

**ST. JOHNS COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2010**

**Prepared by:  
CLERK OF COURTS  
FINANCE DEPARTMENT**

**Cheryl Strickland  
Clerk of Court**

**Richard A. MacDonald, Jr.  
Finance Director**

ST. JOHNS COUNTY, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

**INTRODUCTORY SECTION**

	<u>Page</u>
Letter of Transmittal.....	1
Principal County Officials.....	8
Certificate of Achievement.....	9
Organizational Chart.....	10

**FINANCIAL SECTION**

Independent Auditors' Report.....	11
Management's Discussion and Analysis.....	13
Basic Financial Statements	
County-wide Financial Statements	
Statement of Net Assets.....	29
Statement of Activities.....	30
Fund Financial Statements	
Balance Sheet-Governmental Funds.....	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	32
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	33
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	34
Statement of Net Assets-Proprietary Funds.....	35
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds.....	37
Statement of Cash Flows-Proprietary Funds.....	39
Statement of Fiduciary Net Assets-Fiduciary Funds.....	41
Statement of Changes in Fiduciary Net Assets- Other Post-Employment Benefits Trust Fund.....	42
Notes to the Financial Statements.....	43
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual - General Fund and Major Special Revenue Fund.....	85

ST. JOHNS COUNTY, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Schedules of Funding Progress and Employer Contributions – Other Post-Employment Benefits.....	87
Notes to the Required Supplementary Information.....	88
Supplementary Information	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet- Board and Officer General Fund Sub-funds.....	91
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-Board and Officer General Fund Sub-funds.....	94
Nonmajor Governmental Funds Descriptions.....	99
Governmental Funds	
Combining Balance Sheet-Nonmajor Governmental Funds.....	105
Combining Statement of Revenues, Expenditures and Changes In Fund Balances-Nonmajor Governmental Funds.....	124
Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-Nonmajor Governmental Funds.....	143
Nonmajor Business-Type Activities Descriptions.....	179
Proprietary Funds	
Combining Statement of Net Assets-Nonmajor Enterprise Funds.....	180
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Nonmajor Enterprise Funds.....	181
Combining Statement of Cash Flows-Nonmajor Enterprise Funds.....	182
Governmental Activities-Internal Service Funds Descriptions.....	183
Internal Service Funds	
Combining Statement of Net Assets-Internal Service Funds.....	184
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets-Internal Service Funds.....	185
Combining Statement of Cash Flows-Internal Service Funds.....	186
Fiduciary Funds Descriptions.....	187

ST. JOHNS COUNTY, FLORIDA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Combining Statement of Fiduciary Net Assets – Agency Funds.....	188
Supporting Schedules	
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	190
Board of County Commissioners Schedule of Expenditures by Department – Budget and Actual.....	194

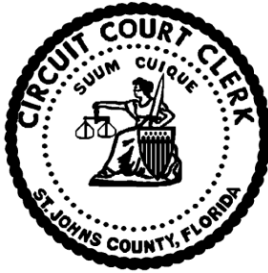
**STATISTICAL SECTION**

Descriptions.....	197
SCHEDULE 1 Net Assets by Component, Last Nine Fiscal Years.....	198
SCHEDULE 2 Changes in Net Assets, Last Nine Fiscal Years.....	200
SCHEDULE 3 Fund Balances, Governmental Funds, Last Nine Fiscal Years.....	204
SCHEDULE 4 Changes in Fund Balances, Governmental Funds, Last Nine Fiscal Years.....	206
SCHEDULE 5 Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years.....	208
SCHEDULE 6 Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years.....	209
SCHEDULE 7 Principal Property Taxpayers, Current Year and Nine Years Ago.....	211
SCHEDULE 8 Property Tax Levies and Collections, Last Ten Fiscal Years .....	212
SCHEDULE 9 Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years.....	213
SCHEDULE 10 Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	214
SCHEDULE 11 Pledged-Revenue Coverage, Last Ten Fiscal Years.....	217
SCHEDULE 12 Legal Debt Margin Information, Last Ten Fiscal Years.....	220
SCHEDULE 13 Demographic and Economic Statistics, Last Ten Fiscal Years.....	221
SCHEDULE 14 Principal Employers, Current Year and Nine Years Ago .....	222
SCHEDULE 15 Actual Full-Time Equivalent County Government Employees by Function, Last Ten Fiscal Years.....	223
SCHEDULE 16 Operating Indicators by Function, Last Ten Fiscal Years.....	225
SCHEDULE 17 Capital Asset Statistics by Function, Last Ten Fiscal Years.....	227

ST. JOHNS COUNTY, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<b><u>SINGLE AUDIT</u></b>	
Independent Auditors' Report on Schedule of Expenditures of Federal Awards and State Financial Assistance .....	229
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	230
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance .....	233
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Project and on Internal Control Over Compliance.....	234
Schedule of Findings and Questioned Cost.....	237
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	239
Summary Schedule of Prior Audit Findings.....	241
Response to Findings .....	242
<b><u>MANAGEMENT LETTER</u></b>	
Management Letter .....	243



**Cheryl Strickland**  
Clerk of the Circuit Court  
Historical St. Johns County  
4010 Lewis Speedway  
St. Augustine, Florida 32084

FINANCE DEPARTMENT  
RICHARD A. MACDONALD, JR.  
FINANCE DIRECTOR  
TELEPHONE 904-819-3669

April 25, 2011

The Honorable Joseph "Ken" Bryan, Chair  
Board of County Commissioners  
500 San Sebastian View  
St. Augustine, FL 32084

Dear Commissioner Bryan:

In accordance with Section 218.39 of the Florida Statutes, we are pleased to submit to you, the Board of County Commissioners and the citizens of St. Johns County, the Comprehensive Annual Financial Report of St. Johns County, Florida, for the fiscal year ended September 30, 2010.

This report has been prepared by the Finance Department which is a department of the Clerk of the Circuit Court. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including disclosures, rests with the Clerk of the Circuit Court as Chief Financial Officer of St. Johns County. It is our belief that the data contained in this report is accurate in all material respects and is shown in a manner that fairly presents the financial position of the County at September 30, 2010 and the results of its operations and its cash flows.

The County is responsible for establishing and maintaining internal controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements, and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits. The evaluation of this relationship is a responsibility of County management. We believe these controls adequately safeguard County assets, as well as provide reasonable assurance of properly recording transactions.

The independent accounting firm of Carr, Riggs & Ingram, LLC, whose report is included herein, has audited the County's Financial Statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by County management and evaluating the overall financial statement presentation. Based upon the audit, Carr, Riggs & Ingram, LLC concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with accounting principles generally accepted in the United States of America for the fiscal year ended September 30, 2010.

Additionally, in accordance with the requirements of the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as Section 215.97 of the Florida Statutes, the independent audit of the County financial statements was part of a mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing these engagements require the auditor to report on the County's internal controls and legal compliance requirements as they specifically relate to federal and state awards. These reports are presented in the section entitled Single Audit.

Generally Accepted Accounting Principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The MD&A for St. Johns County can be found in the financial section immediately following the report of independent auditors.

## **GOVERNMENT PROFILE**

St. Johns County was established in 1821. St. Augustine, which was the County seat, was founded over 400 years ago by Spanish explorers and is the nation's oldest city. The County encompasses approximately 608 square miles and is located in the northeast region of the State of Florida directly south of the City of Jacksonville, and is bordered on the west by the St. Johns River, on the south by Flagler County, and on the east by the Atlantic Ocean.

The Board of County Commissioners of St. Johns County ("Board") is organized under Article III of the Constitution of the State of Florida, which empowers the creation of counties as a political subdivision of the State. St. Johns County is a non-chartered County and has the power of self government as provided by general and special law through County ordinances. Under the Constitution of the State of Florida, the offices of Clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector and Supervisor of Elections are specifically authorized and empowered to provide their functional services independently of the Board, and they maintain separate accounting records and budgets. The County School Board is a separately organized taxing entity not under the jurisdiction of the Board of County Commissioners and has specific legislative authority granted by the Constitution.

The Board of County Commissioners is composed of five members, one from each district within the County. However, each commissioner is elected Countywide. The Board serves as the taxing authority for those entities authorized by the Constitution of the State of Florida including the constitutional officers and special taxing districts that are authorized under legislation and approved by the Board. Dependent County taxing districts also come under the purview of the Board's taxing limitation.

The County is financially accountable for an organization when the County appoints a voting majority of the organization's governing body and is able to impose its will on the organization; there is a potential for the organization to provide a financial benefit or impose a financial burden on the County; or the organization is fiscally dependent on the County.

The Housing Finance Authority of St. Johns County, Florida and the St. Johns County Industrial Development Authority are included as component units in the County's reporting entity either because of the significance of the operational relationship or the County is financially accountable for the component unit.

Furthermore, the County has determined that the St. Johns County School District, Anastasia Mosquito Control District, the St. Augustine Airport Authority, and the St. Johns Water Management District do not meet the criteria for inclusion in this reporting entity.

The County budget process begins in January with the Capital Improvement Plan. This Plan not only identifies important capital project funding needs, but may also impact the County debt management plan. The results of this process determine which capital programs appear to be under-funded over the five-year period of the plan. While additional debt financing may be evaluated to resolve the funding requirements, available resources through additional taxes, inter-governmental revenues in the form of additional gas taxes and grants, and possible increases in charges for services are also reviewed and evaluated for consideration.

Next, the Office of Management and Budget conducts an operating budget review. The process takes place from March through August and includes public meetings with citizen participation. All County department and agency expenditures, accomplishments and objectives are reviewed. In particular, additional personnel, vehicles, computer equipment and software, and capital outlay appropriation requests are scrutinized. The final adoption of the County budget occurs in September after two advertised public hearings.

There are also legal and policy controls over the County's budget. One of the major legal controls establishes the fund as the budget level that actual spending cannot exceed the appropriated (budgeted) amount. This is the legal level of control for the offices of Clerk of the Circuit Court, Property Appraiser, Sheriff, Tax Collector and Supervisor of Elections. The County, however, has adopted, by local ordinance, a more restrictive budget policy requiring County Commission action to change the total of a department's budget. This establishes the department as the legal level of control. As a matter of policy, the County includes in its accounting records a detailed version of each fund's budget. This policy is referred to as formal budgetary integration. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, and all budgeted amounts lapse at year-end. This means authorization for the use of funds must be restated in the subsequent year's budget and funds are not "rolled over" if not spent. Please refer to Note 2 for further information regarding the dates associated with the property tax calendar, which is an integral part of the budget process, as well as information pertaining to the legal level of control for budget amendments.

Finally, the Board enacted Ordinance 96-70. This ordinance established the office of the County Administrator, who serves as an appointed official for the Board and provides for the day-to-day administration of County government as specifically authorized by the Board.

## **ECONOMIC CONDITION AND OUTLOOK**

Despite the current economy, the economic outlook for St. Johns County remains promising. As one of the fastest growing counties in Florida and in the United States, St. Johns County has continued to strive at broadening its economy. The successful business environment within the County is supported by continued population growth and the excellent educational programs and institutions of higher education available in the County and the surrounding areas.

Historically, the County has had farming, tourism and retail trade as the predominant economic sectors. The County continues to pursue the expansion of its economic base through an effort to attract new businesses by developing various economic incentives that refund, reduce or eliminate various county taxes and charges for services provided various employment benchmarks are met and maintained over the term of the agreement. The methodology continues to be a cooperative partnership for regional economic development with the St. Augustine & St.

Johns County Chamber of Commerce and the Cornerstone Division of the Jacksonville Chamber of Commerce ("Cornerstone"). This alliance provides for advertising, marketing, tradeshows, publications, business leads, and the distribution of business prospects by Cornerstone through the "Master Marketing Plan" for the promotion of economic development within the Florida First Coast region.

The Plan encompasses the retention and expansion of medium to large sized businesses within the County; targeting, marketing and recruiting new business with an emphasis on businesses that are regional, national and international in scope; and enhancing the quality of the areas' international marketing program.

Additionally, the County utilized other economic development tools available through the State of Florida to enhance the economic outlook of the County. One of these tools is the Qualified Targeted Industry Program, which is managed by the State of Florida Office of Tourism, Trade and Economic Development. This program provides tax refunds to qualified firms that increase employment through the expansion of their current facility.

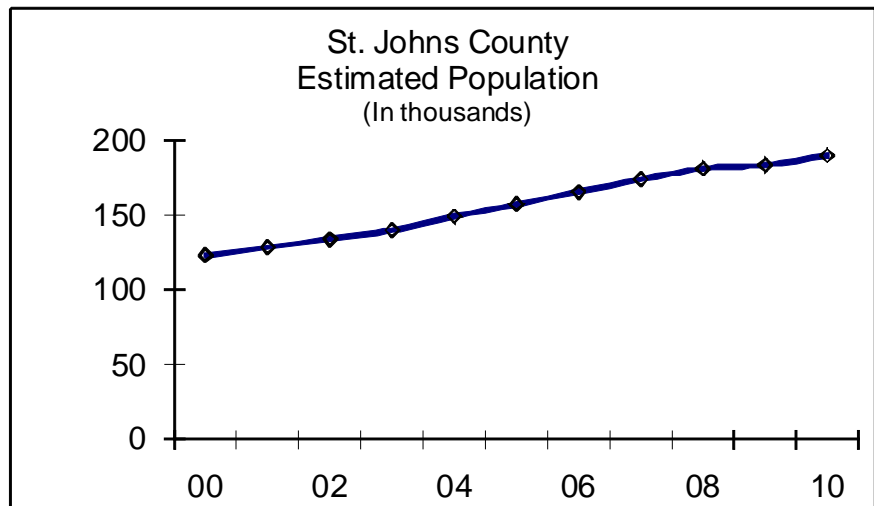
Targeted redevelopment efforts continued during this year by utilizing various federal and state grants and tax increment revenues implemented by the St. Johns County Community Redevelopment Agency.

The Board of County Commissioners recently approved the necessary appropriations to hire a qualified individual as the County's Economic Development Director. The recently created position will have direct responsibility to foster economic development within the County.

Finally, despite the current housing market downturn nationally, higher than expected levels of commercial and residential construction continue to fuel single family housing and business activity within the County. The County's unemployment rate of 9.8% remains lower than the State's seasonally adjusted rate of 11.7%, which is a further indication of this growth. The building industry remains a viable element of the local economy.

The County population has increased over 54% during the last decade and is projected to increase between 5 - 7 percent annually. Over 89% of the population now resides in the unincorporated part of the County. The average per capita income has also increased during this period; reaching over an estimated \$61,000.

At the conclusion of this fiscal year, County fund balances are reasonable and slightly higher than budgetary policy. Subsequently, as stated in the Management's Discussion & Analysis Section, Florida state government has moved forward with various property tax reform initiatives. Such initiatives will have a significant financial impact on County resources through reduced property taxes.



Enacted property tax reforms and current economic impacts, on average, have resulted in about a 10.1% reduction in taxable property value since fiscal year 2007-08 in the County. Combined

with state and local legislative approved tax reforms and increases, there was an overall reduction of 11.3% in levied ad-valorem taxes. Therefore, County staff has taken certain financial planning steps that will enable the County to adapt to such reform initiatives and still meet critical service levels and be able to continue to maintain adequate fund balance levels.

## FINANCIAL PLAN

### ***Goals and Objectives***

Management's goals and objectives continue to provide infrastructure for future growth through sound fiscal management of County resources. The County's prudent budgeting, cash management and funding additional resources through debt structuring has allowed the County to meet emerging infrastructure needs while still improving and providing the resources necessary to meet operational and program goals established by the various departments of the Board of County Commissioners. The St. Johns County Fiscal Year 2010 Financial Plan refers to nine key organization-wide goals and priorities. They are:

Manage and Control Growth. This continues to be one of the most critical citizen issue for our high growth County. Recent years have brought significant revisions to the County's Comprehensive Plan as well as the implementation of new stricter land development regulations (LDR's).

Transition Fire Services from a Volunteer to a Professional Basis. The transition to a professional force continued during 2010. A total of 222 additional staff positions have now been added since 1997.

Improve County Transportation. Past citizens' summits and Board retreats have consistently emphasized the importance of this long-term goal which includes adding capacity by increasing lanes or shoulders; adding new roads; improving drainage, intersections and traffic safety; and adding sidewalks or bike lanes.

Improve Public Safety. The Board has consistently attempted to address the County Sheriff's budget requests to maintain and enhance public safety in a high growth environment as well as address other County public safety services.

Expand County Parks and Libraries. The County has undertaken an aggressive recent effort to make improvements to recently add parks in the southeast (SE Intracoastal Waterway Park, Vaill Point Park, Solomon Calhoun Community Center and Pool), northwest (Alpine Groves Park, Veteran's Park), and northeast (Davis Park).

Compensate County Employees Appropriately and Maintain Technology to Maximize Productivity. The new County step plan and, when necessary, position upgrades continue to address labor market issues. The continuing double-digit increases in Health Insurance costs without increasing employee contributions also has represented a continuing commitment to employees.

Limit or Decrease County Tax Rates or Service Charges. Despite the significant demands on available County funds, the Board has consistently directed that budgets must work within the existing aggregate millage rate.

Promote Economic Development. The County goal continues to be twofold: attract new business and industry to the County and help existing businesses and industries prosper.

Improve/Expand Communications and Services to Citizens. Improving communications and citizen service has been a top priority of the County Administrator. Every department has the objective of improving service and operating more efficiently.

### ***The Plan***

The Plan is a set of guidelines for the management of funds or financial resources. It provides for the effective planning of government expenditures and services, revenues and the long term financing of capital improvements and infrastructure. It helps ensure that the County is able to meet its short-term and long-term objectives and helps prevent financial problems or emergencies from unnecessarily changing previous policy decisions.

The primary purpose is to provide guidelines for the issuance and management of debt. Proper debt management promotes the accomplishment of service objectives, contributes to financial health and stability, and assures access to debt markets to meet both scheduled and unscheduled financing needs.

The decision to issue debt is made on a case-by-case basis and only after careful and timely evaluation of all relevant factors. Factors, which are considered, are:

- Legal constraints on debt capacity and various financing alternatives
- Constraints contained in currently issued debt offerings
- The urgency of the capital requirements related to the economic cost of delays
- The willingness and financial ability of taxpayers to pay the capital improvements
- Evaluating the balance between internal and external funding mechanisms
- Current interest rate climate and other market considerations
- The County's financial condition
- The type, availability and stability of revenues pledged for debt repayment
- The type of debt anticipated to be issued
- Whether or not the project to be financed creates ongoing operating expenditures that will be supported by available revenue resources

Additionally, it provides for the services of an outside financial advisor to periodically evaluate the County's debt management strategies, as well as the County's debt capacity regarding various intergovernmental and local revenue resources.

Another purpose is to provide policies and guidelines for the investment of the County's limited financial resources.

In accordance with Section 218.415, Florida Statutes, the County recently adopted Ordinance No. 2008-1, which describes the various investment products allowed under the ordinance for County's surplus assets ("Surplus Fund") and the Post-Employment Welfare Benefits Program Trust ("Trust Fund") for assets held on behalf of county retirees for other post-employment benefits than pensions. Additionally, Resolution No. 08-151 was adopted to apply rules pertaining to the Trust Fund. Finally, Resolution No. 2001-58 pertains to the rules that apply to all financial assets of the Board and funds related to the issuance of debt. Funds held by state agencies (e.g., Department of Revenue) are not subject to the provisions of this policy. Additionally, neither policy includes any financial assets under the direct control of any of the Constitutional Officers of St. Johns County. The policies become applicable at such time as direct control of the funds passes to the Board.

### ***Relevant Financial Policies***

While reviewing revenue comparisons of budget amounts to actual receipts in preparation for the mid-year budget report to the Board, which is an integral part of the Plan, County Administration recommended several austere measures for implementation. The measures included the County

Voluntary Separation Incentive Program ("VSIP"); the reorganization of Building Services within Growth Management; requiring five mandatory furlough days for all County staff including senior management; and the reduction of County operating budgets. These were intended to provide immediate and future cost reductions to offset the unanticipated revenue declines that were found during the above comparisons. Additional discussion regarding the implementation of the measures is presented in the section entitled Management's Discussion and Analysis.

### **Major Initiatives**

Finally, the County anticipates the state legislature to take further steps to reduce ad-valorem taxes. It is anticipated that the steps will certainly impair the County's ability to continue to provide the current levels of service expected by County citizens, however, the amount cannot be determined at this time.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Johns County for its Comprehensive Annual Financial Report for the year ended September 30, 2009. This was the eighteenth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

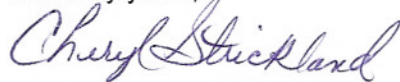
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

Additionally, for the last eighteen years, the County Office of Management and Budget has also received the Distinguished Budget Presentation Award from GFOA for publishing a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

**Acknowledgments.** A Comprehensive Annual Financial Report of this nature could not have been prepared without the dedicated efforts from the staff of the Board of County Commissioners and each of the Elected Officials. Special thanks go to the staff of the Finance Department and the Office of Management and Budget. Each member of these departments has our sincere appreciation for their contributions made in the presentation of this report.

