered to be in-substance defeased and the liability was removed from the government wide financial statements as of June 30, 2015.

The Series 2015 Certificates of Participation bonds were issued to reduce the total debt service payments over the next 6 years by approximately \$4,734,612 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,295,176.

ST. JOHNS COUNTY SCHOOL DISTRICT
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As of June 30, 2015, debt considered defeased in substance is as follows:

<u>Bond Issues</u>	<u>Amount Outstanding</u>
State School Bonds, Series 2005A	\$ 170,000
State School Bonds, Series 2005B	1,645,000
Certificates of Participation, Series 2006	59,160,000
Total Defeased Debt	<u>\$ 60,975,000</u>

4. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable:					
Certificates of Participation	\$ 135,260,000	\$ 54,845,000	\$ 72,115,000	\$ 117,990,000	\$ 13,410,000
Unamortized Premium	-	8,418,612	1,202,659	7,215,953	1,202,659
Total Certificates of Participatio	135,260,000	63,263,612	73,317,659	\$ 125,205,953	14,612,659
Bonds Payable					
State School Bonds	6,461,000	1,526,000	2,500,000	5,487,000	706,000
Estimated Insurance Claims Paya	735,528	101,849	142,894	694,483	142,894
Compensated Absences Payable	24,904,950	2,678,556	1,771,193	25,812,313	1,771,193
Postemployment Health Care Ben	53,962,057	4,732,900	1,373,065	57,321,892	-
Net Pension Liability	112,656,175	5,996,010	42,337,838	76,314,347	1,730,231
Total Governmental Activities	<u>\$ 333,979,710</u>	<u>\$ 78,298,927</u>	<u>\$ 121,442,649</u>	<u>\$ 290,835,988</u>	<u>\$ 18,962,977</u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary fund.

L. Net Position – Net Investment in Capital Assets

In the government-wide Statement of Net Position, the difference between total assets and total liabilities is net position. Generally accepted accounting principles require that net position be subdivided into the following three categories: net investment in capital assets; restricted net position; and unrestricted net position.

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

The composition of net investment in capital assets as of June 30, 2015, is shown in the table below:

<u>Description</u>	<u>Amount</u>
Total Capital Assets, Net of Accumulated Depreciation	\$ 522,169,699
Plus Deferred Outflow for Net Carrying Amount of loss on Debt Refunding	3,149,020
Less Related Debt, Net of Unspent Proceeds:	
Bonds Payable	\$ 5,487,000
Certificates of Participation Payable	125,205,953
Unspent Debt Proceeds	(612,659)
Total Related Debt, Net of Unspent Proceeds	<u>(130,080,294)</u>
Total Net Investment in Capital Assets	<u>\$ 395,238,425</u>

M. Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2015:

	<u>Major Funds</u>					<u>Total</u>
	<u>General</u>	<u>Debt Service - Other Debt Service</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Capital Projects - Other Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	
Fund Balances:						
Nonspendable:						
Inventories	\$ 446,664	\$ -	\$ -	\$ -	\$ 288,555	\$ 735,219
Prepays	10,339	-	-	-	245,470	255,809
Total nonspendable	<u>457,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,025</u>	<u>991,028</u>
Restricted for:						
State Required Carryover Program	450,665	-	-	-	-	450,665
Full Service Schools	107,854	-	-	-	-	107,854
Food Service	-	-	-	-	1,003,242	1,003,242
Debt Service	-	16,084	-	-	3,899,932	3,916,016
Capital Projects	-	-	23,772,020	51,909,376	3,489,733	79,171,129
Total Restricted Fund Balance	<u>558,519</u>	<u>16,084</u>	<u>23,772,020</u>	<u>51,909,376</u>	<u>8,392,907</u>	<u>84,648,906</u>
Committed for:						
Economic Stabilization	7,574,259	-	-	-	-	7,574,259
0.25 Discretionary Millage	1,769,057	-	-	-	-	1,769,057
Total Committed Fund Balance	<u>9,343,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,343,316</u>
Assigned for:						
2015-16 Budget Shortfalls	23,585,779	-	-	-	-	23,585,779
Local Programs and Services	4,512,459	-	-	-	-	4,512,459
Extended Day Programs	3,449,947	-	-	-	-	3,449,947
School and Department POs	298,382	-	-	-	-	298,382
School Concurrency	69,772	-	-	-	-	69,772
Total Assigned Fund Balance	<u>31,916,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,916,339</u>
Unassigned Fund Balance	<u>5,954,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,470)</u>	<u>5,709,091</u>
Total Fund Balances	<u>\$ 48,229,738</u>	<u>\$ 16,084</u>	<u>\$ 23,772,020</u>	<u>\$ 51,909,376</u>	<u>\$ 8,681,462</u>	<u>\$ 132,608,680</u>

