

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLAY COUNTY DISTRICT SCHOOL BOARD
GREEN COVE SPRINGS, FLORIDA**

JUNE 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**CLAY COUNTY DISTRICT SCHOOL BOARD
GREEN COVE SPRINGS, FLORIDA**

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

Reports on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Clay County District School Board (the District) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Certified Public Accountants

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Clay County District School Board and
Superintendent
Green Cove Springs, Florida

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' Responsibility (Concluded)

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other postemployment benefits, schedules of District contributions – FRS/HIS, schedules of District's proportionate share of net pension liability-FRS/HIS, and major fund budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The Management of the Clay County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year are as follows:

- As of June 30, 2016, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$288,214,296.72 (net position).
- The District's total net position increased \$15,957,675.17 from the 2014-15 fiscal year, which represents a 5.86 percent increase.
- General revenues total \$301,100,972.06, or 94.06 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$19,002,760.88, or 6.31 percent of all revenues.
- Expenses total \$304,146,057.77. Only \$19,002,760.88 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$15,957,675.17.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$9,126,842.73, which is \$4,037,169.30 more than the prior fiscal year balance at June 30, 2016. The assigned and unassigned fund balance was 3.48 percent of total General Fund revenues.
- During the current year, General Fund revenues exceeded expenditures and other financing sources by \$7,332,647.59.
- The District's investment in capital assets decreased by a net amount of \$9,972,827.64 or 2.25 percent, as compared to the June 30, 2015, balance.
- The District's capital asset-related debt decreased by a net amount of \$4,257,905.29, or 7.66 percent, mainly from the redemption of debt principal.
- The District's Internal Service Fund (proprietary fund) ended the fiscal year with a net position \$939,804.69, which is \$2,398,409.17 more than the prior fiscal year balance.

During the course of the 2015-16 fiscal year, the District amended its General Fund budget several times. The amendments resulted in an increase in total budgeted revenues of \$5,520,678.16 due mainly to changes in estimated State funding.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The Orange Park Performing Arts Academy, Inc., the Florida Charter Educational Foundation, Inc., d/b/a Clay Charter Academy, and the Northeast Florida Virtual Charter School Board, Inc., d/b/a Florida Virtual Academy at Clay, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue - Other Fund, Federal Economic Stimulus Programs Fund, Debt Service - Other Fund, Capital Projects - Nonvoted Capital Improvement Fund, and Capital Projects - Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds—Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its self-insurance program. Since this service predominantly benefits governmental-type functions, the Internal Service Fund has been included within governmental activities in the government-wide financial statements.

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

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

Fiduciary Funds (Concluded)

The District uses its Agency Funds to account for resources held for school activities and groups.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to a net position as of June 30, 2015:

Current and Other Assets	\$ 60,305,779.09	\$ 42,216,645.31
Capital Assets	<u>432,352,364.88</u>	<u>442,325,192.52</u>
Total Assets	<u>492,658,143.97</u>	<u>484,541,837.83</u>
Total Deferred Outflows of Resources	<u>28,279,071.00</u>	<u>20,564,341.00</u>
Long-term Liabilities	199,062,025.54	167,487,426.36
Other Liabilities	<u>14,765,512.43</u>	<u>14,345,316.92</u>
Total Liabilities	<u>213,827,537.97</u>	<u>181,832,743.28</u>
Total Deferred Inflows of Resources	<u>18,895,382.00</u>	<u>51,016,814.00</u>
Net Position:		
Invested in Capital Assets -		
Net of Debt	381,012,858.33	386,727,780.68
Restricted	28,674,070.56	17,596,366.58
Unrestricted	<u>(121,472,633.89)</u>	<u>(132,067,525.71)</u>
Total Net Position	<u>\$ 288,214,295.00</u>	<u>\$ 272,256,621.55</u>

The largest portion of the District's net position (\$381,012,858.33) is investment in capital assets (e.g., land; building; furniture, fixtures and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (\$28,674,070.56) represents resources that are subject to external restrictions on how they may be used.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS
(Concluded)

The unrestricted net position is a deficit of \$121,472,633.89 due primarily to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. This accounting standard requires the District, as a participating employer in the FRS, to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. The District has sufficient current assets to meet its current obligations.

The key elements of the changes in the District's net position for the fiscal year ended June 30, 2016 and June 30, 2015, are as follows:

	Governmental Activities	
	6-30-16	6-30-15
Program Revenues:		
Charges for Services	\$ 5,814,780.08	\$ 5,946,920.01
Operating Grants and Contributions	10,802,981.71	9,823,022.02
Capital Grants and Contributions	2,384,999.09	2,230,303.28
General Revenues:		
Property Tax Levied for Operational Purposes	54,326,709.37	52,785,571.96
Property Tax Levied for Capital Projects	14,101,770.66	13,837,614.26
Local Sales Taxes	1,922,266.33	1,815,815.35
Impact Fees	6,419,023.54	5,963,994.64
Grants and Contributions Not Restricted to Specific Programs	221,418,857.19	205,125,501.18
Unrestricted Investment Earnings	154,282.67	50,014.55
Miscellaneous	2,758,060.58	2,636,485.80
Total Revenues	320,103,731.22	300,215,243.05
Functions/Program Expenses:		
Instruction	179,422,214.86	172,557,519.69
Pupil Personnel Services	14,713,958.88	14,818,650.65
Instructional Media Services	3,998,995.11	3,798,466.37
Instruction and Curriculum Development Services	5,008,138.15	5,235,515.13
Instructional Staff Training	4,634,252.99	4,114,811.79
Instruction Related Technology	3,666,113.85	3,095,786.73
Board of Education	653,878.98	1,231,255.45
General Administration	1,357,365.10	1,232,918.05
School Administration	14,359,845.50	14,430,045.23
Facilities Acquisition and Construction	3,559,781.93	3,665,717.08
Fiscal Services	694,369.31	727,213.81
Food Services	15,627,181.47	15,665,816.54
Central Services	2,881,189.29	3,224,118.82
Pupil Transportation Services	12,106,557.21	12,844,471.15
Operation of Plant	18,466,565.66	17,917,628.44
Maintenance of Plant	5,132,699.21	4,937,848.02
Administrative Technology Services	1,141,427.64	1,404,505.81
Community Services	311,153.50	250,255.49
Interest on Long-Term Debt	2,173,155.86	2,801,907.68
Unallocated Depreciation Expenses	14,237,213.27	14,343,861.98
Total Functions/Program Expenses	304,146,057.77	298,298,313.91
Change in Net Position	\$ 15,957,673.45	\$ 1,916,929.14

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

The State's Florida Education Finance Program (FEFP) and local property taxes provide the majority of the District's revenues for current operations. These revenues are included in general revenues, which provide about 94.06 percent of total revenues, whereas program revenues provide only about 6.31 percent. The majority of program revenues (81.62 percent) are in the food services activity.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$16,293,356.01, primarily due to an increase in FEFP revenues from the State. FEFP revenues increased by \$12,775,726, approximately 8.80 percent, in part, because student enrollment increased by 1002 students, from 35,636 in the 2014-15 fiscal year to 36,628 in the 2015-16 fiscal year.

Instruction expenses represent about 59 percent of total government expenses in the 2015-16 fiscal years. Overall, expenses increased \$5,847,743.86, or 1.96 percent, from the previous fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$15,269,387.73 during the fiscal year to \$38,890,307.79 at June 30, 2016. Of the total fund balance, \$7,581,894.44, or 19.50 percent, is unassigned; \$1,089,394.50 or 2.80 percent, is nonspendable; \$28,674,070.56 or 73.73 percent, is restricted; and \$1,544,948.29 or 3.97 percent, is assigned.

Major Governmental Funds

The General Fund— is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$7,581,894.44, while the total fund balance was \$13,974,462.52. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is \$9,126,842.73, or 3.48 percent of the total General Fund revenues, while the total fund balance represents 5.33 percent of such revenues. The assigned and unassigned General fund balance increased by \$4,037,169.30, while the total fund balance increased by \$7,389,919.84 during the fiscal year. The key factor impacting the change in fund balance is:

- Total General Fund revenues increased by \$17,287,879.73, or 7.05 percent, due mainly to increases in FEFP revenues and property taxes levied for operational purposes.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Continued)

The Special Revenue – Other Federal Programs Fund— is used to account for Federal grants administered through the State's cash advance system, and has total revenues and expenditures of \$15,539,510.06 each. The funding was mainly used for instructional activities. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Debt Service Fund— is used to account for financial resources used to pay debt principal, interest, and related cost for the certificates of participation. The Fund maintained a small fund balance \$82,934.04 at June 30, 2016, which is restricted for debt service payments.

The Capital Projects – Nonvoted Capital Improvement Fund—has a total fund balance of \$5,316,474.08, which is restricted for the acquisition, construction, and maintenance of capital assets. Total fund balance increased by \$3,752,065.76 in the current fiscal year. Expenditures were mainly for renovation of school facilities and the purchase of buses. Transfers out were to provide for debt service payments, to fund equipment purchases, to pay property insurance premiums, and to provide funding for certain expenditures of the District's maintenance and facilities departments. It should be noted that \$2,862,174.09 of fund balance is encumbered for specific projects and purchases.

The Capital Projects – Other Capital Projects Fund— is mainly used to account for the financial resources received from local impact fees, local sales taxes, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects. The total fund balance increased \$4,098,091.47, or 35.12 percent, to \$15,445,321.10 at June 30, 2016, from the accumulation of financial resources for future construction and renovation projects. Transfers out were to provide for debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2015-16 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$5,520,678.16, or 2.15 percent. Budget revisions occurred primarily from changes in estimated State funding levels. Actual revenues were more than final budgeted amounts by \$330,695.51.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2016, is \$432,352,364.91. This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; property acquired under capital lease; and audio visual materials and computer software.