Additionally, we would also like to thank the Chair and the members of the County Commission for their leadership and support in planning the financial operations of the County in a responsible and progressive manner.

Sincerely yours,



Cheryl Strickland  
Clerk of the Circuit Court



Richard A. MacDonald, Jr.  
Finance Director

RAM:cd

## **MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS**

Joseph "Ken" Bryan, Chair  
Mark P. Miner, Vice-Chair  
Cyndi Stevenson  
Ronald F. Sanchez  
Jay Morris

## **CONSTITUTIONAL OFFICERS**

David B. Shoar, Sheriff  
Cheryl Strickland, Clerk of Court  
Dennis Hollingsworth, Tax Collector  
Sharon P. Outland, Property Appraiser  
Penny Halyburton, Supervisor of Elections

## **COUNTY ADMINISTRATION**

Michael D. Wanchick, County Administrator  
Jerry T. Cameron, Assistant County Administrator for Community Services  
Darrell M. Locklear, Assistant County Administrator for Operations

## **FINANCE**

Richard A. MacDonald, Jr., Finance Director  
Linda C. Payne, Assistant Finance Director

## **OFFICE OF MANAGEMENT AND BUDGET**

Doug Timms, Director  
Jesse Dunn, Assistant Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Johns County  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

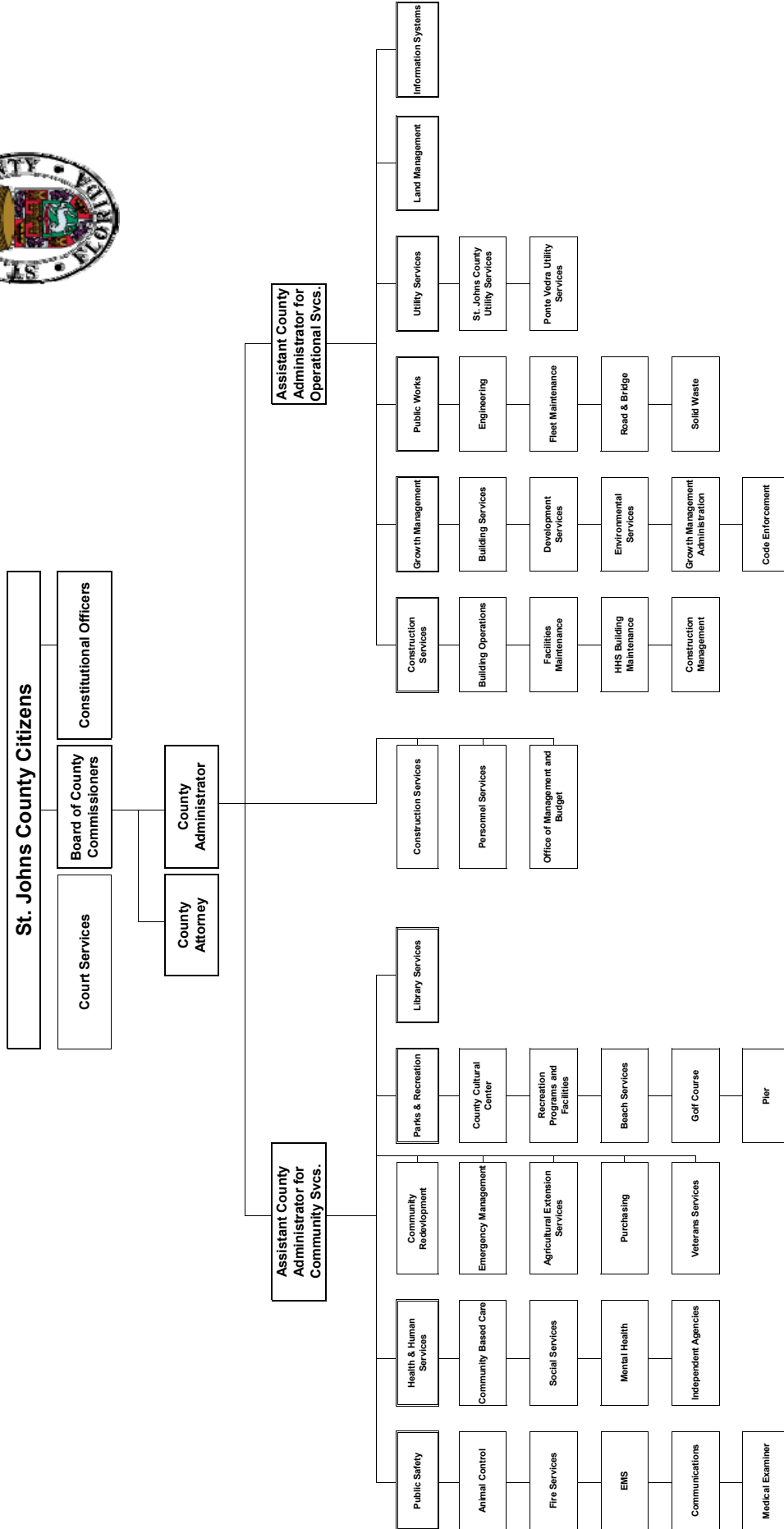
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# St. Johns County Organization Chart



## Independent Auditors' Report

The Honorable County Commissioners  
St. Johns County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of St. Johns County, Florida (the "County"), as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

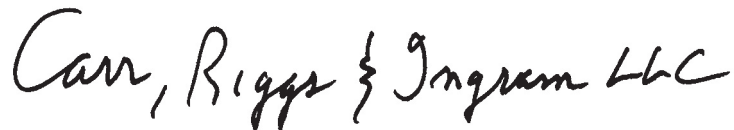
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the County as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the budgetary comparison schedules, and the schedules of funding progress and employer contributions presented as required supplementary information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and supporting schedules presented as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the information provided in the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

April 25, 2011  
Gainesville, Florida

---

## MANAGEMENT'S DISCUSSION and ANALYSIS

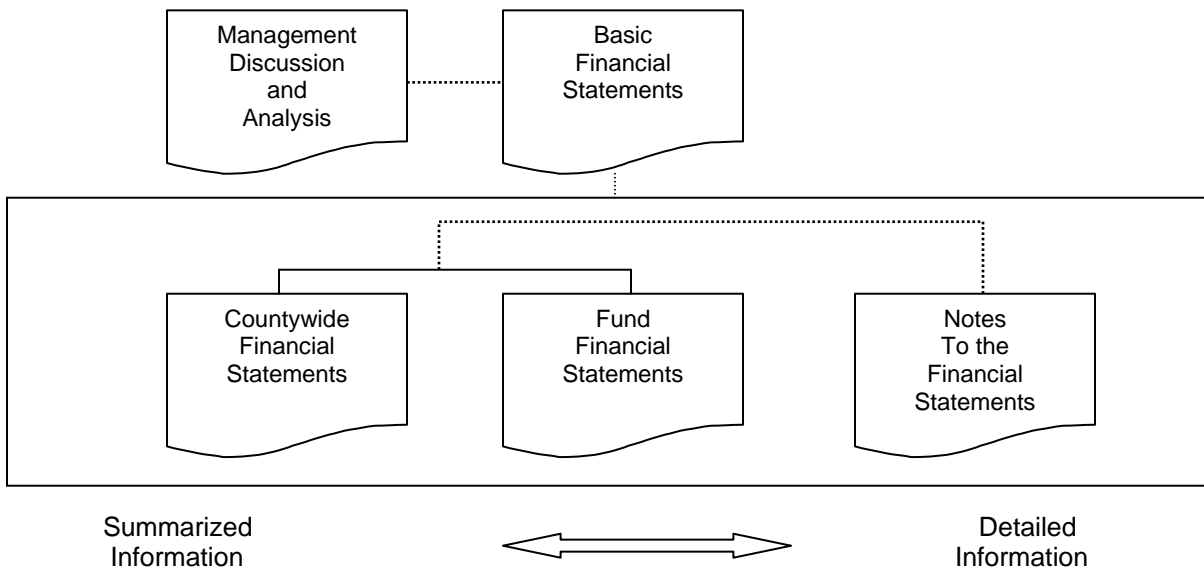
This section of St. Johns County, Florida's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial performance during our most recent fiscal year, which ended September 30, 2010. It is designed to provide an objective and easy to read overview analysis of the County's financial activities; significant financial issues; material deviations from the Financial Plan (budget); changes in the County's financial position and individual fund concerns. We encourage readers to consider the information contained in this discussion in conjunction with additional information contained in our transmittal letter in the front of this report and the County's financial statements.

### 1. Financial Highlights.

- Total assets exceeded total liabilities (reported as net assets) by \$1,387,329,191 as of September 30, 2010.
- Total net assets of the County increased by \$12,627,047.
- Unrestricted net assets of \$112,282,871 represent the amount that may be used to meet the County's ongoing obligations to citizens and creditors.
- The net change in total governmental fund balance decreased by \$8,472,935. This is attributed to total governmental expenditures exceeding total revenues by \$10.7 million while other financing sources contributed an additional \$2.3 million, primarily from the issuance of additional debt.

### 2. Overview of the Financial Statements.

This discussion is intended to introduce St. Johns County, Florida's basic financial statements. The basic financial statements are comprised of two kinds of statements that present different views of the County: (1) countywide statements, and (2) fund statements. The basic financial statements also include notes essential to a full understanding of both kinds of statements. This report also has a separate section for supplementary and statistical information in addition to the basic financial statements themselves as indicated below.



The first two statements are countywide financial statements that focus on the County as a whole and provide both long-term and short-term information about the County's overall financial condition. These statements provide readers with a broad view of the County's finances, similar to a private sector business.

The remaining statements are fund financial statements that are similar to traditional governmental financial statements. These statements report on individual parts of the County's operations and include more detail than the countywide statements.

- A. Countywide financial statements. The countywide statements report on St. Johns County as a whole using accounting rules very similar to those used by private companies. There are two countywide statements. The statement of net assets combines and reports all of the County's assets and liabilities. The statement of activities combines and reports all of the County's revenues and expenses regardless of when cash is paid or received. These two financial statements demonstrate how the County's net assets have changed. Net assets are the difference between total assets and total liabilities and are one way of assessing the County's current financial condition. Increases or decreases in net assets are good indicators of whether the County's financial health is improving or deteriorating over time. Other non-financial factors, such as diversity in the local economy, are important in evaluating the County's overall financial condition.

The countywide financial statements are grouped into three categories:

- *Governmental Activities.* Most of the County's basic services are included here, such as police, fire, public works, recreation, and general administration. Property taxes, sales and gas taxes, and federal and state funding finance most of the cost of these activities.
- *Business-type Activities.* The County and Ponte Vedra water and sewer utilities, solid waste, golf course, and convention center are classified here. In these activities, the County charges customer fees to cover all or a portion of the cost of providing these goods and services.
- *Component Units.* These are other governmental units over which the County exercises influence, and are presented as separate columns in the countywide statements. The Component Units are as follows; the St. Johns County Housing Finance Authority, and the St. Johns County Industrial Development Authority.

B. Fund financial statements. The County's fund statements report in greater detail than the countywide statements the County's most significant funds. A fund is a group of related accounts used to exercise control over specific resources set apart for specific activities. The County, like other state and local governments, uses funds to ensure and demonstrate compliance with financial requirements imposed by law, bond covenants, and local administrative and legislative actions.

The County maintains 73 individual governmental funds. The General Fund and Transportation Trust Fund are presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances. All other governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements in a separate section of this report.

All of the County's funds are classified in one of the following categories:

- Governmental funds tell how basic governmental services were paid for in the short term as well what remains for near future spending. These funds account for essentially the same services as those reported as governmental activities in the countywide statements. Because the fund view does not include the additional long-term focus of the countywide statements, we provide additional information following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances that explains the differences between the two views.
  - Enterprise funds report on business-type operations of the utility funds, solid waste fund, golf course, and convention center where the fees for services typically cover all or most of the costs of operations. These statements offer both long and short-term financial information and offer more detailed reporting of the amounts classified as business-type activities in the countywide statements.
  - Internal service funds are used to account for the financing of activities provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.
  - Fiduciary funds report information about financial arrangements in which the County acts solely as an agent or trustee for others. The County is responsible for ensuring these resources are used for their intended purposes. Since these funds are not resources of the County, but are held for the benefit of others, we exclude these activities from the countywide statements.
- C. Notes to the financial statements. The notes provide additional information and explanation that is necessary for a full understanding of both the countywide and fund statements.
- D. Required supplementary information. Budgetary comparisons between beginning, ending and actual results for the general fund and each individual major special revenue fund are located in the Supplementary Information section of the report. Additionally, the Schedules of Funding Progress and Employer Contributions – Other Post-Employment Benefits are located here also.
- E. Other supplementary information. The combining statements for the nonmajor governmental funds, nonmajor enterprise funds, internal service and agency funds, as well as individual fund budget and actual comparison schedules are found in the Supplementary Information section of this report; after the required supplementary information section.

Additional statistical information is presented to give users of the report a historical perspective and to assist in determining current financial trends of the County.

ST. JOHNS COUNTY, FLORIDA  
MANAGEMENT DISCUSSION and ANALYSIS  
For the year ended September 30, 2010

**3. Financial Analysis of the County as a Whole.**

At the end of fiscal year 2010, the financial position of the County remains stable and is able to report positive balances in each component of net assets as reflected below, in the Summary Statement of Net Assets. This is consistent with the prior fiscal year.

Summary Statement of Net Assets  
September 30, 2010  
(In Thousands)

	Governmental Activities		Business- type Activities		Total	
	2010	2009	2010	2009	2010	2009
Cash and Investments	\$ 161,090	\$ 169,468	\$ 97,754	\$ 89,784	\$ 258,844	\$ 259,252
Other Current Assets	9,330	7,601	9,863	13,630	19,193	21,231
Other Non-current Assets	7,335	7,854	297	7,394	7,632	15,248
Capital Assets	1,142,491	1,130,166	391,691	391,796	1,534,182	1,521,962
Total assets	1,320,246	1,315,089	499,605	502,604	1,819,851	1,817,693
Current Liabilities	15,558	14,601	6,849	5,651	22,407	20,252
Non-current Liabilities	219,315	225,839	190,800	196,900	410,115	422,739
Total liabilities	234,873	240,440	197,649	202,551	432,522	442,991
Net Assets						
Invested in Capital Assets, net of Related Debt	946,352	951,132	235,043	229,962	1,181,395	1,181,094
Restricted	89,185	83,312	4,466	4,410	93,651	87,722
Unrestricted	49,836	40,205	62,447	65,681	112,283	105,886
Total net assets	\$ 1,085,373	\$ 1,074,649	\$ 301,956	\$ 300,053	\$ 1,387,329	\$ 1,374,702

- This year, total net assets for Governmental activities increased by 1.00% or \$10.7 million. The increase is attributed to the increase in capital assets (e.g., land, buildings, infrastructure and equipment) and the corresponding reduction in expenditures during the period, less any debt repayments used to acquire assets. Ending net assets for Business-type activities changed by \$1.9 million. The increase is also attributed to the increase in capital assets net of related debt.
- Governmental activities increased restricted net assets by \$5.9 million, primarily in the areas of future development, transportation and the fire district, while Business-type activities remained constant at approximately \$4.4 million.
- Primary Government assets exceeded liabilities at the end of this fiscal year by \$1.4 billion. The greatest portion of these net assets (85.2%) reflects the County's investment in capital assets net of the related debt used to acquire them less bond balances remaining within the capital improvement and proprietary funds. Additionally, \$93.7 million of the net assets (6.8%) are subject to restrictions regarding how they may be used to meet these ongoing obligations; leaving \$112.3 million (8.1%) as unrestricted. Unrestricted net assets can be used to meet the County's ongoing obligations to citizens and creditors. The current year unrestricted balance showed

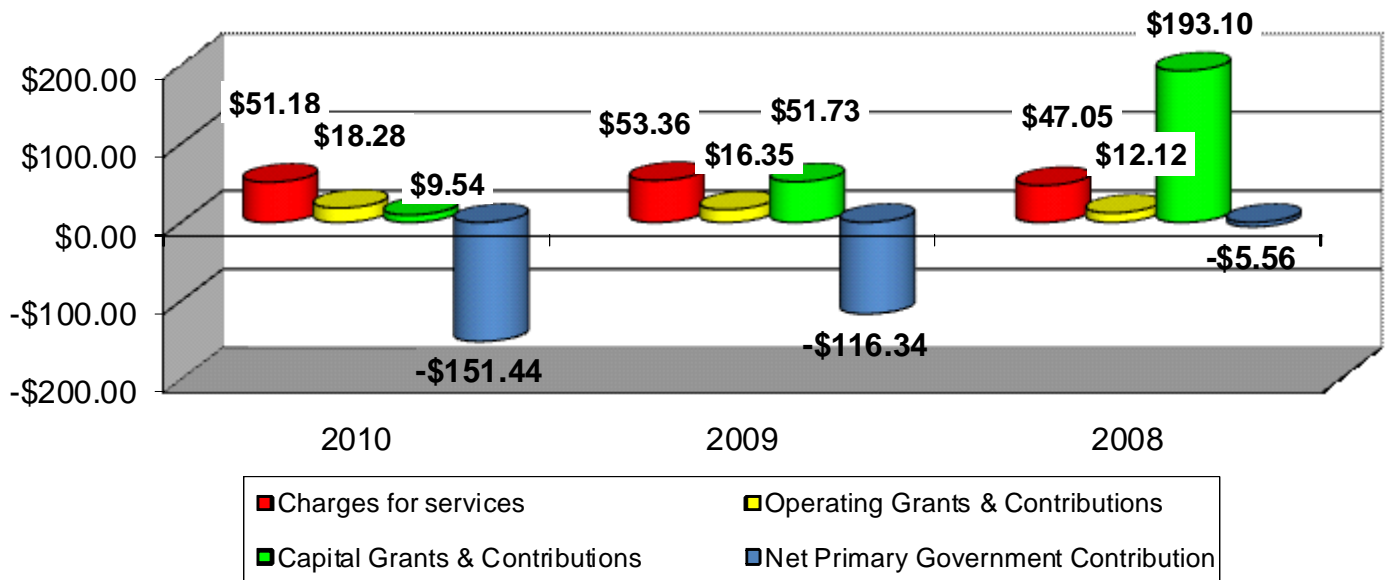
significant improvement again from last year and reflects management's ongoing oversight and austerity measures to ensure that the County's financial position remains stable.

- Finally, included in the \$62.4 million of unrestricted net asset balances for business-type activities is:
  - Approximately \$62.3 million in approved capital improvement appropriations for fiscal year 2011 for the County utility enterprise funds. These are for projects other than those currently under construction using bond proceeds. Approximately \$28.2 million in reserved developer contributions and unit connection fee balances from the utility funds are available to offset part of this plan.
  - \$5.5 million in landfill long-term care balance
  - The balance may be utilized for rate stabilization.

Although accounting principles do not restrict these amounts, they have been earmarked for future uses governed by the County's capital improvement plan and prudent managerial decisions.

## Statement of Activities

Governmental Activities Revenue Resources  
 (In millions)



The above Statement of Activities graphically portrays where the program revenue resources came from to cover the expenses associated with the various governmental activities of the County. Program revenues do not include general revenues such as taxes, intergovernmental revenue streams, transfers and interest earnings. There was an increase in net assets of \$10.7 million which was largely attributable to developer capital asset contributions for County transportation infrastructure. As capital grants have decreased over the last three fiscal years, the County has increasingly relied upon taxes and shared revenues to meet governmental expenses. This trend will require the County to continue reducing expenses or to increase charges for services or general revenues in the future. For more information please refer to the summarized Statement of Activities on the following page.