The fund balance categories are discussed in the Fund Balance Policies note disclosure I.F. 10.

DISTRICT SCHOOL BOARD OF ST. JOHNS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

N. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 1,719,719	\$ -
Nonmajor Governmental	-	1,578,679
Agency	-	141,040
Total	<u>\$ 1,719,719</u>	<u>\$ 1,719,719</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.

O. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program (FEFP):	
Transportation	\$ 8,430,294
Supplemental Academic Instruction	6,510,859
Instructional Materials	2,895,407
Comprehensive Reading Plan	1,640,988
Safe Schools	588,408
Florida Teachers Lead	570,371
Digital Classrooms Allocation	529,872
Other FEFP	59,850,595
Categorical Educational Program - Class Size Reduction	37,283,259
Workforce Development Program	4,567,233
Gross Receipts Tax (Public Education Capital Outlay)	3,674,775
School Recognition	2,572,747
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,332,337
Voluntary Prekindergarten	724,057
Discretionary Lottery Funds	125,216
Adults with Disabilities	84,936
Mobile Home License Tax	66,156
Food Service Supplement	62,962
Miscellaneous	601,094
Total	<u>\$ 132,111,566</u>

Accounting policies relating to certain State revenue sources are described in note I.G.2.

DISTRICT SCHOOL BOARD OF ST. JOHNS COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes		
		Levied	Budgeted (1)(2)	Collected (2)
General Fund				
Nonvoted School Tax:				
Required Local Effort	5.094	\$102,453,216	\$ 98,373,242	\$ 98,718,354
Basic Discretionary Local Effort	0.748	15,044,171	14,445,070	14,495,746
Capital Projects Funds				
Nonvoted Tax:				
Local Capital Improvements	1.500	30,168,791	28,967,386	29,069,009
Total	7.342	\$147,666,178	\$141,785,698	\$ 142,283,109

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 2014-15 fiscal year to satisfy prior years' unpaid taxes.

P. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 6,093,087	\$ -
Other Debt Service	17,907,087	-
Capital Projects:		
Local Capital Improvement Fund	-	13,883,734
Other Capital Projects	-	10,143,339
Nonmajor Governmental	1,005,899	979,000
Total	\$ 25,006,073	\$ 25,006,073

Interfund transfers represent permanent transfers of monies 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 transfers out of the Capital Projects – Other Capital Projects Fund was to transfer revenue to the General Fund for subsequent disbursement to charter schools and to provide for debt service payments. The transfers out of the nonmajor governmental funds were to reimburse the General Fund for expenses related to school food service operations.

ST. JOHNS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

VI. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2014-15 fiscal year:

	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance	Workers' Compensation Liability Insurance	Total
Total Assets	\$ 2,581,866	\$ 1,927,793	\$ 1,014,147	\$ 5,346,817	\$ 10,870,623
Liabilities and Net Pension:					
Accounts payable	\$ 3,121,597	\$ 12	\$ 13,281	\$ 9,907	\$ 3,144,797
Estimated insurance claims payable	2,535,388	261,362	43,506	694,483	3,534,739
Net Position:					
Net Investment in Capital Assets	276,631	-	-	-	276,631
Unrestricted Net Position (Deficit)	(3,351,750)	1,666,419	957,360	4,642,427	3,914,456
Total Liabilities and Net Position	\$ 2,581,866	\$ 1,927,793	\$ 1,014,147	\$ 5,346,817	10,870,623
Revenues:					
Insurance premiums	\$ 40,461,951	\$ 2,463,196	\$ 683,304	\$ 1,596,324	\$ 45,204,775
Interest revenue	582	4,241	1,892	10,308	17,023
Total Revenues	40,462,533	2,467,437	685,196	1,606,632	45,221,798
Total Expenses	(36,241,964)	(2,983,732)	(547,181)	(1,386,718)	(41,159,595)
Increase (Decrease) in Net Position	\$ 4,220,569	\$ (516,295)	\$ 138,015	\$ 219,914	\$ 4,062,203