The investment in capital assets decreased by a net amount of \$9,972,827.64, or 2.25 percent, as compared to the June 30, 2015 balance, mainly from depreciation expenses for the 2015-16 fiscal year. Major capital asset events during the 2015-16 fiscal year included various heating, ventilation, and air conditioning replacement projects, safety and security projects, and renovation and remodeling projects at various schools.

Additional information on the District's capital assets can be found in subsequent notes to the financial statements.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(Concluded)

Long-term Debt

At June 30, 2016, the District has total long-term debt outstanding of \$51,339,506.55 composed of \$3,333,000.00 of bonds payable, \$48,003,000.00 of certificates of participation, and \$3,506.55 of obligation under capital lease. During the 2015-16 fiscal year, capital asset-related debt decreased by \$4,257,905.29, or 7.66 percent from the June 30, 2015 balance, from the redemption of debt principal.

In January 2016, Fitch Ratings downgraded the District's Certificates of Participation, Series 2005B and Series 2012, to "A" from "A+", downgraded the District Revenue Bonds, Series 2010, to "A+" from "AA-", and revised the rating outlook to stable from negative.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Clay County District School Board, 900 Walnut Street, Green Cove Springs, Florida 32043.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government	
	Governmental	Component
Assets	Activities	Units
Cash and Cash Equivalents	\$ 48,533,813.03	\$ 707,951.00
Investments	21,986.84	51,875.00
Cash with Fiscal Agent	94,289.40	
Accounts Receivable	205,584.35	1,489.00
Due from Other Agencies	4,873,102.93	491,641.00
Inventories	1,102,479.30	0
Capital Credits Receivable	4,493,912.24	0
Prepaid Items	980,611.00	127,517.00
Capital Assets:		
Nondepreciable Capital Assets	31,196,463.58	0
Depreciable Capital Assets, Net	401,155,901.30	13,173,807.00
Total Assets	492,658,143.97	14,554,280.00
Deferred Outflows of Resources		
Pensions	28,279,071.00	0
Liabilities and Net Position		
Liabilities		
Salaries and Benefits Payable	5,360,385.11	194,488.00
Payroll Deductions and Withholdings	1,273,078.06	0
Accounts Payable	2,723,502.89	548,411.00
Current Notes Payable	0	295,611.00
Accrued Interest Payable	0	137,150.00
Construction Contracts Payable	336,701.31	0
Construction Contracts Payable - Retainage	33,689.73	0
Unearned Revenue	187,349.26	0
Matured Certificates of Participation Payable	3,309,000.00	0
Matured Interest Payable	981,751.91	0
Long-term Liabilities:		
Portion Due Within One Year	17,068,389.44	593,905.00
Portion Due After One Year	182,553,690.26	14,099,856.00
Total Liabilities	213,827,537.97	15,869,421.00
Deferred Inflows of Resources		
Pensions	18,895,382.00	0
	18,895,382.00	0
Net Position		
Net Investment in Capital Assets	381,012,858.33	(470,905.00)
Restricted for:		
State Required Carryover Programs	3,855,467.49	0
Debt Service	394,090.72	0
Capital Projects	21,574,961.53	0
Food Service	2,849,550.82	0
Unrestricted (Deficit)	(121,472,633.89)	(844,236.00)
Total Net Position	\$ 288,214,295.00	\$ (1,315,141.00)

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Instruction	\$ 179,422,214.86	\$ 734,814.19	\$ 0.00
Student Personnel Services	14,713,958.88	0.00	0.00
Instructional Media Services	3,998,995.11	0.00	0.00
Instruction and Curriculum Development Services	5,008,138.15	0.00	0.00
Instructional Staff Training Services	4,634,252.99	0.00	0.00
Instruction-related Technology	3,666,113.85	0.00	0.00
School Board	653,878.98	0.00	0.00
General Administration	1,357,365.10	0.00	0.00
School Administration	14,359,845.50	0.00	0.00
Facilities Acquisition and Construction	3,559,781.93	0.00	0.00
Fiscal Services	694,369.31	0.00	0.00
Food Services	15,627,181.47	4,707,080.80	10,802,981.71
Central Services	2,881,189.29	0.00	0.00
Student Transportation Services	12,106,557.21	0.00	0.00
Operation of Plant	18,466,565.66	0.00	0.00
Maintenance of Plant	5,132,699.21	0.00	0.00
Administrative Technology Services	1,141,427.64	0.00	0.00
Community Services	311,153.50	372,885.09	0.00
Unallocated Interest on Long-term Debt	2,173,155.86	0.00	0.00
Unallocated Depreciation Expense*	14,237,213.27	0.00	0.00
Total Governmental Activities	\$ 304,146,057.77	\$ 5,814,780.08	\$ 10,802,981.71
Component Units			
Charter Schools	\$ 6,827,056.00	\$ 144,403.00	\$ 805,804.00

General Revenues

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Tax

Impact Fees

Grants and Contributions Not Restricted to

Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning of Year

Net Position - End of Year

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

See accompanying notes.

Program Revenues	Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government	Component Units
	Governmental Activities	
\$ 0.00	\$ (178,687,400.67)	\$ 0
0.00	(14,713,958.88)	0
0.00	(3,998,995.11)	0
0.00	(5,008,138.15)	0
0.00	(4,634,252.99)	0
0.00	(3,666,113.85)	0
0.00	(653,878.98)	0
0.00	(1,357,365.10)	0
0.00	(14,359,845.50)	0
1,483,073.58	(2,076,708.35)	0
0.00	(694,369.31)	0
0.00	(117,118.96)	0
0.00	(2,881,189.29)	0
0.00	(12,106,557.21)	0
0.00	(18,466,565.66)	0
0.00	(5,132,699.21)	0
0.00	(1,141,427.64)	0
0.00	61,731.59	0
901,925.51	(1,271,230.35)	0
0.00	(14,237,213.27)	0
<u>\$ 2,384,999.09</u>	<u>(285,143,296.89)</u>	<u>0</u>
<u>\$ 61,346.00</u>	<u>0</u>	<u>(5,815,503.00)</u>

54,326,709.37	0
14,101,770.66	0
1,922,266.33	0
6,419,023.54	0
221,418,857.19	4,470,510.00
154,282.67	0
2,758,060.58	227,175.00
<u>301,100,970.34</u>	<u>4,697,685.00</u>
15,957,673.45	(1,117,818.00)
272,256,621.55	(197,323.00)
<u>\$ 288,214,295.00</u>	<u>\$ (1,315,141.00)</u>

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Other Fund	Debt Service Other Debt Service Fund
Assets			
Cash and Cash Equivalents	\$ 17,534,231.93	\$ 63,952.43	\$ 4,367,418.84
Investments	0.00	0.00	0.00
Cash with Fiscal Agent	54,289.40	0.00	0.00
Accounts Receivable	160,220.16	0.00	0.00
Due from Other Funds	2,326,358.49	126,985.35	6,267.11
Due from Other Agencies	888,050.89	2,725,598.76	0.00
Inventories	992,152.30	0.00	0.00
Total Assets	<u>21,955,303.17</u>	<u>2,916,536.54</u>	<u>4,373,685.95</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Salaries and Benefits Payable	5,351,362.60	5,099.55	0.00
Payroll Deductions and Withholdings	1,247,250.17	13,290.66	0.00
Accounts Payable	1,256,321.42	163,554.64	0.00
Construction Contracts Payable	0.00	0.00	0.00
Construction Contracts Payable - Retainage	0.00	0.00	0.00
Due to Other Funds	125,906.46	2,716,870.14	0.00
Unearned Revenue	0.00	17,721.55	0.00
Matured Certificates of Participation Payable	0.00	0.00	3,309,000.00
Matured Interest Payable	0.00	0.00	981,751.91
Total Liabilities	<u>7,980,840.65</u>	<u>2,916,536.54</u>	<u>4,290,751.91</u>
Fund Balances			
Nonspendable:			
Inventory	992,152.30	0.00	0.00
Restricted:			
State Required Carryover Programs	3,855,467.49	0.00	0.00
Debt Service	0.00	0.00	82,934.04
Capital Projects	0.00	0.00	0.00
Food Services	0.00	0.00	0.00
Assigned:			
Special Projects	1,544,948.29	0.00	0.00
Unassigned	7,581,894.44	0.00	0.00
Total Fund Balances	<u>13,974,462.52</u>	<u>0.00</u>	<u>82,934.04</u>
Total Liabilities and Fund Balances	<u>\$ 21,955,303.17</u>	<u>\$ 2,916,536.54</u>	<u>\$ 4,373,685.95</u>

See accompanying notes.