ST. JOHNS COUNTY, FLORIDA  
MANAGEMENT DISCUSSION and ANALYSIS  
For the year ended September 30, 2010

Statement of Activities  
(In Thousands)  
for the year ended September 30, 2010

	Governmental Activities		Business- type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 51,184	\$ 53,362	\$ 53,783	\$ 52,108	\$ 104,967	\$ 105,470
Operating grants & contributions	18,276	16,354	61	111	18,337	16,465
Capital grants & contributions	9,537	51,731	472	9,359	10,009	61,090
General Revenues:						
Taxes	140,984	144,048	529		141,513	144,048
Intergovernmental	17,800	20,940			17,800	20,940
Unrestricted earnings on investments	2,378	3,982	2,212	4,509	4,590	8,491
Miscellaneous	1,490	997	1,769	3,244	3,259	4,241
<b>Total Revenues</b>	<b>241,649</b>	<b>291,414</b>	<b>58,826</b>	<b>69,331</b>	<b>300,475</b>	<b>360,745</b>
<b>Expenses:</b>						
General government	35,289	46,670			35,289	46,670
Public safety	98,206	95,645			98,206	95,645
Physical environment	1,866	1,913			1,866	1,913
Transportation	39,752	36,436			39,752	36,436
Economic environment	5,540	4,921			5,540	4,921
Human services	14,131	14,704			14,131	14,704
Culture and recreation	19,431	19,758			19,431	19,758
Court related	6,540	7,611			6,540	7,611
Interest on long-term debt	9,682	10,129			9,682	10,129
Utilities			37,885	39,109	37,885	39,109
Solid waste			16,709	16,648	16,709	16,648
Golf course			1,755	1,892	1,755	1,892
Convention center			1,062	1,093	1,062	1,093
<b>Total Expenses</b>	<b>230,437</b>	<b>237,787</b>	<b>57,411</b>	<b>58,742</b>	<b>287,848</b>	<b>296,529</b>
Increase in Net Assets Before Transfers and Special Items	11,212	53,627	1,415	10,589	12,627	64,216
Transfers	(488)	(241)	488	241	-	-
<b>Increase in Net Assets:</b>	<b>\$ 10,724</b>	<b>\$ 53,386</b>	<b>\$ 1,903</b>	<b>\$ 10,830</b>	<b>\$ 12,627</b>	<b>\$ 64,216</b>

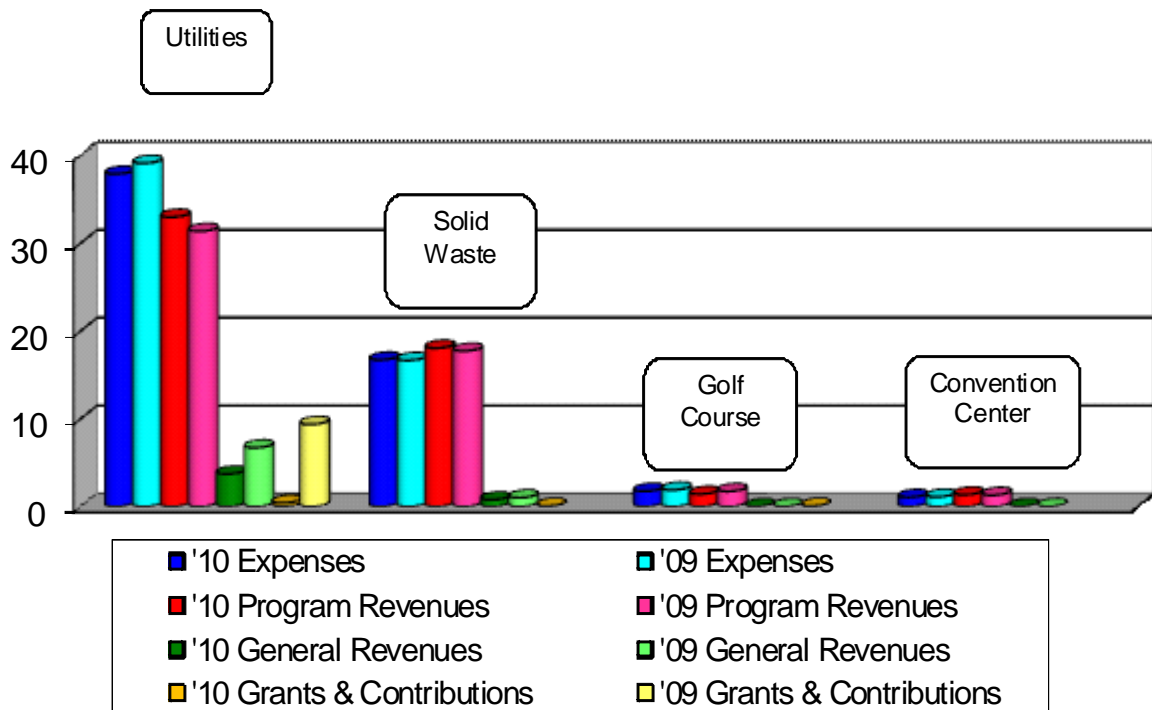
The increase in net assets of governmental activities of \$10.7 million is attributable to the net increase of approximately \$12.5 million in capital assets and infrastructure; plus \$6.2 million in debt principal repayments by the County; the use of restricted and unrestricted assets of \$8.5 million, which is primarily the result of expending debt financing resources, such as bonds, to continue capital construction projects through completion; an increase of \$1.0 million from the internal service fund balance allocation; and the related net changes in employee compensated absences, arbitrage liability, OPEB employer contribution and early asset retirements.

In previous fiscal years, a significant resource that dramatically impacted the primary government increase in net assets is the developer's contribution of land, rights of way, and infrastructure. However, during this fiscal year, the continuing economic climate has significantly curtailed the donation of infrastructure. This has adversely affected future economic stimulus within the County. And, as seen in the graph below, program and general revenues, such as interest earnings and developer fees were the main resources in meeting business-type expenditures.

Finally, the graph also shows the decrease between fiscal years in expenses for the County utilities. The remaining business-type programs were flat in comparison.

## Statement of Activities

### Business-type Program Revenues & Expenses (In Thousands)

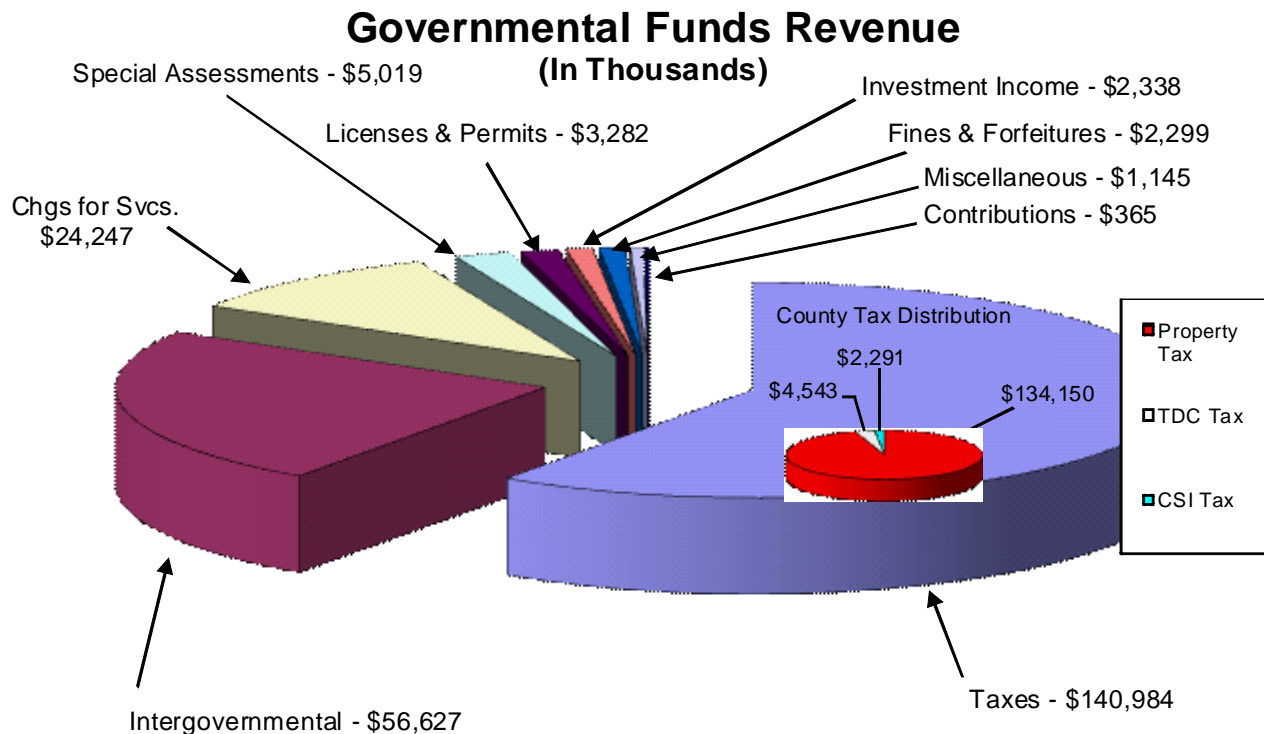


#### 4. Financial Analysis of the County's Funds.

The focus of St. Johns County's governmental funds is to provide information on near-term inflows, outflows, and balances of available spending resources. This information is useful in assessing the County's potential financing requirements. Unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At September 30, 2010, the County's governmental funds reported combined ending fund balances of \$144,177,067 which is a decrease of \$8,472,935 when compared with the prior fiscal year. As previously mentioned, this decrease is primarily attributed to total expenditures of \$247.1 million, which includes debt service and capital expenditures for projects and infrastructure, were \$10.8 million greater than total revenues of \$236.3 million. The additional resources necessary to meet the additional expenditures came from prior year's unreserved-unrestricted fund balances.

The County expects to see a continued decline in these balances over the next several years as capital projects are completed from the five year capital improvement plan and operating expenditures, although reduced from prior fiscal years, are continued to be met through reserves.

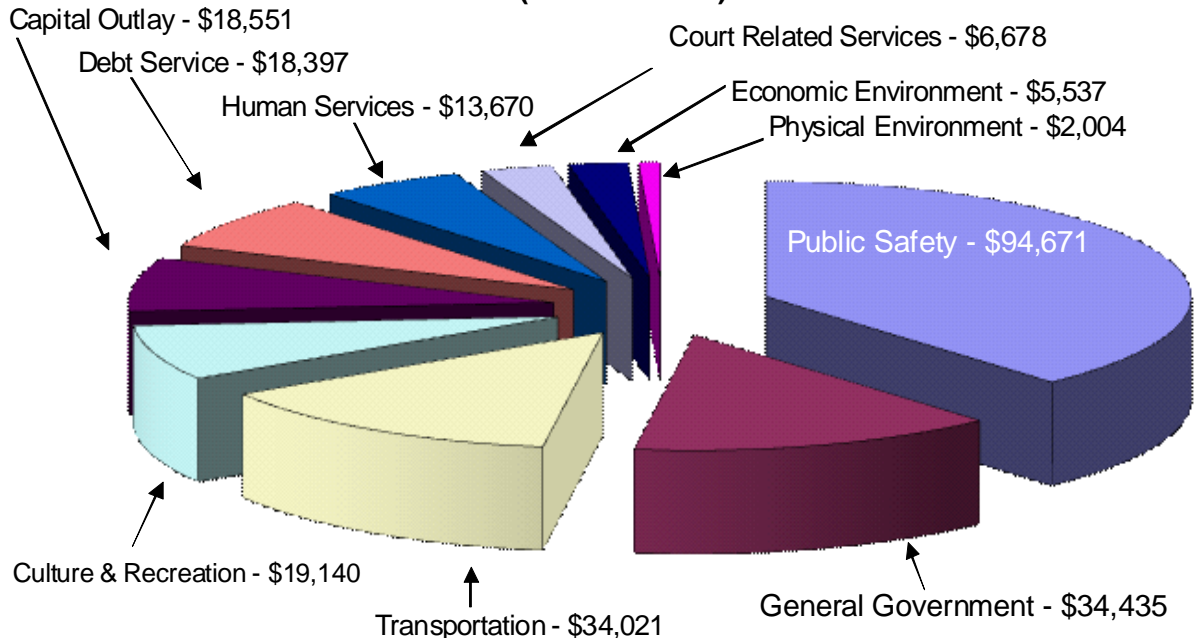


Total governmental funds revenue decreased by \$10.8 million, or 4.3%, over the prior fiscal year. Based on the state legislative changes that the County implemented property tax increase, ad-valorem tax revenues for this fiscal year decreased by \$3.1 million, or 2.1% compared to last year; an additional increase of \$3.6 million in intergovernmental revenues from federal and state resources this year will compound the difficulty in future budgets to meet governmental expenditures as these one-time resources will not be re-appropriated through federal and state legislation; \$2.5 million decrease in special assessments or impact fees; \$1.6 million decrease in interest earnings from lower interest rates and the County's declining reserve balances; and there was an overall decrease of an additional \$6.6 million from all other resources including charges for services. The decline of available resources will continue to place an extreme burden on Boards to balance the County's budget.

The County's expenditures cover a range of services; over half are related to public safety, general government, and transportation.

## Governmental Funds Expenditures

(In Thousands)



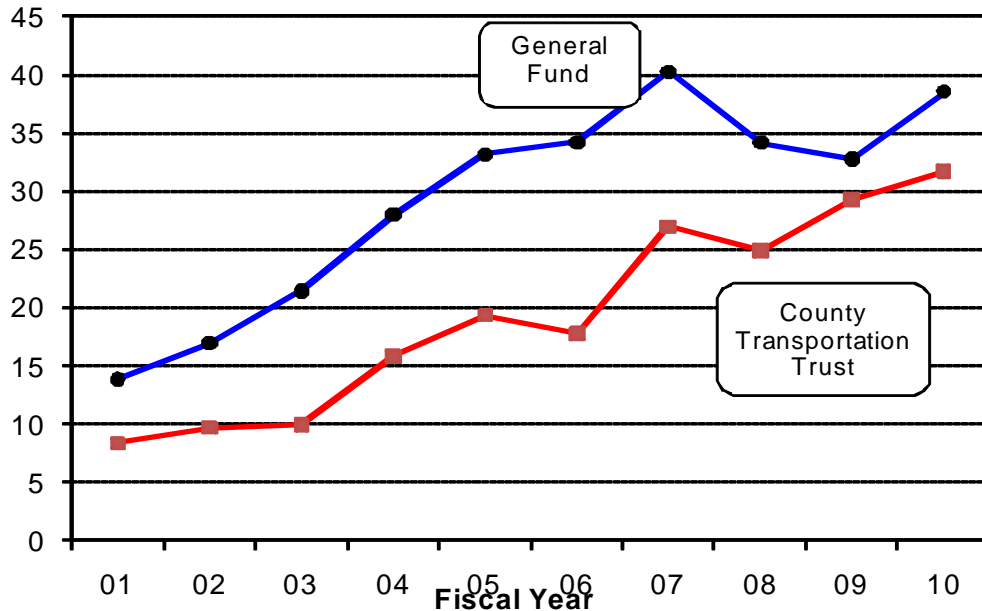
Excluding capital outlays and the County debt service requirements, the County's governmental fund expenditures were decreased by \$14.6 million or 6.5% from prior year expenditures. This was primarily done through the County's wage freeze; the required furlough days for all County staff; the hiring chill, which was previously discussed; and modifying the County's capital plan by moving numerous capital projects to future years.

Additionally, the County modified the Series 2006, Transportation Improvement Bonds to include additional infrastructure projects within the bond's scope of projects, and subsequently transferred from the bond's capital improvement fund approximately \$8.1 million in reimbursable expenditures during the year.

And finally, the County issued an additional \$2.0 million Florida Local Government Finance Commission Pooled Commercial Paper Loan Program ("Commercial Paper") to provide for the acquisition of voting equipment and fire rescue vehicles

The implementation of the above policies decreased total governmental fund balance overall by \$8.5 million, but increased unreserved fund balance for the General Fund and County Transportation Trust Fund (CTTF) to \$38.5 million and \$31.7million respectively. This represents a 17.7% increase in the General Fund; and an 8.1% increase in CTTF.

Major Governmental Funds  
 Fund Balance Adjusted for Special Items  
 (In millions)



As seen in the above table, General Fund ending fund balance increased during the fiscal year. It is considerably greater than originally projected during the budget process. The anticipated ending budget projection was approximately \$27.2 million which is \$11.4 million less than actually occurred. The difference primarily is based on previous discussion above, and expenditure savings of \$8.4 million less net revenue shortfalls of \$.3 million. The savings were achieved through several austerity measures implemented during the fiscal year by management to ensure sufficient unrestricted reserves would be available for future years.

County Transportation Trust ending fund balance increased to \$31.8 primarily due to the \$12.9 million in savings achieved from the austerity measures and \$6.0 million in transfers from capital improvement projects for the reimbursement of current and prior year construction expenditures or balances associated with completed projects. As with the County General Fund, the ending budget projected only \$17.7 million in ending fund balance which reflects a much greater use of unrestricted fund balance from the prior fiscal year.

The ending fund balance for both major funds is considerably greater than County guidelines, but was considered prudent by management based on the current economic conditions.

**5. General Fund budgetary highlights.**

Total adjustments that were made to the General Fund's original budget and final amended budget included the following major transactions:

- Approximately \$1.6 million was added in additional general fund appropriations for various increases relating to additional grant revenues that were awarded during the fiscal year and insurance claims.
- Approximately \$226,000 in general fund reserve appropriations for various increases in operating expenditures. However, this was offset by approximately \$450,000 in net general fund reserve increases from mid-year operating budget reductions.
- During this year, the difference between the County's final adopted budget and total general fund expenditures was \$8.43 million. The following table highlights the savings by function/programs:

Projects	Appropriation Balance In Thousands	Percent
General Government	\$ 2,692	32%
Public Safety	2,699	32%
Physical Environment	124	1%
Economic Environment	1,932	23%
Human Services	421	5%
Culture and Recreation	239	3%
Court Related	329	4%
Total	\$ 8,426	100%

- Approximately \$1.2 million in personnel services appropriations across all general fund departments in savings were attributed to the County's "hiring chill"; \$0.4 million related to the 5 mandatory furlough days.
- \$6.3 million in excess appropriations for operating related expenditures.
- Finally, \$0.5 million in savings was from capital projects that were not completed as anticipated.

**6. Capital Asset and Debt Administration.**

- **Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of September 30, 2010 was \$1,534,181,537 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure, and construction in progress as presented in the following table.

ST. JOHNS COUNTY, FLORIDA  
MANAGEMENT DISCUSSION and ANALYSIS  
For the year ended September 30, 2010

Capital Assets Net of Depreciation as of September 30, 2010 (In Thousands)			
	Governmental Activities	Business- type Activities	Total
Land	\$ 444,558	\$ 101,737	\$ 546,295
Building & improvements	213,998	34,899	248,897
Equipment	68,745	8,300	77,045
Infrastructure	510,074	304,444	814,518
Construction in progress	70,726	35,098	105,824
Less accumulated depreciation	(165,610)	(92,788)	(258,398)
Total	<u>\$ 1,142,491</u>	<u>\$ 391,690</u>	<u>\$ 1,534,181</u>

Additional information on the County's capital assets can be found in the Notes of this report; Note 5.

- **Long-term Debt.** At the end of fiscal year 2010, the County had total debt outstanding of approximately \$410 million. The majority of the County's debt represents bonds secured by specific revenue sources.

Outstanding Debt (In Thousands) as of September 30, 2010			
	Governmental Activities	Business- type Activities	Total
Revenue bonds	\$ 196,474	\$ 178,335	\$ 374,809
Notes payable and obligations under capital lease	12,577	6,111	18,688
Landfill Closure/Postclosure care		5,545	5,545
Arbitrage rebate	864	36	900
Compensated Absences	9,400	773	10,173
Total	<u>\$ 219,315</u>	<u>\$ 190,800</u>	<u>\$ 410,115</u>

The County's outstanding bonded debt and notes payable net decrease was about \$12.0 million from the prior fiscal year. During the year, the County borrowed an additional \$2.05 million in notes payable through the Commercial Paper program and \$260,950 in Fannie Mae notes payable for the purpose of providing construction loans to contractors for the construction of single family homes to better serve citizens of St. Johns County.

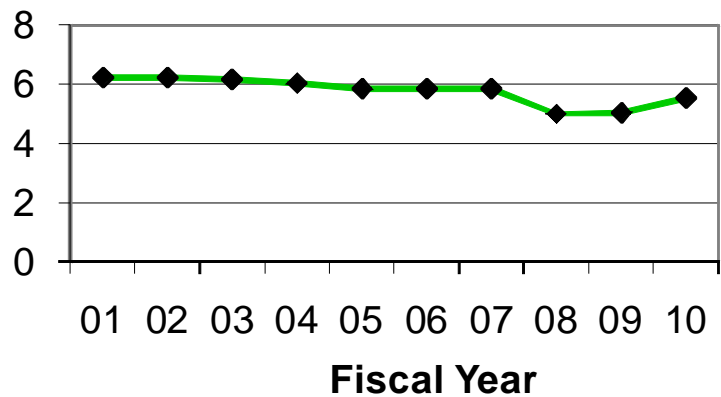
\$17.5 million was expensed to retire principal that was due during the fiscal year on County bonds, notes and capital leases.

Additional information on the County's long-term debt can be found in the Notes of this report; Note 6.

**7. Economic Factors and Next Year's Budgets and Rates.**

St. Johns County primarily relies on property taxes, inter-governmental resources, impact fees and a limited number of service charges for governmental activities. The County increased the aggregate county millage rate by 10% to 5.5471 mills and, along with the St. Johns County School District, increased county-wide millage by an additional 2.1% to 13.3481 mills. Based on current legislation, the County is preparing to adjust future appropriations in accordance with the property tax reform requirements so that there will possibly not be the need for another tax increase.

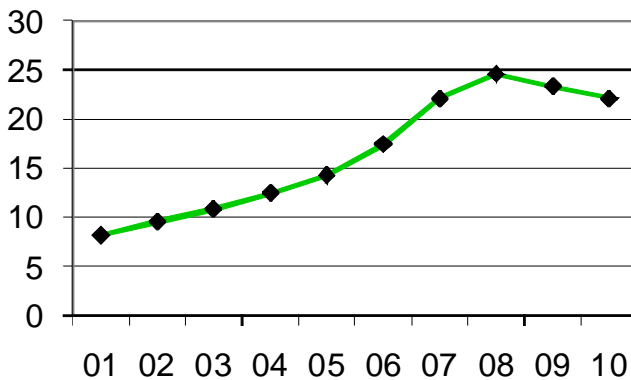
**St. Johns County  
 Countywide Millage Rate**



Additionally, based on the decrease in taxable property values this year, the County has still been able to hold government services steady though ad valorem revenues decreased; add additional culture and recreation facilities/programs; and increase governmental services including greater public safety through increased fire-rescue services during this fiscal year. However, property tax reform, the nation's economic condition and the decline in major revenue streams continues to effect

County staff's ability to provide necessary funding levels for County functions/programs and will certainly need to be addressed in future budgets.