VII. SUBSEQUENT EVENTS

In a special referendum election, on November 3, 2015, a 10 year, half-cent sales tax increase was approved by the voters of St. Johns County to meet the capital needs of the school district. The sales tax increase will be effective January 1, 2016 through December 31, 2025, and is estimated to generate 150 million over the 10 year period.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

ST. JOHNS COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Federal direct	\$ 200,000	\$ 200,000	\$ 222,452	\$ 22,452
State sources	118,090,410	126,922,386	126,930,704	8,318
Local sources	115,034,840	122,675,988	124,266,647	1,590,659
Total revenues	<u>233,325,250</u>	<u>249,798,374</u>	<u>251,419,803</u>	<u>1,621,429</u>
Expenditures				
Current:				
Instruction	165,378,163	169,831,505	160,202,388	9,629,117
Student support services	16,494,818	17,286,827	16,987,939	298,888
Instructional media services	4,746,123	4,723,599	4,596,139	127,460
Instruction and curriculum development services	5,158,760	3,938,131	3,845,519	92,612
Instructional staff training services	1,134,202	4,297,977	4,084,498	213,479
Instruction related technology	6,621,005	6,426,786	6,325,529	101,257
Board	801,697	1,141,190	1,113,640	27,550
General administration	347,235	377,543	366,424	11,119
School administration	14,891,043	16,281,758	15,676,630	605,128
Facilities acquisition and construction	6,188,150	4,558,517	3,963,465	595,052
Fiscal services	1,776,911	1,771,110	1,754,239	16,871
Central services	3,489,823	3,539,679	3,433,160	106,519
Student transportation services	12,096,757	12,561,391	11,861,638	699,753
Operation of plant	22,346,715	22,757,236	21,022,296	1,734,940
Maintenance of plant	8,585,597	8,774,884	8,209,006	565,878
Administrative technology services	623,954	722,815	673,692	49,123
Community services	2,889,883	6,579,140	3,562,110	3,017,030
Capital outlay:				
Facilities acquisition and construction	8,476	2,179,850	969,826	1,210,024
Other capital outlay	491,560	581,174	315,505	265,669
Total expenditures	<u>274,070,872</u>	<u>288,331,112</u>	<u>268,963,643</u>	<u>19,367,469</u>
Deficiency of revenues under expenditures	<u>(40,745,622)</u>	<u>(38,532,738)</u>	<u>(17,543,840)</u>	<u>20,988,898</u>
Other financing sources (uses)				
Loss recoveries	-	-	50,088	50,088
Transfers in	5,558,252	6,093,087	6,093,087	-
Total other financing sources (uses)	<u>5,558,252</u>	<u>6,093,087</u>	<u>6,143,175</u>	<u>50,088</u>
Net change in fund balance	<u>(35,187,370)</u>	<u>(32,439,651)</u>	<u>(11,400,665)</u>	<u>21,038,986</u>
Fund balance - beginning	59,630,403	59,630,403	59,630,403	-
Adjustment to budgetary fund balance	<u>(5,400)</u>	<u>(5,400)</u>	<u>-</u>	<u>5,400</u>
Fund balance - ending	<u>\$ 24,437,633</u>	<u>\$ 27,185,352</u>	<u>\$ 48,229,738</u>	<u>\$ 21,044,386</u>

ST. JOHNS COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT BENEFITS PLAN

YEAR ENDED JUNE 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2009	\$ -	\$ 112,079,956	\$ 112,079,956	0%	\$ 121,342,166	92.4%
January 1, 2012	-	93,305,724	93,305,724	0%	124,302,642	75.1%
January 1, 2014	-	53,625,376	53,625,376	0%	131,804,532	40.7%

Note: The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial liability.