Capital Projects Nonvoted Capital Improvement Fund	Capital Projects Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,347,767.24	\$ 14,171,187.85	\$ 5,482,995.70	\$ 46,967,553.99
0.00	0.00	21,986.84	21,986.84
0.00	0.00	0.00	54,289.40
0.00	0.00	381.46	160,601.62
153,028.59	759,989.00	21,208.17	3,393,836.71
63,576.30	737,030.64	458,846.34	4,873,102.93
0.00	0.00	110,327.00	1,102,479.30
<u>5,564,372.13</u>	<u>15,668,207.49</u>	<u>6,095,745.51</u>	<u>56,573,850.79</u>
0.00	0.00	3,922.96	5,360,385.11
0.00	0.00	12,537.23	1,273,078.06
0.00	207,218.89	115,796.94	1,742,891.89
224,659.94	0.00	112,041.37	336,701.31
23,238.11	0.00	10,451.62	33,689.73
0.00	15,667.50	1,600,251.63	4,458,695.73
0.00	0.00	169,627.71	187,349.26
0.00	0.00	0.00	3,309,000.00
0.00	0.00	0.00	981,751.91
<u>247,898.05</u>	<u>222,886.39</u>	<u>2,024,629.46</u>	<u>17,683,543.00</u>
0.00	0.00	97,242.20	1,089,394.50
0.00	0.00	0.00	3,855,467.49
0.00	0.00	311,156.68	394,090.72
5,316,474.08	15,445,321.10	813,166.35	21,574,961.53
0.00	0.00	2,849,550.82	2,849,550.82
0.00	0.00	0.00	1,544,948.29
0.00	0.00	0.00	7,581,894.44
<u>5,316,474.08</u>	<u>15,445,321.10</u>	<u>4,071,116.05</u>	<u>38,890,307.79</u>
<u>\$ 5,564,372.13</u>	<u>\$ 15,668,207.49</u>	<u>\$ 6,095,745.51</u>	<u>\$ 56,573,850.79</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total Fund Balances - Governmental Funds	\$ 38,890,307.79
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**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	432,352,364.88
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	939,804.69
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Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net position.	4,493,912.24
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Deferred outflows of resources and deferred inflows of resources related to the cost-sharing pensions are applicable to future periods and, therefore, are not reported in governmental funds:

Deferred Outflows Related to Pensions	28,279,071.13	
Deferred Inflows Related to Pensions	<u>(18,895,382.00)</u>	9,383,689.13

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Obligation Under Capital Lease	(3,506.55)	
Bonds Payable	(3,333,000.00)	
Certificates of Participation Payable	(48,003,000.00)	
Compensated Absences Payable	(20,291,871.18)	
Net Pension Liability	(121,915,237.00)	
Other Postemployment Benefits Payable	<u>(4,299,169.00)</u>	<u>(197,845,783.73)</u>

Total Net Position - Governmental Activities	<u><u>\$ 288,214,295.00</u></u>
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See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Other Federal Programs Fund	Debt Service Other Debt Service Fund	Capital Projects Nonvoted Capital Improvement Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 804,659.87	\$ 997,169.89	\$ 0.00	\$ 0.00
Federal Through State and Local	1,875,340.41	14,537,152.46	0.00	0.00
State	202,705,778.47	0.00	0.00	0.00
Local:				
Property Taxes	54,044,977.87	0.00	0.00	14,383,502.16
Local Sales Taxes	0.00	0.00	0.00	0.00
Impact Fees	0.00	0.00	0.00	0.00
Charges for Services - Food Service	0.00	0.00	0.00	0.00
Miscellaneous	2,934,097.23	5,187.71	1,434.71	41,110.03
Total Revenues	<u>262,364,853.85</u>	<u>15,539,510.06</u>	<u>1,434.71</u>	<u>14,424,612.19</u>
Expenditures				
Current - Education:				
Instruction	172,421,784.97	9,968,784.82	0.00	0.00
Student Personnel Services	13,672,773.97	1,335,798.28	0.00	0.00
Instructional Media Services	4,034,976.87	18,990.81	0.00	0.00
Instruction and Curriculum Development Services	3,846,135.39	1,268,869.19	0.00	0.00
Instructional Staff Training Services	2,636,905.00	2,043,314.48	0.00	0.00
Instruction-Related Technology	3,705,983.11	0.00	0.00	0.00
School Board	657,352.09	0.00	0.00	0.00
General Administration	891,313.15	476,509.08	0.00	0.00
School Administration	14,561,965.47	31,519.72	0.00	0.00
Facilities Acquisition and Construction	1,188,654.11	0.00	0.00	1,195,370.62
Fiscal Services	705,671.08	0.00	0.00	0.00
Food Services	93,036.34	0.00	0.00	0.00
Central Services	3,083,363.02	0.00	0.00	0.00
Student Transportation Services	10,028,772.39	114,570.48	0.00	0.00
Operation of Plant	18,955,770.44	0.00	0.00	0.00
Maintenance of Plant	5,196,657.93	0.00	0.00	0.00
Administrative Technology Services	1,152,762.23	0.00	0.00	0.00
Community Services	314,600.69	0.00	0.00	0.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	485,946.15	0.00	0.00	2,868,418.31
Other Capital Outlay	1,214,406.36	281,153.20	0.00	0.00
Debt Service:				
Principal	5,905.29	0.00	3,309,000.00	0.00
Interest and Fiscal Charges	151.11	0.00	1,970,268.41	0.00
(Total Expenditures)	<u>258,854,887.16</u>	<u>15,539,510.06</u>	<u>5,279,268.41</u>	<u>4,063,788.93</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>3,509,966.69</u>	<u>0.00</u>	<u>(5,277,833.70)</u>	<u>10,360,823.26</u>
Other Financing Sources (Uses)				
Transfers in	4,674,715.00	0.00	5,288,603.80	0.00
Proceeds from Sale of Capital Assets	129,435.52	0.00	0.00	0.00
Insurance Loss Recoveries	18,530.38	0.00	0.00	0.00
Transfers (out)	(1,000,000.00)	0.00	0.00	(6,608,757.50)
Total Other Financing Sources (Uses)	<u>3,822,680.90</u>	<u>0.00</u>	<u>5,288,603.80</u>	<u>(6,608,757.50)</u>
Net Change in Fund Balances	7,332,647.59	0.00	10,770.10	3,752,065.76
Fund Balances, Beginning of Year	6,584,542.68	0.00	72,163.94	1,564,408.32
(Decrease) Increase in Inventory Reserve	57,272.25	0.00	0.00	0.00
Fund Balances, End of Year	<u>\$ 13,974,462.52</u>	<u>\$ 0.00</u>	<u>\$ 82,934.04</u>	<u>\$ 5,316,474.08</u>

See accompanying notes.

Capital Projects Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 0.00	\$ 1,801,829.76
0.00	11,149,982.23	27,562,475.10
79,398.13	2,699,640.27	205,484,816.87
0.00	0.00	68,428,480.03
1,922,266.33	0.00	1,922,266.33
6,419,023.54	0.00	6,419,023.54
0.00	4,707,080.80	4,707,080.80
65,115.58	40,941.36	3,087,886.62
8,485,803.58	18,597,644.66	319,413,859.05
0.00	310,316.17	182,700,885.96
0.00	0.00	15,008,572.25
0.00	0.00	4,053,967.68
0.00	0.00	5,115,004.58
0.00	14,114.13	4,694,333.61
0.00	0.00	3,705,983.11
0.00	0.00	657,352.09
0.00	0.00	1,367,822.23
0.00	0.00	14,593,485.19
223,787.80	863,353.26	3,471,165.79
0.00	0.00	705,671.08
0.00	15,691,084.47	15,784,120.81
0.00	0.00	3,083,363.02
0.00	0.00	10,143,342.87
0.00	0.00	18,955,770.44
0.00	0.00	5,196,657.93
0.00	0.00	1,152,762.23
0.00	0.00	314,600.69
809,363.01	352,322.01	4,516,049.48
0.00	206,435.05	1,701,994.61
0.00	943,000.00	4,257,905.29
0.00	202,736.34	2,173,155.86
1,033,150.81	18,583,361.43	303,353,966.80
7,452,652.77	14,283.23	16,059,892.25
0.00	0.00	9,963,318.80
0.00	0.00	129,435.52
0.00	0.00	18,530.38
(3,354,561.30)	0.00	(10,963,318.80)
(3,354,561.30)	0.00	(852,034.10)
4,098,091.47	14,283.23	15,207,858.15
11,347,229.63	4,052,573.55	23,620,918.12
0.00	4,259.27	61,531.52
\$ 15,445,321.10	\$ 4,071,116.05	\$ 38,890,307.79

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Governmental Funds \$ 15,207,858.15

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Capital outlays are reported in the governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.

The following details the amount of capital outlays in excess of
depreciation expense in the current period:

Capital Outlay Expenditures	\$ 6,218,044.09	
Depreciation Expense	<u>(16,374,633.61)</u>	(10,156,589.52)

Capital assets donated to the District increase net position in the
government-wide financial statements, but are not financial resources
and, therefore, are not reported in the governmental funds. 183,762.08

Repayment of long-term debt is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
position. The following details the amount of long-term debt repaid in the
current period:

Capital Lease	5,905.29	
Certificates of Participation Payable	3,309,000.00	
Bonds Payable	<u>943,000.00</u>	4,257,905.29

In the statement of activities, the cost of compensated absences is
measured by the amounts earned during the year, while in the
governmental funds expenditures are recognized based on the amounts
actually paid for compensated absences. This is the net amount of
compensated absences earned in excess of the amount used in the
current period. (256,244.64)

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Concluded)

Net Change in Fund Balances - Governmental Funds (Concluded)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in the other postemployment benefits liability for the current fiscal year. \$ (871,596.00)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities. 2,398,409.17

The District accrues capital credits to be received in future years in the statement of activities, but the revenue does not provide current financial resources and is not reported in the governmental funds. The following details the change in capital credits receivable during the current period:

Current Year Accrual	\$	4,493,912.21	
(Less Prior Year Accrual)		(4,172,703.36)	321,208.85

The purchase method of inventory accounting is used in the governmental funds, while in the government-wide statements inventories are accounted for on the consumption method. 61,531.52

Pension Expenses related to the changes in net pension liability as reported in the statement of activities does not require the use of current financial resources and is not reported in the governmental funds

FRS Pension Contribution	\$	10,097,942.00	
HIS Pension Contribution		3,036,702.00	
FRS Pension Expense		(3,813,587.00)	
HIS Pension Expense		(4,439,006.00)	4,882,051.00