**St. Johns County  
 Taxable Property Values by Fiscal Year  
 (In Billions)**



The County continued implementation of the adjusted five year capital improvement plan. This includes necessary improvements in parks and recreational facilities; the acquisition of large tracts of environmentally sensitive land for preservation and transportation mitigation; and major general government building construction within St. Johns County.

Economic development within the three designated blighted area within the County continues to be a high priority of the County's Housing Department and the St. Johns County Community Redevelopment Agency.

Next, as expressed in the County's budget documents for fiscal year 2010, there were a number of critical accomplishments that were achieved.

- The combined effect of property tax reform and the economic downturn led to the County Commission approving an aggregate millage rate increase after several town hall meetings were held by the County Administrator. However, the County continues to have one of the lowest millage rates in northeast Florida.
- The continued implementation of a professional firefighter force; rather than a volunteer force. However, this transition has added increased ad valorem rate pressure due to the increase in personnel, operating and capital expenditures over the last ten years.
- The overall increase in reserve funds, compared with the projected budget fund balances, allows for a possible transition to better economic conditions over the next few years. In addition, the Board of County Commissioners has indicated that economic development for the County is their number one concern and additional resources will begin to be appropriated for that function.
- And finally, growth management issues continue to be a critical concern of county residents. Growth management through revisions of the County's Comprehensive Plan and stricter land development regulations will provide the necessary tools to help direct county staff in managing future development within the County.

The County has addressed revenue decreases primarily by eliminating unfilled personnel positions; instituting a non-essential personnel hiring chill; implementation of the Voluntary Separation Incentive Program; initiated an employee furlough; postponed a number of capital improvement projects and directed department heads to further reduce operating expenditures. The reductions, which were instituted during the fiscal year, were necessary to provide additional resources to prepare the 2011 and 2012 Plan.

#### **8. Requests for Information.**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of St. Johns County's finances and to demonstrate the County's accountability to each of those groups. If you have questions about this report or need additional financial information, please contact the County Finance Department, Attn: Richard A. MacDonald, Jr., 4010 Lewis Speedway, St. Augustine, FL, 32084.



This page intentionally left blank

## BASIC FINANCIAL STATEMENTS

# St Johns County, Florida

Statement of Net Assets  
September 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	St Johns County Housing Finance Authority	St Johns County Industrial Development Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,821,670	\$ 244,311	\$ 28,065,981	\$ 61,936	\$ 288,945
Investments	133,268,284	88,371,155	221,639,439	6,198	
Accounts receivable, net	2,876,282	3,797,040	6,673,322		
Notes receivable		73,198	73,198	49,866	
Interest receivable	230,062	237,399	467,461	469	
Internal balances	590,996	(590,996)	-		
Due from other governments	5,489,315	1,783,100	7,272,415	101,187	
Inventories	133,885	682,129	816,014	2,263,251	
Restricted assets:					
Cash and cash equivalents		440,564	440,564		
Investments		7,858,937	7,858,937		
Other assets	9,376	3,881,629	3,891,005		
Non-current Assets:					
Restricted Investments		839,331	839,331		
Notes receivable	400,000	297,023	697,023	256,245	
Unamortized bond issuance cost	1,073,305	-	1,073,305		
Negative net OPEB obligation asset	5,862,015		5,862,015		
Capital Assets:					
Land, and construction in progress	515,283,760	138,069,440	653,353,200		
Other capital assets, net	627,207,150	253,621,187	880,828,337		
Total capital assets, net of depreciation	1,142,490,910	391,690,627	1,534,181,537	-	-
<b>Total Assets</b>	<b>1,320,246,100</b>	<b>499,605,447</b>	<b>1,819,851,547</b>	<b>2,739,152</b>	<b>288,945</b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	11,643,820	5,656,295	17,300,115	113,707	255
Due to other governments	1,692,936	20,681	1,713,617		
Interest payable	-	1,134,707	1,134,707		
Estimated liability for self insured losses	1,713,697		1,713,697		
Other liabilities	507,125	37,603	544,728	27,424	
Non-current liabilities:					
Due within one year:					
Bonds, capital leases, and contracts	6,002,775	7,641,228	13,644,003	81,000	
Compensated absences	2,876,705	167,893	3,044,598		
Due in more than one year:					
Bonds, capital leases, and contracts	203,048,679	176,805,048	379,853,727		
Arbitrage rebate liability	863,603	35,662	899,265		
Accrued landfill closure and post-closure costs		5,545,389	5,545,389		
Compensated absences	6,523,450	605,060	7,128,510		
<b>Total Liabilities</b>	<b>234,872,790</b>	<b>197,649,566</b>	<b>432,522,356</b>	<b>222,131</b>	<b>255</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	946,351,822	235,043,091	1,181,394,913		
Restricted for:					
Future Development Impacts	24,580,220		24,580,220		
Transportation	31,811,470		31,811,470		
Fire District	14,030,046		14,030,046		
Community Redevelopment	157,867		157,867	2,263,251	
Court operations and improvements	4,776,722		4,776,722		
Building Services	806,405		806,405		
Debt service	4,151,957	2,694,410	6,846,367		
State Housing Initiatives Program	1,453,349		1,453,349		
Tourist Development and Recreation	2,785,752		2,785,752		
Law enforcement	2,635,623		2,635,623		
Other purposes	1,996,329	1,771,257	3,767,586		
Unrestricted	49,835,748	62,447,123	112,282,871	253,770	288,690
<b>Total Net Assets</b>	<b>\$ 1,085,373,310</b>	<b>\$ 301,955,881</b>	<b>\$ 1,387,329,191</b>	<b>\$ 2,517,021</b>	<b>\$ 288,690</b>

The accompanying notes are an integral part of the financial statements

**St Johns County, Florida**  
Statement of Activities  
For the Year Ended September 30, 2010

Functions/Programs	Net (Expenses) Revenue and Changes in Net Assets					
	Primary Government			St Johns County		Component Units
	Expenses	Charges for services	Program Revenues	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 35,289,534	\$ 25,417,964	\$ 57,556	\$ (9,814,014)	\$	\$ (9,814,014)
Public Safety	98,205,670	5,392,253	3,921,024	(88,892,393)		(88,892,393)
Physical environment	1,865,889	425,748	4,424,156	2,984,015		2,984,015
Transportation	39,751,781	13,161,177	2,879,015	(14,372,997)		(14,372,997)
Economic environment	5,539,862	69,396	324,392	(4,947,902)		(4,947,902)
Human Services	14,130,968	605,417	6,126,758	(7,398,793)		(7,398,793)
Culture and recreation	19,431,292	6,111,695	543,341	(12,776,256)		(12,776,256)
Court related	6,540,545			(6,540,545)		(6,540,545)
Interest on long term debt	9,681,831			(9,681,831)		(9,681,831)
Total governmental activities	230,437,372	51,183,650	18,276,242	(151,440,716)		(151,440,716)
<b>Business-type activities:</b>						
Utilities	37,885,417	32,972,230		(4,498,851)		(4,498,851)
Solid waste	16,708,777	18,052,785	60,974	1,404,982		1,404,982
Golf course	1,754,951	1,418,671		(278,280)		(278,280)
Convention center	1,062,332	1,339,537		277,205		277,205
Total business-type activities	57,411,477	53,783,223	60,974	(3,094,944)		(3,094,944)
Total primary government	\$ 287,848,849	\$ 104,966,873	\$ 18,337,216	\$ (151,440,716)	\$ (3,094,944)	\$ (154,535,660)
<b>Component units:</b>						
Housing programs	359,442	32,242	2,180,349			
Economic development programs	45,715	139,000				
Total component units	\$ 405,157	\$ 171,242	\$ 2,180,349			
General revenues:						
Taxes:						
Property taxes				134,150,326		134,150,326
Communication services tax				2,290,571		2,290,571
Tourist development tax				4,543,544		4,543,544
Shared revenues - intergovernmental unrestricted				17,800,184		17,800,184
Unrestricted earnings on investments				2,378,012	2,211,696	4,589,708
Franchise Taxes				1,490,246	529,039	529,039
Miscellaneous				(488,288)	1,769,089	3,259,335
Transfers					488,288	
Total general revenues and transfers				162,164,595	4,998,112	167,162,707
Change in net assets				10,723,879	1,903,168	12,627,047
Net assets, beginning of year				1,074,649,431	300,052,713	1,374,702,144
Net assets, end of year				\$ 1,085,373,310	\$ 301,955,881	\$ 1,387,329,191

The accompanying notes are an integral part of the financial statements

ST. JOHNS COUNTY, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2010

	General Fund	Transportation Trust	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Equity in pooled cash and cash equivalents	\$ 9,941,058	\$ 541,852	\$ 16,399,565	\$ 26,882,475
Investments	31,076,312	31,999,746	59,553,478	122,629,536
Accounts and notes receivable (net of allowance for uncollectibles)	1,392,625	131,908	513,498	2,038,031
Notes receivable			400,000	400,000
Interest receivable	76,565	49,803	102,033	228,401
Due from other funds	1,194,450	118,519	273,918	1,586,887
Due from other governments	1,882,725	1,739,373	1,867,217	5,489,315
Inventory		133,885		133,885
Other assets	9,376			9,376
<b>TOTAL ASSETS</b>	<b>\$ 45,573,111</b>	<b>\$ 34,715,086</b>	<b>\$ 79,109,709</b>	<b>\$ 159,397,906</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,315,405	\$ 2,846,606	\$ 4,088,851	\$ 11,250,862
Customer deposits	371,857		1,775	373,632
Due to other funds	550,965	50,887	794,432	1,396,284
Due to other governments	1,618,391	6,123	68,422	1,692,936
Deferred revenue	38,793		468,332	507,125
<b>TOTAL LIABILITIES</b>	<b>6,895,411</b>	<b>2,903,616</b>	<b>5,421,812</b>	<b>15,220,839</b>
<b>FUND BALANCES</b>				
Fund balances:				
Reserved for:				
Court Operations	110,805			110,805
Records Modernization			651,968	651,968
Court Modernization			200,174	200,174
School Crossing Guard and law enforcement education			8,683	8,683
Canteen Fund			289,325	289,325
Equitable Sharing Fund			14,920	14,920
Alarm Fund			35,432	35,432
Teen Court			227,852	227,852
Inventory		133,885		133,885
Long-term notes receivable			400,000	400,000
Capital outlay			16,313,627	16,313,627
Debt service			4,151,957	4,151,957
Unreserved	38,566,895	31,677,585		70,244,480
Unreserved-undesignated, reported in nonmajor special revenue funds			51,393,959	51,393,959
<b>TOTAL FUND BALANCES</b>	<b>38,677,700</b>	<b>31,811,470</b>	<b>73,687,897</b>	<b>144,177,067</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 45,573,111</b>	<b>\$ 34,715,086</b>	<b>\$ 79,109,709</b>	<b>\$ 159,397,906</b>

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

**St Johns County, Florida**  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
September 30, 2010

---

---

Total fund balances- governmental funds	\$ 144,177,067
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	1,142,490,910
Issuance costs on long-term bonds and notes payable	1,073,305
Bonds and notes payable (\$204,477,547);arbitrage rebate (863,603); unamortized bond premiums and discounts and loss on refunding (\$3,884,117); lease obligations (\$689,790); and compensated absences for governmental funds (\$9,400,155) are not due and payable in the current period and therefore are not reported in the funds.	(219,315,212)
Net OPEB obligations are created through the estimated calculation of the county's employer contribution toward the retiree's benefits. The amount greater or less than the annual required contribution is posted as an asset/(liability).	5,862,015
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>11,085,225</u>
Net assets of governmental activities	<u>\$ 1,085,373,310</u>

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Transportation Trust	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 97,056,631	\$ 14,907,535	\$ 29,020,275	\$ 140,984,441
Special assessments			5,019,340	5,019,340
Licenses and permits	275,508		3,006,867	3,282,375
Intergovernmental	17,156,192	7,827,674	31,643,643	56,627,509
Charges for services	11,564,051	5,250,070	7,433,317	24,247,438
Fines and forfeitures	476,942		1,822,275	2,299,217
Contributions	261,221	36,820	66,780	364,821
Investment income	1,070,657	446,978	820,224	2,337,859
Miscellaneous revenue	1,011,833	59,245	73,740	1,144,818
<b>TOTAL REVENUES</b>	<b>128,873,035</b>	<b>28,528,322</b>	<b>78,906,461</b>	<b>236,307,818</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
General government	31,133,612		3,301,641	34,435,253
Public safety	65,087,920		29,583,498	94,671,418
Physical environment	1,572,031		432,043	2,004,074
Transportation		32,151,747	1,869,755	34,021,502
Economic environment	4,100,687		1,436,849	5,537,536
Human services	5,286,969		8,383,471	13,670,440
Culture and recreation	11,706,913		7,432,970	19,139,883
Court Related	4,964,256		1,713,830	6,678,086
Capital Outlay			18,551,607	18,551,607
<b>Debt service:</b>				
Principal retirement	1,689,021		6,869,397	8,558,418
Interest and fiscal charges	38,206		9,795,983	9,834,189
Issuance costs			5,000	5,000
<b>TOTAL EXPENDITURES</b>	<b>125,579,615</b>	<b>32,151,747</b>	<b>89,376,044</b>	<b>247,107,406</b>
<b>EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>3,293,420</b>	<b>(3,623,425)</b>	<b>(10,469,583)</b>	<b>(10,799,588)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,961,809	5,975,048	7,698,517	18,635,374
Transfers out	(4,549,056)	(96,471)	(14,478,135)	(19,123,662)
Long-term debt issued	1,802,728		508,222	2,310,950
Sale of capital assets	220,434		283,557	503,991
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,435,915</b>	<b>5,878,577</b>	<b>(5,987,839)</b>	<b>2,326,653</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,729,335</b>	<b>2,255,152</b>	<b>(16,457,422)</b>	<b>(8,472,935)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>32,948,365</b>	<b>29,556,318</b>	<b>90,145,319</b>	<b>152,650,002</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 38,677,700</b>	<b>\$ 31,811,470</b>	<b>\$ 73,687,897</b>	<b>\$ 144,177,067</b>

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

**St Johns County, Florida**

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

For The Year Ended September 30, 2010

Net change in fund balances - total governmental funds \$ (8,472,935)

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

Governmental funds report capital outlays as expenditures. However, in the statement  
of activities the cost of those assets is allocated over their estimated useful lives  
and reported as depreciation expense. Also, certain capital assets are contributed  
to the County by developers upon completion, requiring recognition of income not  
reported in the funds:

Capital assets acquired by use of financial resources	34,518,389	
Capital assets contributed by developers	4,956,140	
Reclassification of noncapital items in construction in progress	(443,138)	
Current year depreciation	<u>(26,547,788)</u>	12,483,603

Repayment of bond principal is an expenditure in governmental funds, but the repayment  
results in a reduction of long-term liabilities in the statement of net assets. Issuing debt  
provides current financial resources to governmental funds, but issuing debt increases  
long-term liabilities in the statement of net assets. This is the amount by which  
principal repayment \$8,558,419 exceeded debt issued (\$2,310,950), net of the  
amortization of the loss on refundings, bond premiums, and issuance costs (\$48,686). 6,198,783

Arbitrage rebate 366,397

Some expenses reported in the statement of activities did not require the use of  
current financial resources and therefore are not reported as an expenditure in  
governmental funds:

Loss on disposal of assets	(158,565)
Increases in compensated absences payable	(214,510)

OPEB contributions are reported as expenditures in the governmental funds. The  
difference between the annual required contribution and the county's estimated  
employer contribution is posted as an (increase)/reduction of the expenditure. (445,983)

Internal service funds are used to charge the cost of certain activities to individual  
funds. The net revenue (expense) is reported in the county-wide statements with  
governmental activities. 967,089

Change in net assets of governmental activities \$ 10,723,879

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
SEPTEMBER 30, 2010

Business-type Activities - Enterprise Funds			
	St. Johns County Utilities	Ponte Vedra Utilities	Solid Waste
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and cash equivalents			\$ 2,104
Cash with claims administrator			
Investments	\$ 67,681,323	\$ 6,031,029	14,394,277
Accounts receivable, net	2,258,404	652,503	589,320
Unit connection fee notes receivable	72,100	1,098	
Interest receivable	198,325	8,102	30,840
Other assets	1,356,440	2,128,125	10,100
Due from other funds			
Due from other governments	1,783,100		
Inventory	626,056		
Restricted assets:			
Cash and cash equivalents	349,186	42,350	25,181
Investments	6,333,425	540,000	
Total current assets	<u>80,658,359</u>	<u>9,403,207</u>	<u>15,051,822</u>
Non-current assets:			
Restricted Investments		839,331	
Unit connection fee notes receivable	295,012	2,011	
Capital assets:			
Land	55,655,821	38,549,413	1,727,127
Golf course land improvements			
Buildings and improvements	12,336,820	1,389,429	8,129,676
Water and sewer systems	289,779,368	14,664,119	
Furniture and equipment	5,489,476	803,815	1,001,608
Accumulated depreciation	(83,336,230)	(2,732,154)	(2,017,733)
Construction in progress	<u>32,838,383</u>	<u>2,259,948</u>	
Total non-current assets	<u>313,058,650</u>	<u>55,775,912</u>	<u>8,840,678</u>
<b>TOTAL ASSETS</b>	<u><b>393,717,009</b></u>	<u><b>65,179,119</b></u>	<u><b>23,892,500</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,221,242	264,540	2,063,173
Estimated liability for self insured losses			
Customer deposits	815,293	208,696	25,181
Due to other funds	30,988	9,276	5,117
Due to other governments	10,431	5,758	
Revenue bonds and notes payable	5,080,000	540,000	240,000
Interest payable	950,765		
State loan payable	104,829		
Capital lease payable	628,562		
Compensated absences	119,143		35,789
Total current liabilities	<u>9,961,253</u>	<u>1,028,270</u>	<u>2,369,260</u>
Non-current liabilities:			
Accrued landfill closure and post-closure costs			5,545,389
Revenue bonds and notes payable	98,565,978	59,997,922	1,435,000
State loan payable	627,361		
Capital lease payable	4,717,999		
Arbitrage rebate liability			35,662
Accrued compensated absences	394,820	70,681	34,002
Other liabilities			
Total non-current liabilities	<u>104,306,158</u>	<u>60,068,603</u>	<u>7,050,053</u>
<b>TOTAL LIABILITIES</b>	<u><b>114,267,411</b></u>	<u><b>61,096,873</b></u>	<u><b>9,419,313</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	222,603,668	2,630,629	7,165,678
Restricted for:			
Debt service	2,670,563		
Renewal and replacement reserve	1,318,150	453,107	
Unrestricted	<u>52,857,217</u>	<u>998,510</u>	<u>7,307,509</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 279,449,598</b></u>	<u><b>\$ 4,082,246</b></u>	<u><b>\$ 14,473,187</b></u>

(continued)

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
SEPTEMBER 30, 2010

	Enterprise Funds (concluded)		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Totals	
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 242,207	\$ 244,311	\$ 822,988
Cash with claims administrator		-	110,875
Investments	264,526	88,371,155	10,638,748
Accounts receivable, net	296,813	3,797,040	843,298
Unit connection fee notes receivable		73,198	
Interest receivable	132	237,399	1,661
Other assets	386,964	3,881,629	
Due from other funds		-	400,902
Due from other governments		1,783,100	
Inventory	56,073	682,129	
Restricted assets:			
Cash and cash equivalents	23,847	440,564	
Investments	985,512	7,858,937	
Total current assets	<u>2,256,074</u>	<u>107,369,462</u>	<u>12,818,472</u>
Non-current assets:			
Restricted Investments		839,331	
Unit connection fee notes receivable		297,023	
Capital assets:			
Land	1,853,363	97,785,724	
Golf course land improvements	5,185,385	5,185,385	
Buildings and improvements	11,809,614	33,665,539	
Water and sewer systems		304,443,487	
Furniture and equipment	1,005,524	8,300,423	
Accumulated depreciation	(4,702,145)	(92,788,262)	
Construction in progress		35,098,331	
Total non-current assets	<u>15,151,741</u>	<u>392,826,981</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>17,407,815</b></u>	<u><b>500,196,443</b></u>	<u><b>12,818,472</b></u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	58,170	4,607,125	19,041
Estimated liability for self insured losses			1,713,697
Customer deposits		1,049,170	
Due to other funds	545,615	590,996	509
Due to other governments	4,492	20,681	
Revenue bonds and notes payable	1,015,000	6,875,000	
Interest payable	183,942	1,134,707	
State loan payable		104,829	
Capital lease payable	32,837	661,399	
Compensated absences	12,961	167,893	
Total current liabilities	<u>1,853,017</u>	<u>15,211,800</u>	<u>1,733,247</u>
Non-current liabilities:			
Accrued landfill closure and post-closure costs		5,545,389	
Revenue bonds and notes payable	11,460,788	171,459,688	
State loan payable		627,361	
Capital lease payable		4,717,999	
Arbitrage rebate liability		35,662	
Accrued compensated absences	105,557	605,060	
Other liabilities	37,603	37,603	
Total non-current liabilities	<u>11,603,948</u>	<u>183,028,762</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u><b>13,456,965</b></u>	<u><b>198,240,562</b></u>	<u><b>1,733,247</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,643,116	235,043,091	
Restricted for:			
Debt service	23,847	2,694,410	
Renewal and replacement reserve		1,771,257	
Unrestricted	<u>1,283,887</u>	<u>62,447,123</u>	<u>11,085,225</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 3,950,850</b></u>	<u><b>\$ 301,955,881</b></u>	<u><b>\$ 11,085,225</b></u> (concluded)