ST. JOHNS COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

YEAR ENDED JUNE 30, 2015

Schedule of the District's proportionate share of the
Net Pension Liability
Florida Retirement System Pension Plan (1)

	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability (asset)	.406030045%	.389856442%
District's proportionate share of the FRS net pension liability (asset)	\$ 24,773,804	\$ 67,111,642
District's covered-employee payroll	142,416,195	132,401,222
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	17.40%	50.69%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Schedule of the District's contributions
Florida Retirement System Pension Plan (1)

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 10,297,105	\$ 8,893,781
FRS contributions in relation to the contractually required contribution	10,297,105	8,893,781
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 151,156,449	\$ 142,416,195
FRS contributions as a percentage of covered-employee payroll	6.81%	6.24%

Note (1) The amounts presented for each fiscal year were determined as of June 30.

ST. JOHNS COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

YEAR ENDED JUNE 30, 2015

Schedule of the District's proportionate share of the
Net Pension Liability
Health Insurance Subsidy Pension Plan (1)

	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability (asset)	.551221367%	.523120679%
District's proportionate share of the HIS net pension liability (asset)	\$ 51,540,543	\$ 45,544,533
District's covered-employee payroll	\$ 163,730,832	\$ 152,046,642
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	31.49%	29.95%
HIS Plan fiduciary net position as a percentage of the total pension liability	.99%	1.78%

Schedule of the District's contributions
Health Insurance Subsidy Pension Plan (1)

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 2,207,102	\$ 1,888,299
HIS contributions in relation to the contractually required contribution	2,207,102	1,888,299
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 175,268,188	\$ 163,730,832
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and SBE 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 SBE rules
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instructions, student 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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2012, unfunded actuarial accrued liability of \$93,305,724 was significantly higher than the January 1, 2014, liability of \$53,625,376 as a result of changes in benefit and other key assumptions as discussed below:

- The average cost of coverage provided to employees, retirees, and their dependents decreased from \$902 per subscriber per month (as expected for the 2011-12 plan year) to \$858 per subscriber per month for the 2013-14 plan year. This change had a significant decreasing effect on the cost and liability.
- Subsidized retiree contributions are scheduled to increase at a rate faster than previously assumed. As of the January 1, 2014, valuation date, the retiree contribution rate for eligible retirees under the age of 65 increased from \$300 per month for single coverage to \$450 per month as of July 1, 2014. This had a substantial decreasing effect on the costs and liabilities.
- The assumption that retirees becoming eligible for Medicare benefits will discontinue coverage under the District's core plan and migrate to the more affordable group Medicare health insurance option increased from 60 percent to 75 percent. This had a substantial decreasing effect on the costs and liabilities.

COMPLIANCE AND SINGLE AUDIT

**Report of Independent Auditor on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Members of the
St. Johns County District School Board
St. Augustine, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2016. Our report includes reference to other auditors who audited the financial statements of the school internal funds and 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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Cherry Behant LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2016

**Report of Independent Auditor on Compliance for
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133**

The Honorable Members of the
St. Johns County District School Board
St. Augustine, Florida

Report on Compliance for Each Major Federal Program

We have audited the St. Johns County School District (the "District") compliance with the types of compliance requirements described in the *U.S. 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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Cherry Behant LLP