Certain funds due from other agencies are not available, and therefore, not recognized as revenue in the governmental fund statements. However, funds are recognized as revenue under the full accrual basis of accounting in the statement of activities. (70,622.45)

Change in Net Position - Governmental Activities	\$	15,957,673.45
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See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Governmental Activities Internal Service Funds
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 1,566,259.04
Cash with Fiscal Agent	40,000.00
Due from Other Funds	1,131,155.24
Prepaid Insurance	980,611.00
Total Assets	<u><u>3,718,025.28</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	980,611.00
Due to Other Funds	21,313.59
Estimated Insurance Claims Payable	728,281.36
Total Current Liabilities	<u><u>1,730,205.95</u></u>
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	1,048,014.64
Total Liabilities	<u><u>2,778,220.59</u></u>
Net Position	
Unrestricted	<u><u>\$ 939,804.69</u></u>

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Governmental Activities Internal Service Funds
Operating Revenues	
Insurance Premiums	\$ 4,095,596.34
Total Operating Revenues	<u>4,095,596.34</u>
Operating Expenses	
Insurance Claims	1,363,334.59
Excess Insurance Premiums	1,140,697.00
State Assessments	34,089.76
Purchased Services	158,651.00
Other	414.82
Total Operating Expenses	<u>2,697,187.17</u>
Operating Income	<u>1,398,409.17</u>
Net Income (Loss) Before Operating Transfers	1,398,409.17
Transfers In	<u>1,000,000.00</u>
Net Income (Loss) After Operating Transfers	2,398,409.17
Total Net Position - Beginning of Year	<u>(1,458,604.48)</u>
Total Net Position - End of Year	<u><u>\$ 939,804.69</u></u>

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2016

	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$ 4,095,596.34
Cash Payments to Vendors for Goods and Services	(2,493,805.73)
Cash Payments to Insurance Claims	(1,043,645.59)
Net Cash Provided by Operating Activities	<u>558,145.02</u>
Cash Flows from Noncapital Financing Activities	
Transfers From Other Funds	<u>1,000,000.00</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,000,000.00</u>
Cash Flows from Investing Activities	
Proceeds from Sale of Investments	<u>7,972.96</u>
Net Cash Provided by Investing Activities	<u>7,972.96</u>
Net Increase in Cash and Cash Equivalents	1,566,117.98
Cash and Cash Equivalents, Beginning of Year	<u>40,141.06</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,606,259.04</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	<u>\$ 1,398,409.17</u>
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by (Used in) Operating Activities:	
Increase in Due from Other Funds	(1,131,155.24)
Decrease in Accounts Receivable	59,968.50
Decrease in Prepaid	160,086.00
Decrease in Accounts Payable	(160,086.00)
Decrease in Due to Other Funds	(79,686.41)
Increase in Estimated Insurance Claims Payable	310,609.00
Total Adjustments	<u>(840,264.15)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 558,145.02</u></u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Agency Funds
Assets	
Cash and Cash Equivalents	\$ 3,586,955.54
Total Assets	<u>3,586,955.54</u>
Liabilities	
Accounts Payable	127,641.18
Due to Other Funds	44,982.73
Internal Accounts Payable Student Organizations	3,414,331.63
Total Liabilities	<u>\$ 3,586,955.54</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses associated with the District's transportation department are allocated to the transportation function, while remaining depreciation expenses are not readily associated with a particular function and are reported as unallocated.

Reporting Entity

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

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

- **Blended Component Unit**—The Clay School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Concluded)

- **Discretely Presented Component Units**—The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District. During the 2015-16 fiscal year, the component unit column consists of three charter schools as follows:
 - The Charter Entities consist of: Orange Park Performing Arts Academy, Clay Charter Academy, and Florida Virtual Academy at Clay. The Charter Entities are organized as not-for-profit corporations pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by its sponsor, the Clay County District School Board. The charter schools are considered to be component units as the District established the charter schools, by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2016. The audit reports are filed in the District's administrative offices.

Basis of Presentation

■ **Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The Governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Government-wide financial statements, including the statement of net position and statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component unit.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

■ **Government-wide Financial Statements (Concluded)**

The effects of interfund activity have been eliminated from the government-wide financial statements.

■ **Fund Financial Statements**

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

The District reports the following major governmental funds:

- **General Fund**—to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Special Revenue – Other Fund**—to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Because revenues of grants accounted for in the Special Revenue-Other Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances.
- **Debt Service – Other Debt Service Fund**—to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the long-term certificates of participation.
- **Capital Projects – Nonvoted Capital Improvement Fund**—to account for the financial resources generated by the nonvoted capital improvement tax levy, Section 1011.71(2), Florida Statutes, to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.
- **Capital Projects – Other Capital Projects Fund**—to account for the financial resources received from local sales taxes, local impact fees, and other miscellaneous sources, to be used for educational capital outlay needs and debt service payments on certificates of participation.

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

- **Internal Service Fund**—to account for the District's individual self-insurance programs.
- **Agency Funds**—to account for resources of the school internal funds which are used to administer monies collected at the several schools in connection with school, student athletic, class, and club activities.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Concluded)

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

Basis of Accounting

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

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

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

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounts. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Concluded)

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

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include money market mutual funds, Florida Education Investment Trust Fund (FEITF), and the State Board of Administration (SBA), in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund investment pools.

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

Investments consist of amounts placed in SBA debt service accounts for investments of debt service moneys and amounts placed with SBA for participation in Florida PRIME investment pools created by Sections 218.405, Florida Statutes, amounts placed in the FEITF, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME and FEITF, which the SBA and FEITF, respectively, meet all of the necessary criteria to elect to measure all of the investments at amortized cost. Like money market funds, a participant's account balance is a share of the investment pool not the underlying securities, and reported at amortized cost is considered the fair value of the participant's investment.

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

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that maintenance inventories are stated at weighted-average and United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Under the economic resources measurement focus of the government-wide financial statements, the costs of inventories are recorded as expenditures when used rather than purchased. In the fund financial statements, except for United States Department of Agriculture donated foods, the costs of inventories are recorded as expenditures when purchased rather than used and reported purchased inventories are equally offset by a fund balance reserve.

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

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the acquisition value of similar assets at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. Land, improvements other than buildings, and buildings acquired or constructed prior to July 1, 1968, are stated at appraised value when historical cost could not be determined.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	25 Years
Buildings and Fixed Equipment	50 Years
Furniture, Fixtures, and Equipment	7 Years
Motor Vehicles	10 Years
Property Acquired Under Capital Lease	7 Years
Audio Visual Materials and Computer Software	5-15 Years

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Long-term Liabilities

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions, which are discussed in a subsequent note.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualified for reporting in this category. The deferred inflows of resources related to pensions, which are discussed in a subsequent note.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of resolution prior to the end of the fiscal year-end, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2016.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. Board Policy 5.02 provides that the assigned fund balance includes amounts which are assigned for the intended use of the Board or by delegation to the Superintendent or Superintendent's designee. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUES AND EXPENDITURES/EXPENSES

Program Revenue

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resource are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expense with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

District Property Taxes

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Property Taxes (Concluded)

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

The School Board adopted the 2015 tax levy on September 10, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

Local Government Infrastructure Surtax

The citizens of Clay County, on November 3, 1989, approved a one percent local government infrastructure sales surtax authorized under Section 212.055(2), Florida Statutes. Pursuant to Section 212.055(2)(c)1., Florida Statutes, the County and its municipalities entered into an interlocal agreement with the School Board, dated June 23, 1998, wherein the parties agreed to a distribution formula for the infrastructure sales surtax proceeds. The distribution formula provides, in part, that the District shall receive ten percent of the County's portion of the proceeds using the statutory distribution formula provided in Section 218.62, Florida Statutes. The surtax proceeds are to be used for fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of public facilities which have a useful life expectancy of five or more years; any land acquisition, land improvement, design, and engineering costs related thereto; and certain vehicle purchases.

Educational Impact Fees

Clay County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2003. This ordinance was most recently amended in September 2013, when Ordinance 2013-417 established, in part, revised rates to be collected and May 2014 when Ordinance 2014-10 revised certain provisions related to impact fee credits for donations of land and construction of improvements or additions. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Educational Impact Fees (Concluded)

by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, facility design and construction costs, furniture and equipment, and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

Federal Revenue Sources/American Recovery and Reinvestment Act Economic Stimulus Funds

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

Compensated Absences

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

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - INVESTMENTS

As of June 30, 2016, the District has the following investments:

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 2 - INVESTMENTS (Continued)

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Fair Value Measurement (3)</u>
Money Market Mutual Funds:			
First American Treasury Obligations (1)(2)	35 Day Average	\$ 1,659,522.17	n/a
First American Prime Obligations (1)(2)	6 Day Average	2,631,253.61	n/a
State Board of Administration:			
Florida PRIME (2)	39 Day Average	23,548,255.96	n/a
Debt Service Accounts	6 Months	21,986.84	n/a
Florida Education Investment Trust Fund (2)	41 Day Average	<u>8,509,751.00</u>	n/a
		<u>36,370,769.58</u>	
Fiduciary Funds:			
State Board of Administration:			
Florida PRIME (2)	39 Day Average	<u>1,500,769.17</u>	n/a
Total Investments, Reporting Entity		<u><u>\$ 37,871,538.75</u></u>	

Notes: (1) At June 30, 2016, investments totaling \$4,290,775.78 were held under a trust agreement in connection with Certificates of Participation financing arrangements.

(2) Investments reported as cash equivalents for financial statement reporting purposes.