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Business-type Activities - Enterprise Funds</u>		
	St. Johns County Utilities	Ponte Vedra Utilities	Solid Waste
OPERATING REVENUES:			
Charges for services	\$ 21,750,787	\$ 9,403,467	\$ 17,850,154
Special assessment revenue			
Other operating revenue	1,694,989	122,987	202,631
Merchandise sales			
Total operating revenues	<u>23,445,776</u>	<u>9,526,454</u>	<u>18,052,785</u>
OPERATING EXPENSES:			
Contractual services	3,750,216	1,503,332	15,018,419
Salaries and benefits	6,423,950	1,727,528	842,014
Operating and maintenance expenses	4,603,398	2,031,151	373,369
Depreciation	8,634,169	707,481	330,412
Total operating expenses	<u>23,411,733</u>	<u>5,969,492</u>	<u>16,564,214</u>
OPERATING INCOME (LOSS)	<u>34,043</u>	<u>3,556,962</u>	<u>1,488,571</u>
NON-OPERATING REVENUES (EXPENSES):			
Investment income	1,862,999	99,658	244,927
Interest expense	(5,758,605)	(2,745,587)	(144,563)
Grant revenue	-		60,974
Franchise taxes			529,039
Unit connection fees	1,695,608	55,747	
(Loss) gain from asset disposition	4,199	1,520	12,015
Total non-operating revenues (expenses)	<u>(2,195,799)</u>	<u>(2,588,662)</u>	<u>702,392</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(2,161,756)</u>	<u>968,300</u>	<u>2,190,963</u>
Capital asset contributions	342,336	72,000	
Transfer in			
INCREASE IN NET ASSETS	<u>(1,819,420)</u>	<u>1,040,300</u>	<u>2,190,963</u>
NET ASSETS, BEGINNING OF YEAR	<u>281,269,018</u>	<u>3,041,946</u>	<u>12,282,224</u>
NET ASSETS, END OF YEAR	<u>\$ 279,449,598</u>	<u>\$ 4,082,246</u>	<u>\$ 14,473,187</u>

(continued)

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds (concluded)		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Totals	
OPERATING REVENUES:			
Charges for services	\$ 1,928,480	\$ 50,932,888	\$ 20,218,538
Special assessment revenue	702,287	702,287	
Other operating revenue	84,541	2,105,148	199,677
Merchandise sales	42,900	42,900	
Total operating revenues	2,758,208	53,783,223	20,418,215
OPERATING EXPENSES:			
Contractual services	47,096	20,319,063	19,340,369
Salaries and benefits	1,071,213	10,064,705	128,123
Operating and maintenance expenses	618,134	7,626,052	22,787
Depreciation	391,313	10,063,375	
Total operating expenses	2,127,756	48,073,195	19,491,279
OPERATING INCOME (LOSS)	630,452	5,710,028	926,936
NON-OPERATING REVENUES (EXPENSES):			
Investment income	4,112	2,211,696	40,153
Interest expense	(666,197)	(9,314,952)	
Grant revenue		60,974	
Franchise taxes		529,039	
Unit connection fees		1,751,355	
(Loss) gain from asset disposition	(23,330)	(5,596)	
Total non-operating revenues (expenses)	(685,415)	(4,767,484)	40,153
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(54,963)	942,544	967,089
Capital asset contributions	58,000	472,336	
Transfer in	488,288	488,288	
INCREASE IN NET ASSETS	491,325	1,903,168	967,089
NET ASSETS, BEGINNING OF YEAR	3,459,525	300,052,713	10,118,136
NET ASSETS, END OF YEAR	\$ 3,950,850	\$ 301,955,881	\$ 11,085,225

(concluded)

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Business-type Activities - Enterprise Funds			
	St. Johns County Utilities	Ponte Vedra Utilities	Solid Waste
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 21,460,196	\$ 9,335,029	\$ 18,066,954
Payments to suppliers	(7,140,254)	(3,785,506)	(14,977,511)
Payments to employees	(6,412,860)	(1,708,239)	(841,426)
Net cash provided by (used in) operating activities	<u>7,907,082</u>	<u>3,841,284</u>	<u>2,248,017</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfer in			60,974
Grants received			529,039
Franchise taxes			590,013
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>590,013</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(8,389,411)	(1,067,493)	(59,494)
Sale of capital assets	7,196	1,520	13,443
Principal payments on revenue bonds	(4,870,000)	(520,000)	(1,835,000)
Principal payments on State Revolving Loan	(102,166)		
Principal payments on long-term lease	(586,225)		
Interest paid on revenue bonds, loans and lease obligations	(2,931,418)	(2,779,318)	(144,564)
Capital contributed by developers	1,695,608	55,747	
Net cash used in capital and related financing activities	<u>(15,176,416)</u>	<u>(4,309,544)</u>	<u>(2,025,615)</u>
<b>INVESTING ACTIVITIES:</b>			
Investment purchases	(14,930,185)	(5,551,807)	(12,821,166)
Proceeds from sale of investments	17,828,787	4,443,212	10,121,324
Investment income received	2,006,815	108,433	268,928
Net cash provided (used) in investing activities	<u>4,905,417</u>	<u>(1,000,162)</u>	<u>(2,430,914)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,363,917)	(1,468,422)	(1,618,499)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,713,103</u>	<u>1,510,772</u>	<u>1,645,784</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 349,186</u>	<u>\$ 42,350</u>	<u>\$ 27,285</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Accretion of interest on capital appreciation bonds	2,913,046		
Change in fair value of investments	692,066	39,879	107,179
Capital assets contributed by developers	342,336	72,000	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 34,043	\$ 3,556,962	\$ 1,488,571
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	8,634,169	707,481	330,412
Amortization of bond issuance cost	352,294	81,435	14,141
Change in accounts receivable	(51,165)	(190,452)	15,387
Change in notes receivable	(45,835)	(973)	
Change in due from other funds			
Change in due from other governments	(1,782,900)		
Change in inventory	30,912		
Change in accounts payable and accrued liabilities	841,146	(366,988)	794,003
Change in customer deposits	808	30,750	500
Change in estimated liability for self insured losses			
Change in due to other funds	2,294	527	517
Change in due to other governments	(14,093)	3,253	
Change in accrued landfill closure and post-closure costs			(394,887)
Change in accrued compensated absences	11,090	19,289	591
Change in arbitrage liability	(105,681)		(1,218)
Change in other liabilities			
Net cash provided by (used in) operating activities	<u>\$ 7,907,082</u>	<u>\$ 3,841,284</u>	<u>\$ 2,248,017</u>

(continued)

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

ST. JOHNS COUNTY, FLORIDA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds (concluded)		Governmental Activities - Internal Service Funds
	Other Enterprise Funds	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,627,396	\$ 51,489,575	\$ 19,587,247
Payments to suppliers	(406,316)	(26,309,587)	(19,619,606)
Payments to employees	(1,063,773)	(10,026,298)	(128,123)
Net cash provided by (used in) operating activities	<u>1,157,307</u>	<u>15,153,690</u>	<u>(160,482)</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfer in	488,288	488,288	
Grants received		60,974	
Franchise taxes		529,039	
Net cash provided by noncapital financing activities	<u>488,288</u>	<u>1,078,301</u>	<u>-</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(2,050)	(9,518,448)	
Sale of capital assets	5,418	27,577	
Principal payments on revenue bonds	(985,000)	(8,210,000)	
Principal payments on State Revolving Loan		(102,166)	
Principal payments on long-term lease	(62,849)	(649,074)	
Interest paid on revenue bonds, loans and lease obligations	(674,401)	(6,529,701)	
Capital contributed by developers		1,751,355	
Net cash used in capital and related financing activities	<u>(1,718,882)</u>	<u>(23,230,457)</u>	<u>-</u>
<b>INVESTING ACTIVITIES:</b>			
Investment purchases	(1,250,038)	(34,553,196)	(10,508,449)
Proceeds from sale of investments		32,393,323	7,409,609
Investment income received	3,980	2,388,156	59,101
Net cash provided (used) in investing activities	<u>(1,246,058)</u>	<u>228,283</u>	<u>(3,039,739)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,319,345)	(6,770,183)	(3,200,221)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,585,399</u>	<u>7,455,058</u>	<u>4,023,209</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 266,054</u>	<u>\$ 684,875</u>	<u>\$ 822,988</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Accretion of interest on capital appreciation bonds		2,913,046	
Change in fair value of investments		839,124	1,978
Capital assets contributed by developers		414,336	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 630,452	\$ 5,710,028	\$ 926,936
Adjustments to reconcile operating income (loss) to cash provided by operating activities:			
Depreciation	391,313	10,063,375	
Amortization of bond issuance cost	265,353	713,223	
Change in accounts receivable	(130,812)	(357,042)	(781,640)
Change in notes receivable		(46,808)	
Change in due from other funds		-	(49,327)
Change in due from other governments		(1,782,900)	
Change in inventory	6,661	37,573	
Change in accounts payable and accrued liabilities	(18,546)	1,249,615	(112,681)
Change in customer deposits		32,058	
Change in estimated liability for self insured losses		-	(144,279)
Change in due to other funds	383	3,721	509
Change in due to other governments	(891)	(11,731)	
Change in accrued landfill closure and post-closure costs		(394,887)	
Change in accrued compensated absences	7,440	38,410	
Change in arbitrage liability		(106,899)	
Change in other liabilities	5,954	5,954	
Net cash provided by (used in) operating activities	<u>\$ 1,157,307</u>	<u>\$ 15,153,690</u>	<u>\$ (160,482)</u>

(concluded)

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

# ST. JOHNS COUNTY, FLORIDA

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

SEPTEMBER 30, 2010

	Agency Funds	OPEB Trust Fund
<b>ASSETS</b>		
Equity in pooled cash and cash equivalents	\$ 8,599,177	\$ 545,742
Accounts receivable	37,864	
Interest receivable		12,375
Investments, at fair value:		
Taxable Bonds - Fixed Income Funds		5,208,510
Stocks - Equity Funds		7,246,730
<b>TOTAL ASSETS</b>	<u>8,637,041</u>	<u>13,013,357</u>
<b>LIABILITIES</b>		
Accounts payable		202,850
Assets held for others	8,637,041	
<b>TOTAL LIABILITIES</b>	<u>8,637,041</u>	<u>202,850</u>
<b>NET ASSETS</b>		
Held in trust for other post employment benefits		12,810,507
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>	<u>\$ 12,810,507</u>

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

**ST. JOHNS COUNTY, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**OTHER POST-EMPLOYMENT BENEFITS TRUST FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

---

ADDITIONS

Contributions:

Employer	\$ 2,722,073
----------	--------------

Investment income:

Interest	6,415
Dividends	305,016
Net appreciation in the fair value of investments	836,322
Total investment earnings	1,147,753
Less investment expense	54,794
Net investment income	1,092,959

TOTAL ADDITIONS	3,815,032
-----------------	-----------

DEDUCTIONS

Benefits	2,007,898
Administrative services	13,000
TOTAL DEDUCTIONS	2,020,898

CHANGE IN NET ASSETS	1,794,134
----------------------	-----------

NET ASSETS HELD IN TRUST FOR OTHER POST EMPLOYMENT BENEFITS, BEGINNING	11,016,373
---	------------

NET ASSETS HELD IN TRUST FOR OTHER POST EMPLOYMENT BENEFITS, ENDING	\$ 12,810,507
--	---------------

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

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

## 1. REPORTING ENTITY

St. Johns County (the "County") is a political subdivision of the State of Florida established in 1821. The County is organized under Article III of the Constitution of the State of Florida that empowers the creation of political subdivisions of the State. It is governed by an elected Board of County Commissioners ("Board"), which derives its authority by Florida Statutes and regulations. In addition to the members of the Board, there are five elected Constitutional Officers that are legally separate entities: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections. The Constitutional Officers maintain separate accounting records and budgets.

For the purpose of these financial statements the financial reporting entity includes St. Johns County (the primary government) and its component units as required by accounting principles generally accepted in the United States of America ("Generally Accepted Accounting Principles").

The component units discussed below are included in the County's reporting entity either because of the significance of the operational relationship or because the County is financially accountable for the component unit.

The County is financially accountable for an organization when the County appoints a voting majority for the organization's governing body and is able to impose its will on the organization; there is a potential for the organization to provide a financial benefit or impose a financial burden on the County; or the organization is fiscally dependent on the County.

Blended Component Units, although legally separate entities, are, in substance, part of the government's operations and so data from these units is combined with data of the primary government.

### **Blended Component Units**

The Anastasia Sanitary District, St. Johns County Community Redevelopment Agency, Elkton Drainage District, Ponte Vedra Zoning & Adjustment Board, and the Vilano Street Lighting District are blended component units of the County. These component units are included in the county's reporting entity because they have substantially the same governing board as the primary government. Each meets the criteria for financial accountability since the board approves the budgets for each district.

The Anastasia Sanitary District is a legislatively created body of local government. In 1992, its assets and liabilities were transferred to the Board by a subsequent act of the State legislature.

There has been no activity for the Anastasia Sanitary District since that date, but the Anastasia Sanitary District maintains its legal existence.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**1. REPORTING ENTITY (concluded)**

Discretely Presented Component Units are reported in separate columns on the county-wide financial statements to emphasize they are legally separate from the County.

**Discretely Presented Component Units**

The St. Johns County Housing Finance Authority (the "HFA") was created as a Florida public corporation in accordance with Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes (1979), following the adoption of an approving ordinance (No. 80-7, dated February 26, 1980) by the Board of County Commissioners of St. Johns County, Florida. The purpose of the HFA is to encourage the investment of private capital and stimulate the construction of residential housing for low to moderate income families through the use of public financing. The HFA is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County.

The St. Johns County Industrial Development Authority (the "IDA") was created as a Florida public corporation in accordance with Florida Finance Authority Law, Part III of Chapter 159, Florida Statutes (1979), following the adoption of an approving ordinance (No. 80-9, dated January 22, 1980) by the Board of County Commissioners of St. Johns County, Florida. The purpose of the IDA is to stimulate industrial development through the use of public financing. The IDA is authorized to issue bonds to fulfill its corporate purpose in principal amounts specifically authorized by the County.

Separately issued financial statements are available as follows:

St. Johns County Housing Finance Authority  
P.O. Box 1533  
St. Augustine, Florida 32085-1533

St. Johns County Industrial Development Authority  
2825 Lewis Speedway, Suite 104  
St. Augustine, Florida 32084

At September 30, 2010, St. Johns County had not entered into any joint ventures with any other governmental agencies.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The following is a summary of the more significant policies.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **A. Basis of Presentation**

The accompanying financial statements of the County have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB), The Financial Accounting Standards Board (FASB), and the American Institute of Certified Public Accountants (AICPA). Under the auspices of GASB Statement 20, the County does not apply FASB pronouncements issued after November 30, 1989 for enterprise funds unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles for units of local government.

### **B. Basic Financial Statements**

The basic financial statements include both county-wide and fund level statements. The county-wide statements report on all of the nonfiduciary activities of the County and its component units. Both the county-wide and fund level statements classify primary activities of the County as either governmental activities, which are primarily supported by taxes and intergovernmental revenues, or business-type activities, which are primarily supported by user fees and charges.

The county-wide statement of net assets reports all assets and liabilities of the County, including both long-term assets and long-term debt and other obligations. The statement of activities reports the degree to which direct expenses of county functions are offset by program revenues, which include program specific grants and charges for services provided by a specific function. Direct expenses are those that are clearly identifiable with a specific function or program. The net cost of these programs, which was not reported in the previous statement model, is funded from general revenues such as taxes, intergovernmental revenue, and interest earnings.

The fund level statements are similar to the statements presented in the previous reporting model. The fund level statements report on governmental, proprietary, and fiduciary fund activities. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund level financial statements.

Since the fund level statements for governmental activities are presented using a different measurement focus and basis of accounting than the county-wide statements' governmental column (as discussed under Basis of Accounting in this summary of significant accounting principles), a reconciliation is presented on the page following governmental fund level statements that briefly explains the adjustments necessary to convert the fund level statements into the county-wide governmental column presentations.

Finally, the effect of interfund activity has been eliminated from the government-wide statements unless elimination of the payments, such as the indirect general fund administration charges for services between the several special revenue funds and the proprietary funds, distorts the direct cost reported for these functions.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Fund Structure**

The County's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording assets and other financing resources, together with liabilities and residual equities or balances, and changes therein. For financial statement presentation, funds with similar characteristics, including those component units referenced above, are grouped into generic classifications as required by GAAP. A brief description of these classifications follows:

### **Governmental Funds**

These funds report transactions related to resources received and used for those services traditionally provided by governmental agencies. The following are major governmental funds used by the County:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Transportation Trust Fund- This fund is used to account for all revenues and expenditures for the County's transportation system.

### **Proprietary Funds**

These funds report transactions related to activities similar to those found in the private sector. Major proprietary funds include:

St. Johns County Utilities - This fund accounts for the operations of the County's water and wastewater treatment services to certain areas of St. Johns County.

St. Johns County Ponte Vedra Utilities - This fund accounts for the operations of the Ponte Vedra water and wastewater treatment services.

St. Johns County Solid Waste - This fund accounts for the operations of the County's landfill and transfer stations.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the funds' principal ongoing operation. The principal operating revenues for the County's enterprise funds are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Other Funds

*Internal Service Funds* – Internal service funds account for services provided primarily to other departments and elected officials of the County on a cost-reimbursement basis. The county has two internal service funds for collecting premiums and handling the payment of claims. They are the County's Workers Compensation and Health Insurance Funds.

*Trust and Agency Funds* – Trust and agency funds are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals. The County reports these funds for the Board of County Commissioners, Clerk of Courts, Sheriff and Tax Collector. These funds account for the receipt and disbursement of funds that are custodial in nature, such as ad valorem taxes, cash bonds, traffic fines, support payments and other post-employment benefits for employees.

### C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The county-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and trust fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

Agency fund statements report assets and liabilities on accrual basis of accounting only and, since there is no change in County equity from the receipt and disbursement of funds, it is not necessary to prepare operating statements and therefore fiduciary funds do not have a measurement focus of accounting.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenues that are determined to be susceptible to accrual include state shared revenue, intergovernmental revenue, charges for services and investment income. Federal grants collected on a reimbursement basis are recognized as revenue when reimbursable expenditures are made.

Revenues collected on an advance basis, including certain federal grant revenue, to which the County does not yet have legal entitlement, are not recognized as revenue until the related commitment arises. Generally, the County considers a 60-day availability period for revenue recognition.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Expenditures are recorded when the related fund liability is incurred, except for items that are not planned to be liquidated with expendable available resources.

As a general rule, the effect of inter-fund activity has been eliminated from the county-wide financial statements.

**D. Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less when acquired. This includes cash in banks, petty cash, repurchase agreements, investments held by US Bank in the First American Funds Money Market Fund and balances in the Local Government Surplus Funds Trust Fund (the "State Pool") administered by the State Board of Administration.

**E. Investments**

Investments are valued at fair value as determined from quoted market prices at September 30, 2010.

**F. Property Taxes**

The Tax Collector bills and collects property taxes. Tax revenues are recognized when levied, to the extent that they result in current receivables. At September 30, 2010, there were no property tax receivables.

Details of the County's tax calendar are presented below:

Lien date	January 1, 2010
Levy date	October 1, 2010
Delinquent date	April 1, 2010

**G. Inventories**

Inventories, consisting primarily of expendable items (materials and supplies), are determined by physical count at the fiscal year end and valued at cost on the basis of the "first-in first-out" method of accounting.

Governmental Fund and Proprietary Fund inventories are recorded as an expenditure when consumed rather than when purchased (consumption method) for financial statement purposes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### H. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because a restriction is either imposed by law through constitutional provisions or enabling legislation, or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use. It is the practice of the County to utilize restricted net assets before unrestricted net assets.

### I. Capital Assets

All purchased capital assets are recorded at cost where historical records are available and at estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Generally, capital assets costing more than \$1,000 and having a useful life of more than one year are capitalized. However, varying asset capitalization thresholds are established for the various types of infrastructure assets and, normally, the County does not capitalize interest.

Intangible assets, including easements and internally generated computer software, are capitalized at cost or at the fair market value when received from the developer. Easements, which are attached to land, have indefinite useful lives and are not amortized. Internally generated computer software is amortized over the useful life of the software and varies as determined by the County's Information Technology Department.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are reported in the applicable governmental or business-type column in the county-wide financial statements, and in the proprietary fund level statements.