Orlando, Florida
March 21, 2016

ST. JOHNS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ASSISTANCE PROGRAM EXPENDITURES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance number	Pass-Through Grantor Number	Amount of Expenditures	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	\$ 746,152	\$ -
National School Lunch Program	10.555	13001, 13003	3,837,430	-
Summer Food Service Program for Children	10.559	13006, 13007	102,044	-
Total Child Nutrition Cluster			4,685,626	-
Total United States Department of Agriculture			4,685,626	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	6,369,203	-
Special Education - Preschool Grants	84.173	267	135,130	-
Volusia County District School Board:				
Special Education - Preschool Grants	84.027	7754	420	-
Total Special Education Cluster			6,504,753	-
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191,193	279,973	279,973
Title I Grants to Local Educational Agencies	84.010	212,223,226	3,604,523	-
Career and Technical Education - Basic Grants to States	84.048	161	386,804	198,332
Education for Homeless Children and Youth	84.196	127	42,750	-
English Language Acquisition State Grants	84.365	102	40,214	-
Improving Teacher Quality State Grants	84.367	224	597,099	-
ARRA-State Fiscal Stabilization Fund-Race to the Top-Grants	84.395	RA111, RA211	159,550	-
Total Other			5,110,913	478,305
Total United States Department of Education			11,615,666	478,305
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600	N/A	1,000,429	-
Total United States Department of Health and Human Services			1,000,429	-
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	60,534	-
Total United States Department of Health and Human Services			60,534	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	67,154	-
Air Force Junior Reserve Officers Training Corps	None	N/A	57,626	-
Navy Junior Reserve Officers Training Corps	None	N/A	118,585	-
Total United States Department of Defense			243,365	-
Total Expenditures of Federal Awards			\$ 17,605,620	\$ 478,305

ST. JOHNS COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

1. Summary of Significant Accounting Policies

Basis of Presentation

The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs, during the 2014-2015 fiscal year, as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

2. Program Clusters

OMB Circular A-133 defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

3. Contingency

The grant revenue amounts received are subject to audit and adjustment. If expenditures were 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 School Board of St. Johns County, Florida. 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.

4. Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 Catalog of Federal Domestic Assistance.

5. Noncash Assistance

National School Lunch Program - The amount reported includes \$556,033 of donated food used during the year ended June 30, 2015. Donated foods are valued at fair market value as determined at the time of donation.

ST. JOHNS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? 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 that are not considered to be a material weakness(es)? yes x none reported

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes x no

Identification of major programs:

Name of Program or Cluster	CFDA Number
Food Nutrition Cluster	10.553/10.555/10.559
Title I, Part A Cluster	84.010

Dollar threshold used to determine Type A and Type B programs:

Federal \$ 528,169

Auditee qualified as low-risk auditee for federal purposes? x yes

ST. JOHNS COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by Section 510(a) of OMB Circular A-133.

There were no findings required to be reported by Section 510(a) of OMB Circular A-133.

ST. JOHNS COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2015

There were no findings or questioned costs related to federal awards; therefore, a corrective action plan is not required.

ST. JOHNS COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

Prior Audit Findings:

Finding 13-1: Improving Teacher Quality State Grants (CFDA No, 84.367), Period of Availability – The District incurred costs outside of the period of availability, resulting in questioned costs of \$20,383

Status:

The finding does not warrant further action.

Comments:

This finding does not warrant further actions because at least two years have passed since the finding was reported, the District submitted additional documentation, the grantor is not following up on the finding, and a management decision was not issued.

OTHER INFORMATION

Independent Auditor's Management Letter

Honorable Chairman and Members of the
St. Johns County District School Board
St. Augustine, Florida

Report of the Financial Statements

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the St. Johns County School District (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2016. We did not audit the financial statements of the discretely presented component unit nor the fiduciary funds; those financial statements were audited by other auditors.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.800, Rules of the Auditor General.

Other Reporting Required by *Government Auditing Standards*

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; our Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133; our Report of Independent Accountant on compliance with Local Government Investment Policies; and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 21, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our tests did not indicate the District met any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.804(1)(f)5.a. and 10.805(6), Rules of the Auditor General, require that we apply financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit we determined the District complied with transparency requirements.

Other Matters

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.800, Rules of the Auditor General. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Behant LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2016

Report of Independent Accountant on Compliance with Local Government Investment Policies

The Honorable Members of the
St. Johns County District School Board
St. Augustine, Florida

Report on Compliance

We have examined the St. Johns County School District (the "District") compliance with the requirements of Section 218.415, Florida Statutes for the year ended June 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Opinion

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2015.



Orlando, Florida
March 21, 2016