(3) The District categorized the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, which is based on a matrix pricing model; Level 3 inputs are significant unobservable inputs and were evaluated used a curve-based approach. The District's investments in Florida PRIME and FEITF, which the SBA and FEITF, respectively, meet all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Like money market funds, a participant's account balance is a share of the investment pool not the underlying securities, and reported at amortized cost is considered the fair value of the participant's investment.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates, but generally requires shorter-term investment maturities that are matched with cash flow needs to avoid selling securities prior to maturity.

The trust agreement in connection with certificates of participation financing arrangements does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The FEITF and the First American Treasury Obligations money market mutual fund are designed to maintain a \$1 per share net asset value and provide immediate liquidity to meet cash flow needs.

Florida PRIME, Florida Education Investment Trust Fund, and First American Money Market Mutual Funds use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 2 - INVESTMENTS (Concluded)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA's Florida PRIME, or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury; Federal Agencies and Instrumentalities, any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.

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

As of June 30, 2016, the District's investment in the Florida PRIME is rated AAAm by Standard & Poor's.

As of June 30 2016, the District's investments in the Money Market Mutual Funds were rates AAAm by Standard & Poor's and Aaa-mf by Moody's Investor Services.

The District's investment in the FEITF were rates AAAm by Standard & Poor's.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, are held with a third party custodian; and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

The District's investments in the money market mutual funds are held by the safekeeping agent in the name of the District.

As of June 30, 2016, there were no redemption fees, maximum transaction amounts, liquidity fees, or redemption gates, or any other requirements that serve to limit an investor's daily access to 100 percent of their account value. There was not the presence of any limitations or restrictions on withdrawals.

Note 3 - RECEIVABLES

Capital Credit Receivable

The District participates in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata basis to its members. The policy of the Clay Electric Cooperative, Inc. is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2015-2016 fiscal year, the District received \$73,160.11

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

Note 3 - RECEIVABLES (Concluded)

Capital Credit Receivable (Concluded)

related to portions of capital credits earned from the 1988 through 2014 fiscal years. At June 30, 2016, the accumulated credits to the District's accounts were \$4,493,912.24.

Due From Other Agencies

The majority of receivable are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. The following is a schedule of the amounts Due From Other Agencies at June 30, 2016:

FUND/SOURCE	AMOUNT
Major Governmental Funds	
General:	
State of Florida:	
VPK Program	\$ 77,097.53
DCF State Grant	42,803.39
AHCA State Grant	191,393.51
Florida Youth Challenge Academy Grant	111,250.00
Clay County Sheriff's Office:	
Fuel Reimbursement	1,449.91
Clay County Board of County Commissioners:	
Driver Education Safety Fund	150,000.00
Clay County Tax Collector:	
Local Property Taxes	231,466.95
United States Department of Defense:	
Navy Junior Reserve Officers Training Corps	82,589.60
Special Revenue Fund-Other Special Revenue:	
State of Florida:	
Federal Cash Advance System	2,274,824.80
Family Support Services Grant	13,878.88
First Coast Workforce Development:	
WIA Youth Activities Grant	72,029.21
U.S. Department of Defense Education Activities:	
Achievement at Military Connected Schools	309,541.95
U.S. Department of Education:	
Safe and Drug-Free Schools and Communities Grant	4,160.31
District School Board of Nassau County	
Math and Science Partnership Grant	51,163.61
Capital Projects - Other Capital Projects:	
Clay County Board of County Commissioners:	
Local Impact Fees	380,000.00
City of Green Cover Springs:	
Local Impact Fees	83,207.14
State of Florida:	
Gas Tax Refunds	60,661.00
Local Sales Surtax	213,162.50
Capital Projects - Local Capital Improvement:	
Clay County Tax Collector:	
Local Property Taxes	63,576.30
NonMajor - Other Governmental Funds:	
Capital Outlay and Debt Service Program Fund:	
State of Florida:	
Motor Vehicle License Tax	9,628.46
Capital Projects - Public Education Capital Outlay:	
State of Florida:	
Public Education Capital Outlay	361,435.39
Special Revenue Fund-Food Services:	
State of Florida:	
Reimbursements for School Meals	87,782.49
TOTAL	\$ 4,873,102.93

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 4 - CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 29,846,438.81	\$ 0.00	\$ 0.00	\$ 29,846,438.81
Construction in Progress	1,551,544.56	3,147,976.13	3,349,495.92	1,350,024.77
Total Capital Assets Not Being Depreciated	31,397,983.37	3,147,976.13	3,349,495.92	31,196,463.58
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	25,805,688.10	314,209.49	0.00	26,119,897.59
Buildings and Fixed Equipment	533,726,036.68	3,035,286.40	0.00	536,761,323.08
Furniture, Fixtures, and Equipment	27,826,538.12	1,317,195.25	2,413,977.82	26,729,755.55
Motor Vehicles	24,449,904.55	1,094,016.73	848,769.83	24,695,151.45
Property Acquired Under Capital Lease	17,553.65	0.00	0.00	17,553.65
Audio Visual Materials and				
Computer Software	3,360,889.58	842,617.89	108,695.06	4,094,812.41
Total Capital Assets Being Depreciated	615,186,610.68	6,603,325.76	3,371,442.71	618,418,493.73
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	18,229,382.61	1,032,227.52	0.00	19,261,610.13
Buildings and Fixed Equipment	146,930,471.45	10,808,415.65	0.00	157,738,887.10
Furniture, Fixtures, and Equipment	21,203,258.66	2,129,257.68	2,413,977.82	20,918,538.52
Motor Vehicles	15,416,227.91	2,137,420.32	848,769.83	16,704,878.40
Property Acquired Under Capital Lease	5,015.32	2,507.66	0.00	7,522.98
Audio Visual Materials and				
Computer Software	2,475,045.58	264,804.78	108,695.06	2,631,155.30
Total Accumulated Depreciation	204,259,401.53	16,374,633.61	3,371,442.71	217,262,592.43
Total Capital Assets Being Depreciated, Net	410,927,209.15	(9,771,307.85)	0.00	401,155,901.30
Total Governmental Activities				
Capital Assets, Net	<u>\$ 442,325,192.52</u>	<u>\$(6,623,331.72)</u>	<u>\$ 3,349,495.92</u>	<u>\$432,352,364.88</u>

Depreciation expense was charged to functions as follows:

Function	Amount
Governmental Activities	
Pupil Transportation Services	\$ 2,137,420.32
Unallocated	14,237,213.29
Total Depreciation Expense - Governmental Activities	<u>\$ 16,374,633.61</u>

Note 5 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Other Postemployment Health Care Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health insurance plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 5 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Continued)

an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy

Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-2016 fiscal year, certain retirees and eligible dependents received postemployment health care benefits. The District provided required contributions of \$493,580 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$1,019,146.

Annual OPEB Cost and Net OPEB Obligation

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 954,762
Amortization of Unfunded Actuarial Accrued Liability	343,784
Interest on Normal Cost and Amortization	<u>51,942</u>
Annual Required Contribution	1,350,488
Interest on Net OPEB Obligation	137,103
(Less Amortization of Net OPEB Obligation)	<u>(122,415)</u>
Annual OPEB Cost (Expense)	1,365,176
Contribution Toward the OPEB Cost	<u>(493,580)</u>
Increase in Net OPEB Obligation	871,596
Net OPEB Obligation, Beginning of Year	<u>3,427,573</u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,299,169</u></u>

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

Note 5 - OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Annual OPEB Cost and Net OPEB Obligation (Concluded)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, and the two preceding years, was as follows:

Fiscal Year Ending June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,799,077	26.8%	\$ 3,257,679
2015	1,280,034	86.7%	3,427,573
2016	1,365,176	36.2%	4,299,169

Funded Status and Funding Progress

As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$7,909,254 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,909,254. The covered payroll (annual payroll of active participating employees) was \$126,156,011 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.3 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

The District's OPEB actuarial valuation as of July 1, 2015, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 7.5 percent initially, reduced each year, to an ultimate rate of 5.0 percent for the fiscal year ending June 30, 20123. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 6 - CONSTRUCTION CONTRACTS AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances

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

The following is a schedule of encumbrances at June 30, 2016:

<u>Fund</u>	<u>Encumbrance Amount</u>
General	\$ 942,950.16
Other Federal Programs	148,689.87
Nonvoted Capital Improvement	2,862,174.09
Other Capital Projects	213,127.61
Other Governmental Funds	758,348.19
Total	<u>\$ 4,925,289.92</u>

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed Amount</u>	<u>Balance Committed</u>
Middleburg High School Flooring Replacement Project			
Architect	\$ 10,503.60	\$ 8,691.73	\$ 1,811.87
General Contractor	114,060.00	54,071.00	59,989.00
Direct Materials	61,000.00	0	61,000.00
Oakleaf Junior High School Locker Room Renovation			
Architect	21,494.40	17,571.67	3,922.73
General Contractor	258,240.00	98,026.00	160,214.00
Direct Materials	100,000.00	7,844.80	92,155.20
HVAC Replacement Projects - Cherry and Jennings Elementary and Keystone Heights Junior/Senior High Schools			
Architect	32,679.96	32,679.96	0
General Contractor	595,542.22	531,225.22	64,317.00
Direct Materials	155,367.92	146,356.40	9,011.52
Orange Park High School Smoke Corridor, Building 1 - Phase II			
Architect	14,880.00	12,536.40	2,343.60
General Contractor	162,000.00	91,979.81	70,020.19
Direct Materials	86,000.00	20,333.00	65,667.00
Roof Replacement Project - Orange Park and Keystone High School			
Architect	29,420.70	27,750.47	1,670.23
General Contractor	310,824.39	260,131.81	50,692.58
Direct Materials	186,760.19	14,489.65	172,270.54
Total	<u>\$ 2,138,773.38</u>	<u>\$ 1,323,687.92</u>	<u>\$ 815,085.46</u>

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 7 - RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, and property loss coverages are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

The District's liability is limited to \$100,000 per claim and \$200,000 per occurrence for automobile liability, general liability, and property loss coverages. The District's liability for workers' compensation is limited from \$125,000 to \$325,000 per occurrence, depending on the year of occurrence.