The County began prospective reporting of general infrastructure assets as of the effective date of GASB Statement No. 34. Effective October 1, 2005, the County began retroactive reporting of all major general governmental infrastructure assets.

Depreciation on all capital assets is calculated using the straight-line method over the following useful lives:

Infrastructure	25-75 years
Bridges	35-75 years
Buildings and improvements	10-60 years
Furniture and equipment	4-10 years
Water and Sewer Systems	10-50 years

### J. Accrual for Landfill Closure and Post-Closure Costs

Based on the consulting engineer's cost estimates, a portion of the estimated closure and post-closure cost for the Tillman Ridge Landfill is recognized as expense each year to match the flow of revenues. The estimated closure and post-closure cost accrued at September 30, 2010 is based on the current estimate to complete closure of the landfill, and the current estimate to perform long-term care over the next 21 years.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **K. Deferred Revenue**

Deferred revenue reported in the Governmental Funds represents revenues that are measurable but not available. The deferred revenue will be recognized in the fiscal year it becomes available. Deferred revenue is recorded in other liabilities.

### **L. Long-Term Obligations**

In the county-wide financial statements, governmental long-term debt and other governmental long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Assets. Long-term debt and other long-term obligations of the proprietary funds are reported as liabilities in the business-type activities column of the Statement of Net Assets and the appropriate proprietary fund in the fund level statements.

### **M. Accrued Compensated Absences**

County employees may accumulate earned personal leave benefits (compensated absences) at various rates within limits specified in the County's Administrative Code. This liability reflects amounts attributable to employee services already rendered, cumulative, probable for payment, and reasonably estimated in conformity with GASB Statement No. 16, Accounting for Compensated Absences.

Compensated absences liabilities are accrued when incurred in the county-wide financial statements and the proprietary fund level statements. No expenditure is reported in the governmental fund level statements for these amounts until payment is due. No liability is recorded for non-vesting accumulated sick pay benefits. Compensated absences liability is based on current rates of pay.

### **N. Reserves of Fund Balances**

Reserves reported in the fund level statements represent portions of fund balance that cannot be appropriated for expenditures or which have been legally segregated for specific future uses.

### **O. Use of Estimates**

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **P. Future Accounting Pronouncement**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the county's fiscal year beginning October 1, 2010. The objectives of Statement 54 are to enhance the usefulness of fund balance information and clarify the existing governmental fund type definitions. The County is currently evaluating the effects this Statement will have on its financial statements for the year ending September 30, 2011.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

### 3. CASH AND INVESTMENTS

#### A. Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less when acquired. This includes cash in banks, cash in bank deposit accounts for construction projects and debt service reserve obligations, petty cash, repurchase agreements, investments administered by US Bank in the First American Funds Money Market Fund ("Money Market Fund") and balances in the Local Government Surplus Funds Trust Fund (the "State Pool") administered by the State Board of Administration ("SBA"). The State Pool is an investment pool authorized by Section 218.405, Florida Statutes and operates under investment guidelines established by Section 215.47, Florida Statutes. Previously, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the subprime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools ("Florida PRIME" and "Fund B"). The Florida PRIME has adopted operating procedures consistent with the requirements for a Securities and Exchange Commission Rule 2a7-like external investment.

The county's investment in the State Pool exposes it to credit risk and interest rate risks. These risks are described as follows:

- *Credit Risk* – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Florida PRIME is rated by Standard and Poors and has a rating at September 30, 2010 of AAAm.

The Fund B is not rated by a nationally recognized statistical rating agency.

- *Interest Rate Risk* – The risk that changes in interest rates will adversely affect the fair value of an investment.

The weighted average maturity (WAM) of the Florida PRIME at September 30, 2010 was 52 days.

The weighted average life (WAL) of Fund B at September 30, 2010 was 7.49 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. Since Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

The Florida PRIME balance of \$17,356,488 is reported at amortized cost. The fair value of the position in the pool is the same as the value of the pooled shares held at September 30, 2010.

Fund B is accounted for as a fluctuating net asset value pool. The County's share of the pool's market value was \$1,231,340.

The Money Market Fund is a Securities and Exchange Commission Rule 2a7 investment pool organized under the Investment Company Act of 1940. It is required to invest exclusively in securities that mature within 397 days from the date of purchase and to maintain an average weighted maturity of not more than 90 days. As of September 30, 2010, the Money Market Fund balance was \$156,266 and had an average of 45 days to maturity. The Money Market Fund's investment strategy seeks to provide maximum current income and daily liquidity by purchasing high-quality short-term debt securities such as commercial paper, repurchase agreements, variable rate demand notes, and bank instruments.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**3. CASH AND INVESTMENTS (continued)**

At September 30, 2010, all of the County's bank deposits were held in qualified public depositories, pursuant to Chapter 280, Florida Statutes and are fully insured or collateralized.

**Component Units** – At September 30, 2010 the Housing Finance Authority and Industrial Development Authority's cash on deposit was entirely insured or collateralized pursuant to Chapter 280, Florida Statutes.

**B. Investments**

On January 8, 2008, and subsequently amended on September 15, 2009, the County formally adopted a comprehensive change to the investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the County's investment assets. The County maintains common investment pool portfolios for the use of all available surplus funds ("Surplus Funds") and a separate portfolio which is held in an irrevocable trust for the St. Johns County OPEB Employee Trust Fund ("OPEB Trust Fund").

In addition, investments are separately held by the County's special revenue, debt service, capital projects and enterprise funds.

Investments are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

Section 218.415, Florida Statutes, limits the types of investments that the County can invest in unless specifically authorized in the County's investment policy. The County has a formal investment policy that allows for the following investments: the State Pool, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-negotiable Interest Bearing Certificates of Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Mutual Funds) and Intergovernmental Investment Pool.

The allowable investments of the OPEB Trust Fund include Registered Investment Companies (Equity, Real Estate and Fixed Income Mutual Funds) organized under the Investment Company Act of 1940 with holdings of domestic and/or international equities, high quality domestic fixed income investments, real estate and/or cash equivalents; Registered Investment Companies (Money Market Mutual Funds) that are rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and Commingled Trusts (Equity, Real Estate and Fixed Income Trusts) organized by a bank under the Office of the Controller of the Currency guidelines with holdings of domestic and/or international equities, high quality domestic fixed income investments, real estate and/or cash equivalents. Additionally, the OPEB Trust Fund may include Banker's Acceptances; Certificates of Deposits; Savings Accounts; Short-Term Corporate Obligations; Fixed Income Securities; U.S. Treasury, Federal Agencies and U. S. Government Guaranteed Obligations; Investment Grade Municipal Issues; Investment Grade Corporate Issues including Convertibles; Common and Preferred Stocks; Real Estate Investment Trusts and Private Real Estate in pooled vehicles.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**3. CASH AND INVESTMENTS (continued)**

1. Interest Rate Risk

The County's Surplus Funds investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds will have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants. From time to time the above parameters may require modification in order to meet specific construction draw schedules or other predetermined operating, capital needs or to satisfy debt obligations but in no event shall exceed five years.

As of September 30, 2010, the County's Surplus Fund portfolios had the following investments and effective duration presented in terms of years:

<i>Surplus Fund Investments</i>	<i>Fair Value</i>	<i>Weighted Duration (Years)</i>
US Treasury - Bond/Notes	58,274,416	1.07
Federal Instrumentalities - Bond/Notes		
FFCB Notes	18,108,685	1.51
FHLB Bonds/Notes	30,665,740	1.28
FHLMC Notes	21,360,370	1.32
FNMA Bonds/Notes	53,898,494	1.26
	124,033,289	
Commercial Paper	48,030,002	0.07
	230,337,707	0.99

This risk is minimized in the OPEB Trust Fund because the County utilizes "effective duration" as a measurement of interest rate risk for Trust assets. Trust assets are a mix of both equity- and fixed income-oriented mutual funds. As of September 30, 2010, the portion of assets susceptible to interest rate risk (including Fixed Income and Cash Equivalent asset classes) was 38.6% and had an effective duration of 3.83 years. Effective duration is not a characteristic applicable to equity-oriented mutual funds (including Domestic and International Equity, REIT and Inflation Hedged asset classes) and thus is not relevant for GASB Statement No. 40.

As of September 30, 2010, OPEB Trust Fund investment holdings consist of \$13,000,982 in Domestic Equity, International Equity, Real Estate Investment Trust (REIT), Inflation Hedged, Fixed Income and Cash Equivalent investments which are reported at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**3. CASH AND INVESTMENTS (continued)**

As of September 30, 2010, the Trust consisted of the following asset classes and percent allocation:

<i>Asset Class</i>	<i>Market Value</i>	<i>Percent Allocation</i>
Domestic Equity	\$ 4,416,628	33.97%
International Equity	2,451,191	18.85%
REITs	372,412	2.87%
Commodity Index	407,286	3.13%
Fixed Income	4,807,723	36.98%
Cash Equivalent	545,742	4.20%
<b>Total</b>	<b>\$ 13,000,982</b>	<b>100.00%</b>

Interest receivable on the County's investment portfolios amounted to \$467,461 as of September 30, 2010.

Included in the Surplus Fund portfolio, the County has \$23,712,848 in Federal Instrumentalities that have, at the issuer's discretion, provisions to call their obligations.

2. Credit Risk

The County's Surplus Funds investment policy permits for investments in the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as follows:

- Money Market Mutual funds shall be rated "AAM" or "AAM-G" or better by Standard & Poor's or the equivalent by another national rating agency.
- State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's and "SP-2" by Standard & Poor's for short-term debt.
- Bankers' acceptances issued by a domestic bank, which has at the time of purchase an unsecured, uninsured and un-guaranteed obligation rating, at the time of purchase, of at least "Prime-1" by Moody's Investors Services or "A-1" by Standard & Poor's. The bank must be ranked in the top fifty (50) United States banks in terms of total assets by the American Banker's yearly report. Additionally, the bank shall not be listed with any recognized credit watch information service.
- Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). Additionally, if backed by a letter of credit ("LOC"), the long-term debt of the LOC provider must be rated at least "A" by at least two nationally recognized rating agencies and must be ranked in the top fifty (50)

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**3. CASH AND INVESTMENTS (continued)**

United States banks in terms of total assets by the American Banker's yearly report. The company shall not be listed with any recognized credit watch information service.

Additionally, the OPEB Trust Fund's investment policy permits for investments in fixed income securities and cash equivalents that are limited to credit quality ratings from nationally recognized rating agencies as follows:

- *Fixed Income*  
 Fixed Income Investments shall be high quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, Federal Agencies and U.S. Government guaranteed obligations, and (2) investment grade municipal or corporate issues including convertibles. The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard and Poor's).
- *Cash Equivalents*  
 Cash equivalent reserves shall consist of cash instruments having a quality rating of "A-1", "P-1" or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificate of deposit and savings accounts must be made of United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least \$50 million. Short-term corporate obligations must be rated "A" or better by Moody's or by Standard & Poor's.

As of September 30, 2010, the portion of assets susceptible to credit risk (including Fixed Income and Cash Equivalent asset classes) had a weighted average credit quality of "B-AA". Credit quality is not a characteristic applicable to equity-oriented mutual Funds (including Domestic and International Equity, REIT and Inflation Hedged asset classes) and thus is not relevant for GASB Statement No. 40 purposes.

<i>Investment Type</i>	<i>Fair Value</i>	<i>Unrated Exempt</i>	<i>AAA</i>	<i>A-1 or greater</i>	<i>B or greater</i>
<b>Surplus Fund</b>					
US Treasuries-Bonds/Notes	\$ 58,274,416	58,274,416			
Federal Instrumentalities-Bonds Notes	124,033,289		124,033,289		
Commercial Paper	48,030,002			48,030,002	
Subtotal:	230,337,707	58,274,416	124,033,289	48,030,002	-
<b>OPEB Trust Fund</b>					
Investment Assets:					
Taxable Bonds-Fixed Income Funds	5,208,510				5,208,510
Stocks - Equity Funds	7,246,730	7,246,730			
Liquidity Assets:					
Cash Equivalents	545,742		545,742		
Subtotal:	13,000,982	7,246,730	545,742	-	5,208,510
Total:	243,338,689	65,521,146	124,579,031	48,030,002	5,208,510

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**3. CASH AND INVESTMENTS (continued)**

3. Custodial Credit Risk

The County's investment policy requires securities, with the exception of certificates of deposits, to be held with a third party custodian; and all securities purchased by, and all collateral obtained by the County should be properly designated as an asset of the County.

The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

Finally, the County's investment policies require all assets be held with the custodial bank under a contractual agreement signed by the Chairman of the Board and the Clerk as Chief Financial Officer. All securities purchased by and all collateral obtained by the investment managers and/or the Clerk are designated as assets of the Surplus Fund or OPEB Trust Fund respectively. No withdrawal of securities, or transfer of funds, in whole or in part, can be made from safekeeping except by written authorization by the Clerk. Securities transactions between a broker/dealer and the custodial bank involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodial bank will have the security or money, as appropriate, in hand at the conclusion of the transaction.

As of September 30, 2010, the County's Surplus Fund and OPEB Trust Fund investment portfolios were held with a third-party custodian as required by the County's investment policies.

The rest of this page left blank.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**3. CASH AND INVESTMENTS (continued)**

4. Concentration of Credit Risk

The County's investment policies have established asset allocation and issuer limits on the following investments. This is designed to reduce concentration of credit risk of the County's Surplus Fund and OPEB Trust Fund portfolios. The table below reflects the allowed distribution by investment type.

Security Type	Surplus Fund Allocation Permitted by Policy	Trust Fund Allocation Permitted by Policy	Trust Fund Allocation Target
Investment Assets			
Domestic Equity		26-46%	36%
International Equity		13-33%	23%
REIT		0-12%	6%
Fixed Income		20-60%	35%
Liquidity Assets			
Cash Equivalents		0% - 100%	100%
United States Treasury Securities	100%		
United States Government Agency Securities	50%		
Federal Instrumentalities	1 80%		
Certificates of Deposit	50%		
Repurchase Agreements	50%		
Commercial Paper	35%		
Mortgage-Backed Securities	1 25%		
Bankers' Acceptances	35%		
State and/or Local Government Debt	20%		
Money Market Mutual Funds	50%		
Intergovernmental Investment Pool	25%		
Guaranteed Investment Contracts	2 100%		

Notes:

1. The combined total of Federal Instrumentalities and Mortgage Backed Securities can not be more than 80%.

2. The Guaranteed Investment Contracts, which are not allowed under the County Investment Policy, were specifically adopted and authorized under the terms of the Resolution for the Series 2006, Transportation and Sales Tax Revenue Bonds. The permitted allocation was 100% of total bond proceeds.

Additionally, an effort shall be made, to the extent practical, prudent and appropriate, to select investments, commingled funds and/or mutual funds that have investment objectives and policies that are consistent with the County's policies. However, given their nature, it is recognized that there may be deviations between the policies and the objectives of the investments. A commingled fund or mutual fund will not be included in OPEB Trust Fund portfolio unless it complies with the Investment Company Act of 1940's diversification requirement.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**3. CASH AND INVESTMENTS (continued)**

*Equity*

Investment in common stocks, preferred stocks and publicly traded Real Estate Investment Trusts shall be limited to not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at market may be held in any one industry category.

*Fixed Income*

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, including, U.S. Treasury/Federal Agency issues, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies.

4. Foreign Currency Risk

The County investment policy does not allow for investments in foreign currency therefore the County has no exposure to foreign currency risk. However, the Trust's investment policy allows for non-U.S. investments through the use of commingled funds and/or mutual funds. All assets of the Trust are invested in funds denominated in U.S. Dollars. There is no direct foreign currency risk; however, underlying securities of these funds may be denominated in currencies other than the U.S. Dollar.

**4. ACCOUNTS AND NOTES RECEIVABLE**

Accounts receivable of the General Fund consist primarily of ambulance service accounts of \$1,948,005 and are reported net of an allowance for doubtful accounts of \$1,116,004 at September 30, 2010. The allowance represents 57% of the gross ambulance service accounts receivable at September 30, 2010. The balance of the receivable consists of miscellaneous service fees.

Accounts receivable of the Nonmajor Governmental Funds consist primarily of Mental Health Medicare/Medicaid receivables, utility regulation assessments and other miscellaneous fees. An allowance for doubtful accounts is not considered necessary.

Accounts receivable contained in the Enterprise Funds consist of the following receivables and their related allowance for doubtful accounts at September 30, 2010:

	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
St. Johns County Utilities Fund	\$2,362,336	\$103,932	\$2,258,404
Ponte Vedra Utilities Fund	662,207	9,704	652,503
Solid Waste Fund	590,320	1,000	589,320
Golf Course Fund	2,831		2,831
Convention Center	293,982		293,982
	<u>\$3,911,676</u>	<u>\$114,636</u>	<u>\$3,797,040</u>

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**4. ACCOUNTS AND NOTES RECEIVABLE (continued)**

Notes receivable contained in the Statement of Net Assets for Governmental Activities includes \$400,000 in State Housing Initiatives Partnership (SHIP) program funds. The notes were provided as a "zero-percent interest" loan to assist in the development of multifamily housing units for low and very-low income rental housing.

Also included in notes receivable on the Statements of Net Assets for the Business Activities is \$370,221 of unit connection fee notes receivable. The amount due during the next fiscal year is \$73,198. Water and sewer unit connection fees are non-refundable fees charged to new customers of the utility system as a capacity charge. The related notes receivable bear interest at 5.00 % and are generally due in annual or monthly installments of principal and interest, with maturities of two to twenty years.

None of the above notes receivable are collateralized. At September 30, 2010, an allowance for doubtful accounts was not considered necessary.

**5. CAPITAL ASSET ACTIVITY**

Capital asset activity for the year ended September 30, 2010, was as follows:

Primary Government

	Beginning Balance 10/1/2009	Additions	Dispositions/ Reclassifications	Ending Balance 9/30/2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 439,249,875	\$ 5,313,348	\$ 5,000	\$ 444,558,223
Construction in progress	78,398,925	17,582,077	25,255,465	70,725,537
Total capital assets not being depreciated	<u>517,648,800</u>	<u>22,895,425</u>	<u>25,260,465</u>	<u>515,283,760</u>
Other capital assets:				
Buildings & other improvements	194,924,589	19,073,417		213,998,006
Equipment	67,190,396	4,437,746	2,883,088	68,745,054
Infrastructure	492,193,854	17,880,268		510,074,122
Total other assets	<u>754,308,839</u>	<u>41,391,431</u>	<u>2,883,088</u>	<u>792,817,182</u>
Less accumulated depreciation for:				
Buildings & other improvements	47,800,320	6,043,126		53,843,446
Equipment	41,643,000	6,936,398	2,729,522	45,849,876
Infrastructure	52,348,446	13,568,264		65,916,710
Total accumulated depreciation	<u>141,791,766</u>	<u>26,547,788</u>	<u>2,729,522</u>	<u>165,610,032</u>
Other capital assets, net	<u>612,517,073</u>	<u>14,843,643</u>	<u>153,566</u>	<u>627,207,150</u>
Governmental activities capital assets, net	<u>\$ 1,130,165,873</u>	<u>\$ 37,739,068</u>	<u>\$ 25,414,031</u>	<u>\$ 1,142,490,910</u>

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**5. CAPITAL ASSET ACTIVITY (continued)**

	Beginning Balance 10/1/2009	Additions	Dispositions/ Reclassifications	Ending Balance 9/30/2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 97,266,544	\$ 519,180		\$ 97,785,724
Land improvements - golf course	3,951,265			3,951,265
Construction in progress	29,867,780	9,599,579	4,369,028	35,098,331
Total capital assets not being depreciated	<u>131,085,589</u>	<u>10,118,759</u>	<u>4,369,028</u>	<u>136,835,320</u>
Other capital assets:				
Buildings & other improvements	33,427,821	237,718		33,665,539
Equipment & systems	309,160,248	4,003,334	419,672	312,743,910
Golf course improvements	1,234,120			1,234,120
Total other assets	<u>343,822,189</u>	<u>4,241,052</u>	<u>419,672</u>	<u>347,643,569</u>
Less accumulated depreciation for:				
Buildings & other improvements	28,788,813	9,318,862		38,107,675
Equipment & systems	53,442,907	733,468	386,500	53,789,875
Golf course improvements	879,667	11,045		890,712
Total accumulated depreciation	<u>83,111,387</u>	<u>10,063,375</u>	<u>386,500</u>	<u>92,788,262</u>
Other capital assets, net	<u>260,710,802</u>	<u>(5,822,323)</u>	<u>33,171</u>	<u>254,855,308</u>
Business-type activities capital assets, net	<u>\$ 391,796,391</u>	<u>\$ 4,296,436</u>	<u>\$ 4,402,200</u>	<u>\$ 391,690,627</u>

The rest of this page left blank.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**5. CAPITAL ASSET ACTIVITY (concluded)**

Depreciation expense was charged to the functions of the primary government as follows:

**Governmental activities:**

General government	\$	2,173,924
Public safety		6,544,584
Physical environment		176,249
Transportation		14,389,125
Economic environment		2,837
Human services		598,693
Culture and recreation		2,628,607
Court related		33,769
Total depreciation expense - Governmental activities	\$	<u>26,547,788</u>

Depreciation expense was charged to the functions of the primary government as follows:

**Business-type activities:**

St. Johns County Utilities	\$	8,634,169
Ponte Vedra Utilities		707,481
Solid Waste		330,412
Golf Course		171,313
Convention Center		220,000
Total depreciation expense - Business-type activities	\$	<u>10,063,375</u>

**6. LONG-TERM OBLIGATIONS**

A. Long-term obligations at September 30, 2010 are comprised of the following:

**General Long-Term Obligations**

Revenue Bonds:

\$10,950,000 2009A Sales Tax Revenue Refunding Bonds; secured by a lien upon and pledge of local government half-cent sales tax to refund the outstanding Sales Tax Revenue Refunding Bonds, Series 1998, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$140,000 to \$1,505,000 through October 1, 2019; plus interest at 2.5% to 4.25% payable semiannually (less unamortized discount of \$111,763; less unrecognized loss on refunding of \$152,765). The approximate balance of the pledge, which equals the remaining principal and interest, is \$13,304,979, \$11,040,727 was recognized in sales tax revenues during FY 2010 and \$524,194 was paid for debt service.

10,550,472

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

<p>\$23,520,000 2009 Sales Tax Revenue and Refunding Bonds; secured by a lien upon and pledge of local government half-cent sales tax revenues for the construction of various capital improvements, to refund the outstanding Commercial Paper Revenue Note, Draw No. A-2-3, fund the cash debt service reserve account and pay certain costs of issuance; due in annual installments of \$800,000 to \$1,820,000 through October 1, 2028; plus interest at 4.99% payable semiannually. The approximate balance of the pledge, which equals the remaining principal and interest, is \$35,673,320. \$11,040,727 was recognized in sales tax revenues during FY 2010 and \$1,913,688 was paid for debt service.</p>	22,360,000
<p>\$29,245,000 2006 Transportation Improvement Revenue Bonds; secured by a lien upon and pledge of gas tax revenues for the cost of acquisition, construction and installation of certain capital transportation projects, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$475,000 to \$3,745,000 through October 1, 2035; plus interest at 3.5% to 5.0% payable semiannually (including unamortized premium of \$1,754,301). The approximate balance of the pledge, which equals the remaining principal and interest, is \$53,922,613.. \$7,977,370 was recognized in gas tax revenues during FY 2010 and \$1,834,487 was paid for debt service.</p>	29,684,301
<p>\$46,500,000 2006 Sales Tax Revenue Bonds; secured by a lien upon and pledge of local government half-cent sales tax for the construction of various capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$805,000 to \$5,475,000 through October 1, 2036; plus interest at 4.0% to 5.0%, payable semiannually (including unamortized premium of \$2,800,065). The approximate balance of the pledge, which equals the remaining principal and interest, is \$79,281,735. \$11,040,727 was recognized in sales tax revenues during FY 2010 and \$2,986,150 was paid for debt service.</p>	47,070,065
<p>\$21,685,000 2005 Capital Improvement Revenue and Refunding Bonds; secured by a lien upon and pledge of State Revenue Sharing Funds for the construction of various general government capital improvements including the West Augustine CRA, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$455,000 to \$1,060,000 through July 1, 2035; and interest at 3.75% to 4.5%, payable semiannually (less unamortized discount of \$255,112). The approximate balance of the pledge, which equals the remaining principal and interest, is \$29,378,120. \$3,792,086 was recognized in state revenue sharing revenues during FY 2010 and \$1,227,722 was paid for debt service.</p>	17,884,888

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

\$40,720,000 2004 Sales Tax Revenue Bonds; secured by a lien upon and pledge of local government half-cent sales tax for the construction of various general government capital improvements including the Vilano Beach CRA, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$75,000 to \$3,310,000 through October 1, 2034; and interest at 3.25% to 5.25%, payable semiannually (less unamortized discount of \$584,125). The approximate balance of the pledge, which equals the remaining principal and interest, is \$75,151,158. \$11,040,727 was recognized in sales tax revenues during FY 2010 and \$2,105,161 was paid for debt service. 39,785,875

\$30,000,000 2003 Transportation Improvement Revenue Bonds; secured by a lien upon and pledge of gas tax revenues for the cost of acquisition, construction and installation of certain capital transportation projects, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$790,000 to \$1,995,000 through October 1, 2032; and interest at 2.5% to 5.125% payable semiannually (including unamortized premium of \$442,510). The approximate balance of the pledge, which equals the remaining principal and interest, is \$46,544,102. \$7,977,370 was recognized in gas tax revenues during FY 2010 and \$2,094,167 was paid for debt service. 28,212,510

\$7,520,000 2002 Sales Tax Revenue Refunding Bonds; secured by a lien upon and pledge of local government half-cent sales tax for the construction of various capital improvements, refund the outstanding Series 1994 bonds, fund the debt service reserve account surety bond and pay certain costs of issuance ; final installment of \$935,000 due on October 1, 2011; and interest at 3.75%, payable semiannually (including unamortized premium of \$7,173; less unrecognized loss on refunding of \$16,167). The approximate balance of the pledge, which equals the remaining principal and interest, is \$973,729. \$11,040,727 was recognized in sales tax revenues during FY 2010 and \$971,131 was paid for debt service. 926,006

---

Total Revenue Bonds Payable 196,474,117

\$4,150,000 Pooled Commercial Paper Loan; secured with a governmental commitment to budget and appropriate necessary non-ad valorem revenues for the construction of various capital improvements; due in quarterly installments of \$102,000 to \$1,132,000 through December 4,2012; interest rates vary depending on market conditions on the day of sale and are charged as a blended rate of the notes outstanding in any particular month; due monthly. The approximate balance of the pledge, which equals the remaining principal and interest, is \$2,062,239. \$47,747,000 was recognized as the average legally available amount of non-ad valorem revenues during FY 2010 and \$1,865,141 was paid for debt service. 2,053,000

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

<p>\$5,134,778 Obligations under the State Revolving Loan Trust Fund; secured by a lien upon and pledge of revenues received within the Municipal Service Benefit Unit ("MSBU") for the construction (\$5,134,778) and capitalized interest (\$134,100) of capital projects within the Ponte Vedra Municipal Service District; due in semiannual installments of \$173,777 for principal of \$110,373 to \$171,251 through October 15, 2025; and interest of 2.95%. The approximate balance of the pledge, which equals the remaining principal and interest, is \$4,842,840. \$363,893 was recognized in MSBU revenues during FY 2010 and \$347,553 was paid for debt service.</p>	4,298,597
<p>\$6,000,000 2007 St. Johns County Community Redevelopment Agency Redevelopment Revenue Note - Flagler Estates Project; secured by a lien upon and pledge of tax increment financing revenues within the Flagler Estates Road and Water Control District for the construction of various transportation improvements, to refund the outstanding Series 2004 note and pay certain costs of issuance; due in annual installments of \$385,000 to \$590,000 through August 1, 2021; and interest at 4.33%; payable semiannually. The approximate balance of the pledge, which equals the remaining principal and interest, is \$6,704,856. \$254,523 was recognized in tax increment financing revenues during FY 2010 and \$614,428 was paid for debt service.</p>	5,275,000
<p>\$2,000,000 St. Johns County Fannie Mae Line of Credit; secured by a covenant to budget and appropriate legally available non-ad valorem revenues, a Construction Loan Agreement and Secured Promissory Note for the value of the loan, which is based upon a construction project for affordable housing within St. Johns County; due within 6 months of the date of the first advance; at an interest rate calculated based on LIBOR + 150 basis points at the date of the advance. The approximate balance of the pledge, which equals the remaining principal and interest of the current draws is \$261,481. \$47,747,000 was recognized as the average legally available amount of non-ad valorem revenues during FY2010 and \$3,184 was paid for interest and fiscal charges</p>	260,950
<p>Obligations under Capital Leases</p>	689,790
<p>Arbitrage rebate</p>	863,603
<p>Accrued compensated absences</p>	9,400,155
<p><b>Total General Long-Term Obligations</b></p>	<b>\$219,315,212</b>

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

**Proprietary Fund Long-Term Obligations**

Revenue Bonds:

<p>\$30,620,000 2007 Ponte Vedra Utilities Water and Sewer Revenue Bonds; secured by a lien upon and pledge of the Ponte Vedra water and sewer net revenues for the acquisition of Intercoastal Utility, construction of various Ponte Vedra utility capital improvements, capitalize a portion of the interest, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$250,000 to \$2,025,000 through October 1, 2037; and interest at 3.25% to 5.0% payable semiannually (including unamortized premium of \$332,608). The approximate balance of the pledge, which equals the remaining principal and interest, is \$56,357,639. \$4,358,180 was recognized in net revenues during FY 2010 and \$1,411,037 was paid for debt service.</p>	30,952,608
<p>\$4,155,000 2006 Solid Waste Disposal Revenue Bonds; secured by a lien upon and pledge of Solid Waste net revenues for the construction of landfill capital improvements and pay certain costs of issuance; due in annual installments of \$70,000 to \$295,000 through October 1, 2017; and interest at 4.1186%, payable semiannually. The approximate balance of the pledge, which equals the remaining principal and interest, is \$1,934,678. \$2,607,090 was recognized in net revenues during FY 2010 and \$1,979,563 was paid for debt service.</p>	1,675,000
<p>\$30,920,000 2006 Ponte Vedra Utilities Water and Sewer Revenue Bonds; secured by a lien upon and pledge of the Ponte Vedra water and sewer net revenues for the acquisition of St Johns Service Co. Utility, construction of various Ponte Vedra utility capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$540,000 to \$1,920,000 through October 1, 2035; interest at 3.5% to 5.0% payable semiannually (including unamortized premium of \$535,314). The approximate balance of the pledge, which equals the remaining principal and interest, is \$50,381,383. \$4,358,180 was recognized in net revenues during FY 2010 and \$1,854,550 was paid for debt service.</p>	29,585,314
<p>\$42,830,000 2006 St. Johns County Utilities Water and Sewer Revenue Bonds; secured by a lien upon and pledge of County water and sewer net revenue for the construction of various County utility capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$755,000 to \$2,325,000 through June 1, 2036; and interest at 4.0% to 5.0% payable semiannually (including unamortized premium of \$1,422,591; less unrecognized loss on refunding of \$104,921). The approximate balance of the pledge, which equals the remaining principal and interest, is \$73,481,691. \$14,808,908 was recognized in net revenues during FY 2010 and \$2,688,249 was paid for debt service.</p>	43,087,670

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

\$21,685,000 2005 Capital Improvement Revenue and Refunding Bonds; secured by a lien upon and pledge of State Revenue Sharing Funds for refunding the Series 1998 Capital Improvement Revenue Bonds, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$35,000 to \$90,000 through July 1, 2035; and interest at 3.75% to 4.5%, payable semiannually (less unamortized discount of \$19,480 and unrecognized loss on refunding of \$43,093). The approximate balance of the pledge, which equals the remaining principal and interest, is \$2,278,190. \$3,792,086 was recognized in state revenue sharing revenues during FY 2010 and \$90,939 was paid for debt service.

1,327,427

\$27,601,380 2004 St. Johns County Utilities Water and Sewer Revenue Bonds; secured by a lien upon and pledge of county water and sewer net revenues for the construction of various County utility capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$510,000 to \$1,757,685 through June 1, 2034; and interest at 2.5% to 5.52%, payable semiannually through June 1, 2021, annually thereafter (Including accreted interest on capital appreciation bonds of \$7,474,103; less unamortized discount of \$38,432). The approximate balance of the pledge, which equals the remaining principal and interest, is \$33,107,362. \$14,808,908 was recognized in net revenues during FY 2010, \$827,945 was paid for debt service and \$1,302,627 was accrued in interest on the capital appreciation bonds.

31,577,051

\$18,275,000 2004 Gulf Breeze, Florida Local Government Loan Program, secured by a lien upon and pledge of county's Convention Center revenues and transfers to refund the outstanding Series 1996 Convention Center bonds and pay certain costs of issuance; Due in annual installments of \$980,000 to \$1,490,000 through December 1, 2020; interest at 2.8% to 4.125% payable annually (less unamortized loss on refunding of \$2,131,640). The approximate balance of the pledge, which equals the remaining principal and interest, is \$16,268,515. \$1,731,180 was recognized in Convention Center revenues and transfers during FY 2010 and \$1,534,902 was paid for debt service.

11,148,360

\$14,260,000 1999A (non-taxable) and 1999B (taxable) St. Johns County Utilities Water and Sewer Revenue Refunding Bonds; secured by a lien upon and pledge of County water and sewer net revenues to refund part of the Series 1990B-I and Series 1990B-II bonds, for the construction of various County utility capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; final installment of \$2,335,000 due on June 1, 2011; and interest at 4.5%, payable semiannually (less unamortized discount of \$3,354 and unrecognized loss on refunding of \$23,761). The approximate balance of the pledge, which equals the remaining principal and interest, is \$2,401,696, \$14,808,908 was recognized in net revenues during FY 2010 and \$2,417,488 was paid for debt service.

2,307,885

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS (continued)**

<p>\$2,225,000 1998 St. Johns County Utilities Water and Sewer Revenue Refunding Bonds; secured by a lien upon and pledge of County water and sewer net revenues to refund the Series 1991 Subordinated Bonds, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$100,000 to \$155,000 through June 1, 2021; and interest at 5.0%, payable semiannually (less unamortized discount of \$19,836 and unrecognized loss on refunding of \$2,723). The approximate balance of the pledge, which equals the remaining principal and interest, is \$1,763,164. \$14,808,908 was recognized in net revenues during FY 2010 and \$163,139 was paid for debt service.</p>	1,342,441
<p>\$19,990,000 1996 St. Johns County Utilities Water and Sewer Revenue Refunding Bonds; secured by a lien upon and pledge of County water and sewer net revenues to refund part of the Series 1989, Series 1990B-II and Series 1991A bonds, for the construction of various County utility capital improvements, capitalize a portion of the interest, fund the debt service reserve account surety bond and pay certain costs of issuance; final installment of \$1,315,000 due on June 1, 2011; and interest at 5.5%, payable semiannually (less un-amortized discount of \$13,503 and unrecognized loss on refunding of \$35,899). The approximate balance of the pledge, which equals the remaining principal and interest, is \$1,349,714. \$14,808,908 was recognized in net revenues during FY 2010 and \$1,382,730 was paid for debt service.</p>	1,265,598
<p>\$14,680,398 1991A St. Johns County Utilities Water and Sewer Revenue Bonds; secured by a lien upon and pledge of County water and sewer net revenues for the acquisition of St Augustine Shores Utility, construction of various County utility capital improvements, fund the debt service reserve account surety bond and pay certain costs of issuance; due in annual installments of \$460,629 to \$868,006 through June 1, 2021; interest at 7.00% to 7.05%, payable annually for capital appreciation bonds where interest is due at maturity (including accreted interest on capital appreciation bonds of \$17,686,155; less unamortized discount of \$71,219). The approximate balance of the pledge, which equals the remaining principal and interest, is \$24,065,334. \$14,808,908 was recognized in net revenues during FY 2010 and \$1,610,419 was accrued in interest on the capital appreciation bonds.</p>	24,065,334
<p>Total Revenue Bonds Payable</p>	<hr/> 178,334,688

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (continued)

\$1,950,268 Obligations under St. Johns County Utilities State Revolving Loan Trust Fund; secured by a subordinated lien upon and pledge of County water and sewer net revenues for the construction (\$1,924,814) and capitalized interest (\$25,454) of County utility capital projects; due in semiannual installments of \$52,077 to \$60,772; and interest at 2.59%, payable semiannually. The approximate balance of the pledge, which equals the remaining principal and interest, is \$793,949. \$10,788,913 was recognized in net revenues during FY 2010 and \$123,118 was paid for debt service.	732,190
Obligations under Capital Leases	5,379,398
Landfill closure/post-closure care	5,545,389
Arbitrage rebate	35,662
Accrued Compensated Absences	772,953
<b>Total Proprietary Fund Long-Term Obligations</b>	<u>\$190,800,280</u>

The rest of this page left blank.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**6. LONG-TERM OBLIGATIONS** (continued)

B. Debt service requirements to maturity on the County's Long-Term Debt at September 30, 2010 are as follows:

Year Ending Sept. 30	Governmental Activities		Business-Type Activities		Totals	
	Interest	Principal	Interest	Principal	Interest	Principal
2011	\$ 9,416,927	\$ 5,856,323	\$ 5,868,351	\$ 6,979,829	\$ 15,285,278	\$ 12,836,152
2012	9,219,759	5,846,982	8,003,767	4,910,568	17,223,526	10,757,550
2013	9,021,505	6,777,786	7,693,995	5,190,662	16,715,500	11,968,448
2014	8,803,128	5,862,793	7,374,887	5,584,671	16,178,015	11,447,464
2015	8,576,118	6,085,008	7,039,525	5,722,308	15,615,643	11,807,316
2016-20	40,412,652	34,586,003	30,144,871	29,673,921	70,557,523	64,259,924
2121-25	30,240,922	41,011,401	20,512,101	28,904,321	50,753,023	69,915,722
2026-30	19,626,075	45,681,251	15,006,293	29,007,413	34,632,368	74,688,664
2031-35	8,140,638	47,295,000	7,972,986	31,870,275	16,113,624	79,165,275
2036-39	166,055	5,475,000	442,572	6,280,000	608,627	11,755,000
	<u>\$ 143,623,779</u>	<u>\$ 204,477,547</u>	<u>\$ 110,059,349</u>	<u>\$ 154,123,968</u>	<u>\$ 253,683,128</u>	<u>\$ 358,601,515</u>

The rest of this page left blank.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**6. LONG-TERM OBLIGATIONS** (continued)

C. Long-term debt transactions of the County for Fiscal Year 2010 are summarized below:

	<u>GOVERNMENTAL ACTIVITIES</u>			Balance September 30, 2010	Due within one year
	Balance October 1, 2009	Additions	Deductions		
Revenue sharing revenue and refunding revenue bonds, Series 2005	\$ 18,580,000		\$ 440,000	\$ 18,140,000	\$ 455,000
Sales tax revenue refunding bonds, Series 2009A	10,950,000		135,000	10,815,000	140,000
Sales tax revenue bonds, Series 2009	23,120,000		760,000	22,360,000	800,000
Sales tax revenue refunding bonds, Series 2006	45,040,000		770,000	44,270,000	805,000
Sales tax revenue bonds, Series 2004	40,445,000		75,000	40,370,000	75,000
Sales tax revenue refunding bonds, Series 2002	1,845,000		910,000	935,000	935,000
Transportation improvement revenue bonds, Series 2006	28,385,000		455,000	27,930,000	475,000
Transportation improvement revenue bonds, Series 2003	28,535,000		765,000	27,770,000	790,000
<b>Total Revenue Bonds</b>	<b>196,900,000</b>	<b>-</b>	<b>4,310,000</b>	<b>192,590,000</b>	<b>4,475,000</b>
Plus original issue premium	5,209,202		205,153	5,004,049	
Less unrecognized loss on refunding	202,073		33,141	168,932	
Less original issue discount	998,794		47,796	951,000	
<b>Total Revenue Bonds</b>	<b>200,908,335</b>	<b>-</b>	<b>4,434,216</b>	<b>196,474,117</b>	<b>4,475,000</b>
Obligations under capital leases	2,514,253		1,824,463	689,790	146,452
Obligations under State Revolving Loan	4,514,553		215,956	4,298,597	222,373
\$45M Commercial Paper Program	1,841,000	2,050,000	1,838,000	2,053,000	513,000
Community Redevelopment Agency Revenue and Refunding Note, Series 2007	5,645,000		370,000	5,275,000	385,000
\$2M St. Johns County Fannie Mae Line of Credit Facility		260,950		260,950	260,950
Arbitrage Rebate	1,230,000		366,397	863,603	
Accrued compensated absences	9,185,645	9,365,475	9,150,965	9,400,155	2,876,705
<b>Total General Long-Term Obligations</b>	<b>\$ 225,838,786</b>	<b>\$ 11,676,425</b>	<b>\$ 18,199,997</b>	<b>\$ 219,315,212</b>	<b>\$ 8,879,480</b>

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**6. LONG-TERM OBLIGATIONS (continued)**

BUSINESS-TYPE ACTIVITIES

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Due w ithin one year
Water and sewer revenue bonds					
Series 2007, Ponte Vedra	\$ 30,620,000			\$ 30,620,000	
Series 2006, Ponte Vedra	29,570,000		520,000	29,050,000	540,000
Series 2006	42,495,000		725,000	41,770,000	755,000
Series 2004	24,716,380		575,000	24,141,380	575,000
Series 1999	4,575,000		2,240,000	2,335,000	2,335,000
Series 1998	1,455,000		90,000	1,365,000	100,000
Series 1996	2,555,000		1,240,000	1,315,000	1,315,000
Series 1991	6,450,398			6,450,398	
2006 Solid Waste Disposal Revenue Long-Term Note	3,510,000		1,835,000	1,675,000	240,000
Revenue sharing revenue and refunding revenue bonds, Series 2005	1,420,000		30,000	1,390,000	35,000
2004 Golf Breeze, Florida Local Government Loan Program	14,235,000		955,000	13,280,000	980,000
<b>Total Bonds</b>	<b>161,601,778</b>	<b>-</b>	<b>8,210,000</b>	<b>153,391,778</b>	<b>6,875,000</b>
Add accreted interest on capital appreciation bonds					
Series 1991A	16,075,736	1,610,419		17,686,155	
Series 2004	6,171,476	1,302,627		7,474,103	
Plus original issue premium	2,379,490		88,977	2,290,513	
Less unrecognized loss on refunding					
Utilities	402,845		235,541	167,304	
Convention Center	2,356,024		224,384	2,131,640	
Golf Course	44,852		1,759	43,093	
Less original issue discount	203,857		38,033	165,824	
<b>Total Revenue Bonds</b>	<b>183,220,902</b>	<b>2,913,046</b>	<b>7,799,260</b>	<b>178,334,688</b>	<b>6,875,000</b>
Obligations under State Revolving Loan	834,356		102,166	732,190	104,829
Obligations under capital lease	6,028,472		649,074	5,379,398	661,399
Landfill closure/post closure	5,940,276		394,887	5,545,389	
Arbitrage Rebate	142,561		106,899	35,662	
Accrued compensated absences	734,543	606,160	567,750	772,953	167,893
<b>Total Proprietary Fund Long-Term Obligati</b>	<b>\$ 196,901,110</b>	<b>\$ 3,519,206</b>	<b>\$ 9,620,036</b>	<b>\$ 190,800,280</b>	<b>\$ 7,809,121</b>

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**6. LONG-TERM OBLIGATIONS** (continued)

Compensated absences typically have been liquidated in the general, other governmental and enterprise funds.