A liability in the amount of \$1,776,296 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2016.

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

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimated Liability</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-end</u>
2014-15	\$ 1,277,396.00	\$ 858,680.25	\$ (670,389.25)	\$1,465,687.00
2015-16	1,465,687.00	1,354,254.59	(1,043,645.59)	1,776,296.00

The District's health and hospitalization coverage and other coverages deemed necessary by the Board were provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Note 8 - CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2016, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2005B, Refunding	\$ 10,115,000.00	4.0 – 5.0	2025	\$ 18,545,000.00
Series 2012, Refunding	23,185,000.00	2.0 – 5.0	2028	24,930,000.00
Series 2014, Refunding	14,703,000.00	2.79	2027	17,540,000.00
Total Certificates of Participation	<u>\$ 48,003,000.00</u>			

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 8 - CERTIFICATES OF PARTICIPATION (Continued)

The District entered into a master financing arrangement on May 15, 1997, which arrangement was characterized as lease-purchase agreement, with the Clay School Board Leasing Corporation whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

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

A summary of the lease terms is as follows:

<u>Certificates</u>	<u>Lease Term</u>
Series 2005B, Refunding	Earlier of Date Paid in Full or June 30, 2025
Series 2012, Refunding	Earlier of Date Paid in Full or June 30, 2028
Series 2014, Refunding	Earlier of Date Paid in Full or June 30, 2027

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

<u>Certificates</u>	<u>Description of Properties</u>
Series 2005B, Refunding	Construction of a New Senior High School in the Fleming Island Area. (Fleming Island High School)
Series 2012, Refunding	Construction of a New Junior High School in the Lake Asbury Area (Lake Asbury Junior High School) and a New Senior High School in the Oakleaf Area. (Oakleaf High School)
Series 2014, Refunding	Acquisition of approximately 42 acres of land adjacent to the former Ridgeview Junior High School and conversion of the facility to a senior high school and construction of a new junior high school in the Oakleaf area. (Oakleaf Junior High School)

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 8 - CERTIFICATES OF PARTICIPATION (Concluded)

Fiscal Year Ending			
June 30	Total	Principal	Interest
2017	\$ 5,269,618.70	\$ 3,430,000.00	\$ 1,839,618.70
2018	5,267,884.70	3,544,000.00	1,723,884.70
2019	5,265,233.60	3,699,000.00	1,566,233.60
2020	5,265,174.50	3,855,000.00	1,410,174.50
2021	5,201,058.50	3,954,000.00	1,247,058.50
2022 - 2026	26,081,086.00	22,502,000.00	3,579,086.00
2027 - 2028	7,324,471.60	7,019,000.00	305,471.60
Total Minimum Lease Payments	\$ 59,674,527.60	\$ 48,003,000.00	\$ 11,671,527.60

Note 9 - BONDS PAYABLE

Bonds payable at June 30, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	\$ 115,000.00	5.00	2019
Series 2011A, Refunding	320,000.00	3.00 – 5.00	2023
Series 2014B, Refunding	483,000.00	2.00 – 5.00	2020
District Revenue Bonds:			
Series 2010, Refunding	2,415,000.00	2.15 – 5.00	2032
Total Bonds Payable	\$ 3,333,000.00		

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

■ **State School Bonds**

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

■ **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1995, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 65-1383, Laws of Florida, and Chapter 70-631, Laws of Florida, which provide that the bonds be secured by the portion of the racetrack and jai alai fronton funds distributed annually to Clay County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2014)). The annual distribution is remitted by the Florida Department of Financial Services to the District and the Board has established a sinking fund as required by the bond resolution. The average annual debt service requirement represents approximately 98 percent of the annual distributions, and no

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 9 - BONDS PAYABLE (Concluded)

■ **District Revenue Bonds (Concluded)**

annual debt service requirement exceeds the annual distribution amount. The tax proceeds are pledged for repayment of the bonds until all such bonds outstanding have been redeemed.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2017	\$ 462,210.00	\$ 419,000.00	\$ 43,210.00
2018	205,260.00	183,000.00	22,260.00
2019	106,110.00	93,000.00	13,110.00
2020	66,460.00	58,000.00	8,460.00
2021	55,950.00	50,000.00	5,950.00
2022 - 2023	120,250.00	115,000.00	5,250.00
Total State School Bonds	\$ 1,016,240.00	\$ 918,000.00	\$ 98,240.00

Fiscal Year Ending June 30	Total	Principal	Interest
District Revenue Bonds:			
2017	\$ 218,055.00	\$ 110,000.00	\$ 108,055.00
2018	219,480.00	115,000.00	104,480.00
2019	220,455.00	120,000.00	100,455.00
2020	215,955.00	120,000.00	95,955.00
2021	216,155.00	125,000.00	91,155.00
2022 - 2026	1,086,041.28	715,000.00	371,041.28
2027 - 2031	1,093,887.50	905,000.00	188,887.50
2032	215,250.00	205,000.00	10,250.00
Total District Revenue Bonds	3,485,278.78	2,415,000.00	1,070,278.78
Total	\$ 4,501,518.78	\$ 3,333,000.00	\$ 1,168,518.78

Note 10 - OBLIGATION UNDER CAPITAL LEASE

Property being acquired under capital lease arrangements consist of a multi-function printer with an asset value of \$17,553.65.

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2017	\$ 3,532.90	\$ 3,506.55	\$ 26.35
Total Minimum Lease Payments	\$ 3,532.90	\$ 3,506.55	\$ 26.35

The interest rate is 2.25 percent.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 11 - CHANGES IN LONG-TERM LIABILITIES

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

	Balance 07/01/2015	Additions	Deductions	Balance 6/30/2016	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 51,312,000.00	\$ 0	\$ 3,309,000.00	\$ 48,003,000.00	\$ 3,430,000.00
Estimated Insurance Claims Payable	1,465,687.00	1,354,254.59	1,043,645.59	1,776,296.00	728,281.36
Bonds Payable	4,276,000.00	0	943,000.00	3,333,000.00	529,000.00
Obligation Under Capital Lease	9,411.84	0	5,905.29	3,506.55	3,506.55
Other Post-employment Benefits Obligation	3,427,573.00	1,365,176.00	493,580.00	4,299,169.00	0
Net Pension Liability	86,961,128.00	52,456,812.00	17,502,703.00	121,915,237.00	2,302,877.00
Compensated Absences Payable	20,035,626.52	10,330,969.19	10,074,724.53	20,291,871.18	10,074,724.53
Total Governmental Activities	\$ 167,487,426.36	\$65,507,211.78	\$33,372,558.41	\$ 199,622,079.73	\$ 17,068,389.44

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. For the governmental activities, compensated absences are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the Internal Service Fund.

Note 12 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Governmental Funds		
General	\$ 2,326,358.49	\$ 125,906.46
Debt Service:		
Other Debt Service	6,267.11	0.00
Capital Projects:		
Nonvoted Capital Improvement	153,028.59	0.00
Other Capital Projects	759,989.10	15,667.50
Special Revenue:		
Other Federal Programs	126,985.35	2,716,870.14
Nonmajor Governmental Funds	21,208.17	1,600,251.63
Proprietary Fund		
Internal Service Fund	1,131,155.24	21,313.59
Agency Funds	0.00	44,982.73
Total	\$ 4,524,992.05	\$ 4,524,992.05

The outstanding interfund payables due to the General Fund resulted from expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 12 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concluded)

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 4,674,715.00	\$ 1,000,000.00
Debt Service:		
Other Debt Service	5,288,603.80	0.00
Capital Projects:		
Nonvoted Capital Improvement	0.00	6,608,757.50
Nonmajor Governmental Funds	0.00	3,354,561.30
Proprietary Fund:		
Internal Service Fund	1,000,000.00	0.00
Total	<u>\$ 10,963,318.80</u>	<u>\$ 10,963,318.80</u>

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects Funds were to provide for debt service payments, to fund equipment purchases, to fund property and casualty insurance premiums, and to fund certain facilities and maintenance expenditures of the District's General Fund.

Note 13 - SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's state revenue for the 2015-2016 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 157,908,358.00
Categorical Educational Program:	
Class Size Reduction	39,046,849.00
School Recognition	2,119,481.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,489,414.48
Best and Brightest Teacher Scholarship Program	1,387,053.36
Gross Receipts (Public Education Capital Outlay)	871,725.00
Workforce Development Program	844,507.00
Voluntary Prekindergarten Program	510,420.89
Florida Youth Challenge Academy Grant	375,000.00
Racing Commission Funds	223,250.00
Department of Children and Families	142,086.00
Food Service Supplement	133,553.00
Miscellaneous	433,119.14
Total	<u>\$ 205,484,816.87</u>

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 14 - PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-2016 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.889	\$ 46,827,238.00
Basic Discretionary Local Effort	0.748	7,164,405.00
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	14,367,122.00
Total	<u>7.137</u>	<u>\$ 68,358,765.00</u>

Note 15 - FUND BALANCE REPORTING

Governmental fund balances are classified as nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories that are considered nonspendable. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, the District reports its governmental fund balances as spendable fund balances, based on a hierarchy of spending constraints.

■ **Restricted**

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

■ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2016.

■ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The amounts are assigned by the finance officer and approved by the Board as part of the District's annual financial report.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 15 - FUND BALANCE REPORTING (Concluded)

■ **Unassigned**

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

The District has classified its fund balances with the following hierarchy:

■ **Nonspendable**

At June 30, 2016 in the District's Governmental Funds, the District has inventories totaling \$1,089,394.50

■ **Spendable**

The District has classified the spendable fund balances as Restricted, Committed, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as Committed.

- **Restricted for Federal and State Required Carryover Programs, Debt Service, and Capital Projects**—Laws, rules, regulations, ordinances, grantor restrictions and policies required that certain revenues be specifically designated for the purposes of state carryover programs, federal grants, debt service, and capital projects. These funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$28,674,070.56 at June 30, 2016.
- **Assigned for Special Projects**—The School Board has set aside certain spendable fund balance for special projects. At year-end, the assigned fund balance is \$1,544,948.29. The assigned fund balance for special projects includes \$200,489.30 for outstanding encumbrances and \$1,344,458.99 for carryover programs.
- **Unassigned**—The unassigned fund balance for the General Fund is \$7,581,894.44.

Note 16 - NEW PRONOUNCEMENTS

The District adopted new accounting guidance GASB Statement No. 72, Fair Value Measurement and Application, which prescribes how state and local governments should define and measure fair value. It also prescribes which assets and liabilities should be measured at fair value, and expands disclosures related to fair value measurements.

Statement No. 72 amends the definitions of fair value used throughout GASB literature to be consistent and defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined using one of three valuation approaches: Market, cost, or income. Measurements are organized into a hierarchy using the same three levels to distinguish the reliability of the inputs.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 16 - NEW PRONOUNCEMENTS (Concluded)

The Standard also permits the fair value of certain equity investments that do not have readily determinable fair values to be based on their net asset value (NAV) per share, as long as NAV is calculated in a manner consistent with the FASB's measurement principles for investment companies.

Statement No. 72 expands the use of fair value measurement to nearly all investments. As a result certain nontraditional investments that historically were reported using either cost or equity method will now be required to be reported at fair value. Also, Statement No. 72 revises the definition of "investment" to specify that such assets are held "primarily for the purpose of income or profit," and that their service capacity is "based solely on their ability to generate cash or to be sold to generate cash."

Note 17 - RETIREMENT PLANS

Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about FRS

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

Essentially all regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other non-integrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, require supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

FRS Pension Plan

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

- *Regular Class* - Members of FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* - Members who hold specified elective offices in local government.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

FRS Pension Plan (Continued)

Plan Description (Concluded)

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts the FROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided - Benefits under the Plan are computed on the basis of age and /or years of service, average final compensations, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

The following chart shows the percentage value for each year of service credit earned:

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

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)**

Note 17 - RETIREMENT PLANS (Continued)

FRS Pension Plan (Continued)

Benefits Provided (Concluded)

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30 1974	2.00
Service on and after October 1, 1974	3.00

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

Contributions - The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3.00	7.26
Florida Retirement System, Elected County Officers	3.00	43.24
Deferred Retirement Option Program – Applicable to Members from all of the Above Classes or Plans	0.00	12.28
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.26 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Public Employee Optional Retirement Program.

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

- The District's contributions, including employee contributions, to the Plan totaled \$10,097,942 for the fiscal year ended June 30, 2016, excluding HIS plan contributions.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$59,171,467 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2014-15 contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.458113222 percent, which was a decrease from its proportionate share at prior measurement date (0.467015927 percent).

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

FRS Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded)

- For the fiscal year ended June 30, 2016, the District recognized pension expense of \$3,813,587. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,246,755.00	\$ 1,403,367.00
Change of Assumptions	3,927,409.00	0
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	0	14,129,156.00
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	0	2,012,838.00
District FRS Contributions Subsequent to the Measurement Date	10,097,942.00	0
Total	<u>\$ 20,272,106.00</u>	<u>\$ 17,545,361.00</u>

The deferred outflows of resources related to pensions, totaling \$10,097,942, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2017	\$ (5,097,751.00)
2018	(5,097,751.00)
2019	6,559,244.00
2020	1,075,359.00
Thereafter	287,453.00

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

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions (Concluded)

- Mortality rates were based on the Generational RP-2000 with Projection Scale BB.
- The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2014.
- The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Fixed Income	18.00%	4.18%	4.05%	5.15%
Global Equity	53.00%	6.79%	6.25%	10.95%
Real Estate (Property)	10.00%	8.51%	6.95%	18.90%
Private Equity	6.00%	8.66%	6.85%	20.40%
Strategic Investments	12.00%	11.58%	7.60%	31.15%
Total	100.00%			
Assumed inflation - Mean		2.60%		1.90%

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

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

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

FRS Pension Plan (Concluded)

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate-(Concluded)

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 153,326,653	\$ 59,171,467	\$ (19,181,114)

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

Payables to the Pension Plan - At June 30, 2016, the District reported a payable of \$1,671,231 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

HIS Pension Plan

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

Benefits Provided - For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

HIS Pension Plan (Continued)

The District's contributions to the HIS Plan totaled \$3,036,702 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2016, the District reported a net pension liability of \$62,743,770 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.615229877 percent, which was a decrease of its proportionate share measured as of June 30, 2014 (0.625291587 percent).

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$4,439,006. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions	\$ 4,936,297.00	\$ 0
Net Difference Between Projected and Actual Earnings on HIS Pension Plan		
Investments	33,965.00	0
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	0	1,350,021.00
District HIS Contributions Subsequent to the Measurement Date	3,036,702.00	0
Total	\$ 8,006,964.00	\$ 1,350,021.00

The deferred outflows of resources, totaling \$3,036,702, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	\$ 624,247.00
2017	624,247.00
2018	624,247.00
2019	617,344.00
2020	614,030.00
Thereafter	516,126.00

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Continued)

Note 17 - RETIREMENT PLANS (Continued)

HIS Pension Plan (Concluded)

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

Inflation	2.60 Percent
Salary Increases	3.25 Percent, Average, Including Inflation
Municipal Bond Rate	3.80 Percent

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

While an experience study has not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the Plan.

Discount Rate - The discount rate used to measure the total pension liability was 3.80 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.80 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.80 percent) or 1 percentage-point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's proportionate share of the net pension liability	\$ 71,493,605	\$ 62,743,770	\$ 55,447,721

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

Payables to the Pension Plan - At June 30, 2016, the District reported a payable of \$351,043 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016
(Concluded)

Note 17 - RETIREMENT PLANS (Concluded)

FRS - Defined Contribution Pension Plans

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$1,059,035 for the fiscal year ended June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**CLAY COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
Federal Direct	\$ 730,694.00	\$ 730,694.00	\$ 804,659.87	\$ 73,965.87
Federal Through State and Local	1,200,000.00	1,700,000.00	1,875,340.41	175,340.41
State	197,115,419.00	203,024,031.79	202,705,778.47	(318,253.32)
Local:				
Property Taxes	54,971,562.00	53,971,562.00	54,044,977.87	73,415.87
Miscellaneous	2,495,805.18	2,607,870.55	2,934,097.23	326,226.68
Total Revenues	<u>256,513,480.18</u>	<u>262,034,158.34</u>	<u>262,364,853.85</u>	<u>330,695.51</u>
Expenditures				
Current - Education:				
Instruction	172,133,591.29	182,122,601.95	172,421,784.97	9,700,816.98
Student Personnel Services	13,907,495.40	14,165,058.14	13,672,773.97	492,284.17
Instructional Media Services	3,909,900.71	4,158,016.25	4,034,976.87	123,039.38
Instruction and Curriculum				
Development Services	4,720,150.64	5,022,634.16	3,846,135.39	1,176,498.77
Instructional Staff Training Services	2,479,161.41	2,739,652.45	2,636,905.00	102,747.45
Instruction-related Technology	3,292,171.52	3,781,445.62	3,705,983.11	75,462.51
School Board	1,435,699.24	834,756.31	657,352.09	177,404.22
General Administration	1,058,069.86	894,279.66	891,313.15	2,966.51
School Administration	14,181,966.64	15,062,523.96	14,561,965.47	500,558.49
Facilities Acquisition and Construction	1,140,961.41	1,658,982.88	1,188,654.11	470,328.77
Fiscal Services	732,474.70	746,540.63	705,671.08	40,869.55
Food Services	0.00	93,036.34	93,036.34	0.00
Central Services	3,519,199.23	3,426,299.35	3,083,363.02	342,936.33
Student Transportation Services	10,306,919.97	10,259,128.46	10,028,772.39	230,356.07
Operation of Plant	19,112,405.27	19,618,756.87	18,955,770.44	662,986.43
Maintenance of Plant	5,267,403.97	5,226,638.31	5,196,657.93	29,980.38
Administrative Technology Services	1,149,487.80	1,193,199.21	1,152,762.23	40,436.98
Community Services	361,478.08	431,290.47	314,600.69	116,689.78
Fixed Capital Outlay:				
Facilities Acquisition and Construction	218,476.02	423,192.25	485,946.15	(62,753.90)
Other Capital Outlay	1,178,364.31	1,620,400.37	1,214,406.36	405,994.01
Debt Service:				
Principal	5,905.29	5,905.29	5,905.29	0.00
Interest and Fiscal Charges	151.11	151.11	151.11	0.00
(Total Expenditures)	<u>260,111,433.87</u>	<u>273,484,490.04</u>	<u>258,854,887.16</u>	<u>14,629,602.88</u>
Excess of Revenues Over Expenditures	<u>(3,597,953.69)</u>	<u>(11,450,331.70)</u>	<u>3,509,966.69</u>	<u>14,960,298.39</u>
Other Financing Sources (Uses)				
Transfers In	6,876,716.00	6,876,716.00	4,674,715.00	(2,202,001.00)
Transfers Out		(1,000,000.00)	(1,000,000.00)	0.00
Proceeds from Sale of Capital Assets	100,000.00	100,000.00	129,435.52	29,435.52
Insurance Loss Recoveries	5,329.46	6,208.46	18,530.38	12,321.92
Total Other Financing Sources (Uses)	<u>6,982,045.46</u>	<u>5,982,924.46</u>	<u>3,822,680.90</u>	<u>(2,160,243.56)</u>
Net Change in Fund Balances	<u>3,384,091.77</u>	<u>(5,467,407.24)</u>	<u>7,332,647.59</u>	<u>12,800,054.83</u>
Fund Balances, Beginning of Year	<u>6,584,542.68</u>	<u>6,584,542.68</u>	<u>6,584,542.68</u>	<u>0.00</u>
Increase (Decrease) in Inventory Reserve	<u>0.00</u>	<u>0.00</u>	<u>57,272.25</u>	<u>57,272.25</u>
Fund Balances, End of Year	<u>\$ 9,968,634.45</u>	<u>\$ 1,117,135.44</u>	<u>\$ 13,974,462.52</u>	<u>\$ 12,857,327.08</u>