D. The County has entered into lease agreements for office facilities and equipment that are cancelable operating leases. The total cost of such leases was \$560,010 for governmental activities and \$107,204 for business-type activities for the year ended September 30, 2010.

E. The County is obligated under the terms of capital leases as follows:

	<u>Business-Type Activities</u>
Asset:	
Equipment	\$ 379,500
Water and Sewer Systems	7,536,304
Less: Accumulated Depreciation	(608,974)
Total	<u>\$ 7,306,830</u>

The annual requirements under these capital lease obligations as of September 30, 2010 are as follows:

Year Ending Sept. 30,	Governmental Activities	Business-Type Activities
2011	\$ 174,336	\$ 854,520
2012	179,569	854,516
2013	184,959	860,368
2014	188,274	880,685
2015	31,458	901,478
2016-19		<u>1,800,784</u>
Total minimum lease payment	758,596	6,138,351
Less amount representing interest	(68,806)	(758,953)
Present value of minimum payments	<u>\$ 689,790</u>	<u>\$ 5,379,398</u>

F. The County defeased certain general obligation and other bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of September 30, 2010, \$1,035,000 of bonds outstanding is considered defeased. The amounts in escrow are sufficient to retire all outstanding bonds and interest. Since these bonds are legally defeased, they are not included in the financial statements.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**6. LONG-TERM OBLIGATIONS** (concluded)

**G. Conduit Debt, Component Units**

The Industrial Development Authority has from time to time issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance.

The Authority, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2010, there were nineteen (19) series of bonds outstanding. The aggregate principal amount payable could not be determined; however, the aggregate original issue amount was \$482,064,330.

From time to time, the Housing Finance Authority has issued bonds to provide financial assistance to private sector entities for the acquisition and construction of housing developments deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

The Authority, the County, the State of Florida, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2010, there were four series of bonds outstanding. The aggregate principal amount payable could not be determined; however, the aggregate original issue amount was \$43,410,000.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**7. INTERFUND BALANCES AND TRANSFERS**

A. The compositions of interfund transfers are as follows:

Fund Type/Fund	Transfer-in	Transfer-out
<b>MAJOR GOVERNMENTAL FUNDS:</b>		
General Fund	\$ 4,961,809	\$ 4,549,056
County Transportation Trust Fund	5,975,048	96,471
<b>NONMAJOR GOVERNMENTAL FUNDS:</b>		
<b>SPECIAL REVENUE FUNDS:</b>		
County Health Department	4,000	
Building Services		819,904
Court Facilities		
Law Enforcement Trust	29,349	
Mental Health	992,885	
Community Based Care	108,558	
FS939 Additional Court Costs	258,984	
Crime Prevention Fund		69,355
Beach Fund		127,722
Pier	81,316	
Tourist Development Tax		484,399
County Cultural Center	300,000	
Alcohol and Drug Abuse Trust Fund	2,820	
Florida Boating Improvement Fund	60,000	
Impact Fees Building		745,856
Impact Fees Police		396,905
Impact Fees Fire/EMS		
Impact Fees Roads	2,097,206	
Impact Fees Parks	150,000	
E-911 Communications		1,090,041
Fire District		1,127,696
Treasure Beach MSBU	74,408	
St. Johns County Community Redevelopment Agency		1,252,018
Sheriff's School Crossing Guards	516,556	
Subtotal:	4,676,082	6,113,896
<b>DEBT SERVICE FUNDS:</b>		
\$45M FLGFC Pooled Commercial Paper Loan Program	1,786,622	
St. Johns County Community Redevelopment Agency Note	614,429	
GE Capital Note	160,324	
Revenue Sharing Bonds, Series 2005	75,775	
Subtotal:	2,637,150	-
<b>CAPITAL PROJECT FUNDS:</b>		
Park Projects		150,000
Beach Re-nourishment Project		66,210
St. Johns County Transit System Projects	235,554	
Revenue Sharing Bond Projects, Series 2005		75,775
Sales Tax Revenue Bond Projects, Series 2006	149,731	8,072,254
Subtotal:	385,285	8,364,239
<b>NONMAJOR PROPRIETARY FUNDS</b>		
Golf Course	100,000	
Convention Center	388,288	
Subtotal:	488,288	
Total:	\$ 19,123,662	\$ 19,123,662

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**7. INTERFUND BALANCES AND TRANSFERS** (continued)

**B.** At September 30, 2010, interfund balances are as follows:

Fund Type/Fund	Due to	Due From
<b>MAJOR GOVERNMENTAL FUNDS:</b>		
General Fund	\$ 550,965	\$ 1,194,450
County Transportation Trust Fund	50,887	118,519
<b>NONMAJOR GOVERNMENTAL FUNDS:</b>		
<b>SPECIAL REVENUE FUNDS:</b>		
Building Services	8,868	
Law Enforcement Trust Fund		273,918
State Housing Initiatives Program	56	
Mental Health	11,897	
Community Based Care	9,990	
FS939 Additional Court Costs	4	
Crime Prevention Fund	15,426	
Beach fund	4,456	
Pier	622	
Tourist Development Tax	969	
County Cultural Center	2,322	
Alcohol & Drug Abuse	165	
Florida Boating Improvement Fund	34,564	
E-911 Communications	176,618	
Fire District	65,287	
Private Roads MSBU	126,330	
Clerk's Court Modernization	1,173	
Clerk's Teen Court	546	
Juvenile Drug Cost	45	
Sheriff's Canteen Fund	9,880	
Sheriff's Equitable Sharing	273,502	
<b>DEBT SERVICE FUNDS:</b>		
Series 2006 Transportation Improvement Bonds	4,322	
<b>CAPITAL PROJECT FUNDS:</b>		
Transit System	47,390	
Subtotal:	794,432	273,918
<b>MAJOR PROPRIETARY FUNDS:</b>		
St. Johns County Utilities	30,988	
Ponte Vedra Utilities	9,276	
Landfill	5,117	
Subtotal:	45,381	
<b>NONMAJOR PROPRIETARY FUNDS:</b>		
Golf Course	545,615	
<b>INTERNAL SERVICE FUNDS:</b>		
Health Insurance		387,557
Workers Compensation	509	13,345
Subtotal:	509	400,902
Total:	\$ 1,987,789	\$ 1,987,789

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**7. INTERFUND BALANCES AND TRANSFERS** (concluded)

- C. Outstanding interfund balances result mainly from working capital loans made from the County's General Fund and Transportation Trust Fund to other county funds.
- D. Transfers between funds are used to move unrestricted available revenues from one fund to another county fund to finance various programs, capital acquisitions and to provide subsidies for various grant programs.

**8. EMPLOYEE BENEFITS**

**A. Retirement Plan**

*Plan Description* -St. Johns County participates in the Florida Retirement System (the "FRS"), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida, Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000 or by calling (850) 488-6491.

*Funding Policy* - The County is required to pay all contributions for full-time and part-time employees. Generally, employee participation in FRS is compulsory. The contribution rates are as follows (including a health insurance subsidy of 1.11%, 1.11 % and 1.11% for the years ended September 30, 2010, 2009, and 2008, respectively):

	July 1, 2007 Through <u>June 30, 2008</u>	July 1, 2008 Through <u>June 30, 2009</u>	July 1, 2009 Through <u>June 30, 2010</u>	July 1, 2010 Through <u>Sept 30, 2010</u>
Elected County Officials	16.53%	16.53%	16.53%	18.64%
Senior management service	13.12%	13.12%	13.12%	14.57%
Regular employees	9.85%	9.85%	9.85%	10.77%
Special risk administrative support	20.92%	20.92%	20.92%	23.25%
DROP participants	10.91%	10.91%	10.91%	12.25%

The County's contributions to the FRS amounted to approximately \$13,586,852, \$13,322,357, \$13,827,423, for the years ended September 30, 2010, 2009, 2008 respectively. The county contributed 100% of the required contributions for each of these years.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**8. EMPLOYEE BENEFITS** (continued)

**B. Other Post Employment Benefits**

*Plan Description* – By County Resolution 08-151, St Johns County established the St. Johns County Post Employment Welfare Benefits Trust Fund (“SJCPEWB”) which provides partial premium payments of eligible county retirees and their dependents for health care benefits; including health, prescription drugs, dental, vision and life insurance. Benefits are provided through a single employer defined benefit plan for post-employment benefits other than pension benefits for retirees and the eligible dependents of the Clerk of Courts, Sheriff, Tax Collector, Supervisor of Elections, Property Appraiser and County. The Board of County Commissioners can amend the benefits and retiree contributions associated with the plan.

The life insurance benefit is provided at no charge to retirees. The life insurance benefit is \$5,000 for all retirees.

In accordance with Florida Statutes 112.0801, the health insurance subsidy is provided to employees who retire and immediately begin receiving benefits from the Florida Retirement System (“FRS”) after at least 6 years of creditable service. The County will maintain current subsidy levels for all current retirees. However, as of January 1, 2009, future retirees will be expected to share in the increasing costs of the program through increased rate adjustments. Retirees with more than 20 years of creditable service will receive an additional monthly subsidy. The amount of the monthly subsidy is based on the number of years of service with the County or Constitutional Officer, and is equal to one dollar and fifty cents for each year of total service until they are eligible for Medicare.

On January 8, 2008, the County adopted Ordinance 2008-1 which established the permitted investments for SJCPEWB, which is a qualifying trust, and began funding its annual required contribution obligation through a direct contribution from unrestricted cash balances. A separate stand-alone financial statement for the Trust is not prepared.

At October 1, 2009, the date of the latest actuarial valuation,

Active employees (fully eligible)	1,188
Active employees (not fully eligible)	729
Retirees receiving benefits	<u>202</u>
Total OPEB participants	2,119

*Funding Policy* — The contribution requirements of plan members and the County are established and may be amended by the St. Johns County Board of County Commissioners. The employer’s contribution to the OPEB Trust Fund to prefund benefits is accounted for in the County’s OPEB Trust Fund. For the year ended September 30, 2010, the County, contributed a total of \$3,931,747 towards the OPEB Plan, which includes a contribution of \$2,722,073 to the Trust Fund from government programs. In subsequent years, the County will base future Trust Fund contributions on the actuarially determined annual required contribution (ARC), less an adjustment for the current asset balance of the county’s Net OPEB Obligation until the balance has been eliminated. However, no future Trust Fund contributions are legally or contractually required. Retiree plan members receiving benefits contributed \$1,018,449 to pay-as-you-go financing through their required monthly premiums.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

**8. EMPLOYEE BENEFITS (continued)**

*Annual OPEB Cost and Net OPEB Obligation* — The annual cost (expense) of the County's OPEB Plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for this fiscal year, the amount actually contributed by the employer, and the changes in the net OPEB Plan obligation.

**Development of Employer Contribution for Fiscal Year Ending September 30, 2010**

Annual Required Contribution	\$ 3,478,685
Net Adjustment to Annual Required Contribution	(119,404)
Annual OPEB Cost	<u>3,359,281</u>
Contributions Made:	
Contributions of assets to the OPEB Trust Fund	<u>2,913,298</u>
Change in net OPEB asset	445,983
Net OPEB asset - beginning of year	(6,307,998)
Net OPEB asset - end of year	<u><u>\$ (5,862,015)</u></u>

**Trend Information**

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contribution	Net Ending OPEB Obligation/ (Asset)
9/30/2008	\$ 2,994,586	\$ 8,089,458	270.14%	\$ (5,094,872)
9/30/2009	\$ 3,096,461	\$ 4,309,587	139.18%	\$ (6,307,998)
9/30/2010	\$ 3,359,281	\$ 2,913,298	86.73%	\$ (5,862,015)

*Funding Status and Funding Progress* — The OPEB payments made for the 2010 fiscal year were 86.73% of the annual OPEB cost. As of the actuarial valuation report dated October 1, 2009, the actuarial value of assets was \$11,016,373; the actuarial accrued liability for benefits was \$40,557,591; the unfunded actuarial accrued liability (UAAL) was also \$29,541,218; the UAAL as a percentage of covered payroll, which was \$83,548,539 as of the valuation date, was 35.36%; and the funded ratio was 27.16%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**8. EMPLOYEE BENEFITS** (continued)

*Actuarial Methods and Assumptions* — Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan 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 plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, 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.

Several acceptable actuarial cost methods were investigated. The County's goal was to achieve the lowest measure of OPEB Cost and the potential liability.

The actuarial methods are:	
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent, closed
Amortization period	28 years
Asset valuation	Funded
The actuarial assumptions are:	
Investment rate of return	7%
Projected annual payroll growth	4.0% - 9.5% (incl. inflation)
Inflation rate	3.0%
Mortality	RP-2000 Employee Mortality Tables
Healthcare cost trend rate	Initial trend 9.0%; Ultimate trend 5%

**9. RISK MANAGEMENT**

**A. Public Entity Risk Pool**

The County 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 County belongs to the Florida Association of Counties Trust (the "FACT"), a public entity risk pool currently operating as a common risk management and insurance program for twenty-eight member counties. The County pays an annual premium to FACT for its general liability coverage. The premiums are designed to fund the liability risks assumed by the Trust and are based on certain actual exposures of each member. There were no claims paid which exceeded coverage during the last three fiscal years.

**B. Self Insurance**

The Board carries worker's compensation coverage with Bituminous Insurance. The Board believes it is more economical to manage its risks internally and set aside assets for claim settlement within the Worker's Compensation Internal Service Fund. The Worker's Compensation Internal Service Fund paid the monthly premiums.

ST. JOHNS COUNTY, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**9. RISK MANAGEMENT** (continued)

Additionally, St. Johns County provides health, life and accidental death and dismemberment insurance for its employees via a Self Insurance Internal Service Fund to account for and finance its self insured risks of loss. Under this program, the Health Insurance Internal Service Fund provides coverages up to a maximum of \$175,000 per employee per incident with maximum lifetime coverage not to exceed \$1 million dollars. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund.

Previously, the County elected to discontinue coverage of the maximum Aggregate Stop Loss re-insurance liability because re-insured claims have historically never reached the maximum threshold and settled amounts have not exceeded collected premiums. During this year, there were two claims exceeding \$175,000. The total amount of these claims was \$416,732. The County anticipates receiving \$66,732 in reimbursement from the re-insurance carrier.

The September 30, 2010 claims liability of \$1,713,697 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of loss can be reasonably estimated, including an estimate for liabilities incurred but not reported. Claims liabilities are an estimate based on the monthly average of lag claims paid for the most recent three quarters that were made between 30 – 120 days after the initiation of the claim plus an annual average of all claims paid that exceeded 120 days. The claims liability at fiscal year end is shown at current dollar value.

Additionally, section 112.08, Florida Statute, requires the County Health Plan to hold a cash surplus of 60-days in anticipated claims. The required level, as determined by the County's actuary was \$1.38 million.

All County departments and the other elected constitutional officers of the County participate in both programs. The cost of providing claim's administrative services and payments is allocated by charging a "premium" to each department and constitutional officer based on a fixed premium or a percentage of each organization's estimated current-year payroll. The premium charged considers recent trends in actual claims experience of the County as a whole and makes provision for catastrophe losses.

Changes in the Health Insurance Fund's claims liability amount was as follows:

Fiscal Year	Beginning Balance	Current Year Claims/Changes in Estimates	Claim Payments	Ending Balance
2007/2008	\$ 1,644,119	\$ 13,936,041	\$ 13,800,503	\$ 1,779,657
2008/2009	\$ 1,779,657	\$ 14,027,276	\$ 13,968,957	\$ 1,857,976
2009/2010	\$ 1,857,976	\$ 14,946,515	\$ 15,090,794	\$ 1,713,697

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**9. RISK MANAGEMENT** (continued)

**C. Conventionally Insured Claims and Losses**

The County retains conventional insurance coverage on all other types of insurable risks. Settled claims resulting from these risks have not exceeded conventional insurance coverage in any of the past three fiscal years.

**10. DEFICIT BALANCE - INDIVIDUAL FUNDS**

At September 30, 2010 the following funds had deficit equity balances in the amounts shown:

Nonmajor Governmental Funds:

Private Road MSBU	\$	125,275
Juvenile Drug Court		146

Nonmajor Proprietary Funds:

Convention Center		1,027,931
-------------------	--	-----------

Deficits will be corrected by adjustments in future revenues through increased charges for services; future revenues; or transfer increases.

**11. OTHER REQUIRED INDIVIDUAL FUND AND COMPLIANCE DISCLOSURES**

**Accrual for Landfill Closure and Post-Closure Costs** - State and Federal laws and regulations require the County to place a final cover on its Tillman Ridge Phase II landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$5,545,389 reported as landfill closure and post-closure care liability at September 30, 2010, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of Phase II of the landfill (approximately \$4,877,481) and the remaining liability for the Tillman Ridge Phase I Landfill closure and post-closure care cost (approximately \$667,908).

These amounts are estimated based on what it would cost to perform all closure and post-closure care in 2010. The actual cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The estimated remaining life for Phase I and Phase II of the landfill is three and 21 years respectively.

The County is required by state and federal laws and regulations to provide proof of financial responsibility for closure and post-closure care. The County's method, which is established by State law, relies on various financial tests to provide this proof. The County is in compliance with these requirements at September 30, 2010.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

## **12. RELATED PARTY DISCLOSURES**

### **A. Revenue Sharing Agreement**

During this fiscal year, the County entered into a Revenue Sharing Interlocal Agreement, under Section 163, Florida Statutes, with the City of St. Augustine Beach ("City") and the Florida Department of Environmental Protection ("FDEP") Clean Water State Revolving Loan Program ("Program") to connect approximately 620 residential units in seven neighborhoods to the St. Johns County Utility System. Through the Program, the City has obtained funding in the amount of \$9,920,980. Upon completion of the project, approximately two thirds of the outstanding loan balance will be forgiven. The remaining one third will be amortized and payable over 20 years.

The City has contracted with the County to extend their current utility system into these neighborhoods. As construction costs are incurred, the County invoices the City. The City in turn pays the County from the loan proceeds. Once the new lines are in place, they will be operated and maintained by St. Johns County. The City will be deemed the owner of the new utility lines until such time as the debt instrument that has been used to finance the project has been retired, upon which the ownership shall vest solely with the County.

The County will share the system revenues generated from the new connections with the City in an amount equal to the debt service on the City's loans which were not forgiven, as it becomes due and payable.

### **B. Federal Grant Subaward**

The St. Johns County Housing Finance Authority ("HFA") which is a component unit of the County was authorized to participate in the Neighborhood Stabilization Program ("NSP") grant. The County was awarded \$2.489 million through the Florida Department of Community Affairs for the purpose of stabilizing communities that suffered from foreclosures and abandonment by providing resources to purchase and redevelop local housing properties.

The HFA, which operates as a sub-recipient of the NSP funds, will improve and market the homes as residential or rental properties on behalf of the County.

During the year ended September 30, 2010, the HFA was sub-awarded approximately \$1.9 million through the County.

## **13. NET ASSETS RESTRICTED BY ENABLING LEGISLATION**

The government-wide statement of net assets reports \$93,651,407 of restricted net assets, of which, \$33,334,264 is restricted by enabling legislation.

ST. JOHNS COUNTY, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

---

**14. COMMITMENTS AND CONTINGENCIES**

**A. Commitments**

At September 30, 2010 the County had approximately \$23.6 million in outstanding commitments relating to construction contracts.

**B. Contingencies**

Pending Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of county management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the County.