CLAY COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Concluded)

	Special Revenue - Other Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
Federal Direct	\$ 2,509,295.67	\$ 2,835,529.10	\$ 1,002,357.60	\$ (1,833,171.50)
Federal Through State and Local	15,796,752.30	16,857,521.49	14,537,152.46	(2,320,369.03)
Miscellaneous	0.00	0.00	5,187.71	5,187.71
Total Revenues	<u>18,306,047.97</u>	<u>19,693,050.59</u>	<u>15,544,697.77</u>	<u>(4,148,352.82)</u>
Expenditures				
Current - Education:				
Instruction	10,278,586.69	11,484,028.36	9,968,784.82	1,515,243.54
Student Personnel Services	1,937,330.64	1,812,034.17	1,335,798.28	476,235.89
Instructional Media Services	31,574.96	19,343.38	18,990.81	352.57
Instruction and Curriculum				
Development Services	1,498,680.72	1,421,401.29	1,268,869.19	152,532.10
Instructional Staff Training Services	3,360,342.87	3,613,305.12	2,043,314.48	1,569,990.64
Instruction-related Technology	0.00	0.00	0.00	0.00
General Administration	482,112.28	619,115.29	476,509.08	142,606.21
School Administration	111,696.00	90,778.16	31,519.72	59,258.44
Facilities Acquisition and Construction	0.00	0.00	0.00	0.00
Central Services	0.00	0.00	0.00	0.00
Student Transportation Services	183,940.76	156,424.76	114,570.48	41,854.28
Operation of Plant	0.00	0.00	0.00	0.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	0.00	0.00	0.00	0.00
Other Capital Outlay	421,783.05	476,620.06	281,153.20	195,466.86
(Total Expenditures)	<u>18,306,047.97</u>	<u>19,693,050.59</u>	<u>15,539,510.06</u>	<u>4,153,540.53</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0.00</u>	<u>0.00</u>	<u>5,187.71</u>	<u>5,187.71</u>
Other Financing Sources (Uses)				
Transfer (out)	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	0.00	0.00	5,187.71	5,187.71
Fund Balances, Beginning of Year	369,415.22	0.03	0.00	(0.03)
(Decrease) Increase in Inventory Reserve	0.00	0.00	0.00	0.00
Fund Balances, End of Year	<u>\$ 369,415.22</u>	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ 5,187.68</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
		Entry Age Actuarial Cost Method (b)	Unfunded AAL (UAAL) (b-a)			
July 1, 2013	0.00	\$ 13,065,110.00	\$ 13,065,110.00	0.0%	\$129,724,330.00	10.1%
July 1, 2014	0.00	7,031,174.00	7,031,174.00	0.0%	131,371,425.00	5.4%
July 1, 2015	0.00	7,909,254.00	7,909,254.00	0.0%	126,156,011.00	6.3%

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

**CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – FRS/HIS
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	2016	2015	2014
Contractually Required FRS Contributions	\$ 10,097,942.00	\$ 11,169,189.00	\$ 10,229,631.00
FRS Contributions in Relation to the Contractually Required Contribution	<u>10,097,942.00</u>	<u>11,169,189.00</u>	<u>10,229,631.00</u>
FRS Contributions Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-employee Payroll	\$ 154,095,885.00	\$ 157,901,173.00	\$ 157,292,662.00
FRS Contributions as a Percentage of Covered-employee Payroll	6.55%	7.07%	6.50%

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN**

	2016	2015	2014
Contractually Required HIS Contributions	\$ 3,036,702.00	\$ 2,351,792.00	\$ 2,142,039.00
HIS Contributions in Relation to the Contractually Required Contribution	<u>3,036,702.00</u>	<u>2,351,792.00</u>	<u>2,142,039.00</u>
HIS Contributions Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-employee Payroll	\$ 187,262,323.00	\$ 186,699,223.00	\$ 186,136,123.00
HIS Contributions as a Percentage of Covered-employee Payroll	1.62%	1.26%	1.15%

CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net pension liability	0.458113222%	0.467015927%	0.474202722%
District's Proportionate Share of the FRS Net Pension Liability	\$ 59,171,467.00	\$ 28,494,839.00	\$ 81,631,394.00
District's Covered-employee Payroll	157,901,173.00	157,292,662.00	157,213,956.00
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-employee Payroll	37.47%	18.12%	51.92%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.00%	96.09%	88.54%

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION PLAN

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.615229877%	0.625291587%	0.634342458%
District's Proportionate Share of the HIS Net Pension Liability	\$ 62,743,770.00	\$ 58,466,289.00	\$ 55,227,851.00
District's Covered-employee Payroll	186,699,223.00	186,136,123.00	184,215,903.00
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-employee Payroll	33.61%	31.41%	29.98%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.50%	0.99%	1.78%

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

BUDGETARY BASIS OF ACCOUNTING

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

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

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

- The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarially accrued liability.
- The July 1, 2015 unfunded actuarial accrued liability of \$7,909,254.00 was slightly higher than the July 1, 2014 liability of \$7,031,174.00 as a result of changes in cost and liability as discussed below:
 - Annual healthcare cost trend rate has been changes to reflect current conditions.
 - Mortality was updated to generational table.
 - Decrements were updated to reflect the current retirement and termination rates used by the FRS and mortality was updated to a generational table.

**SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS-
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Changes of Assumption - There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60% the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%

**SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN**

Changes of Assumption- The municipal rate used to determine total pension liability was decreased from 4.29% to 3.80%.

**ADDITION ELEMENTS OF REPORTS PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, ISSUED
BY THE COMPTROLLER GENERAL OF THE UNITED STATES; THE
PROVISIONS OF OFFICE OF MANAGEMENT AND BUDGET (OMB)
UNIFORM GUIDANCE; AND *RULES OF THE AUDITOR
GENERAL* OF THE STATE OF FLORIDA**

**CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 1,787,587.14	\$ 0
National School Lunch Program	10.555 (2)	300	8,832,932.49	0
Summer Food Service Program for Children	10.559	323	164,558.06	0
Total United States Department of Agriculture			10,785,077.69	0
United States Department of Education				
Direct:				
Impact Aid	84.041 (3)	N/A	487,112.97	0
School Safety National Activities	84.184	N/A	21,922.52	0
			509,035.49	0
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (4)	262, 263	7,314,710.28	0
Special Education - Preschool Grants	84.173	267	153,951.30	0
Family Support Services:				
Special Education - Grants to States	84.027 (4)	N/A	29,383.89	0
University of South Florida:				
Special Education - Grants to States	84.027 (4)	1725104600	498.21	0
Total Special Education Cluster			7,498,543.68	0
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	123,472.00	0
Basic Grants to LEA's Title I, Part A, NCLB	84.010	212, 226	4,661,631.52	0
Career and Technical Education - Basic				
Grants to States	84.048	161	258,518.30	0
Education for Homeless Children and Youth	84.196	127	69,941.26	0
Public Charter Schools Grant Program	84.282	298	562,206.30	275,000.00
Supporting Effective Instruction State Grant	84.367	243	793,108.65	0
English Language Acquisition Grants	84.365	102	78,176.72	0
21st Century Community Learning Centers	84.287	224	439,090.56	0
ARRA - State Fiscal Stabilization				
Funds (SFSF) - Race-to-the-Top Incentive				
Grants, Recovery Act	84.395	RA111, RG311	364,904.54	0
Nassau County District School Board:				
Mathematics and Science Partnerships	84.366	N/A	52,463.47	0
Total Indirect			14,902,057.00	275,000.00
Total United States Department of Education			15,411,092.49	275,000.00

CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Defense				
Direct:				
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	HE 1254-11-1-0034 HE 1254-15-1-0052 HE 1254-14-1-0035 HE 1254-12-1-0035 HE 1254-13-1-0022	\$ 975,247.38	\$ 0.00
Navy Junior Reserve Officers Training Corps	None	N/A	400,131.45	0
Total United States Department of Education			<u>1,375,378.83</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$ 27,571,549.01</u>	<u>\$ 275,000.00</u>

Notes:

Basis of Presentation:

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

Noncash Assistance:

- (2) National School Lunch Program - Includes \$1,196,367.49 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

Impact Aid:

- (3) Expenditures include \$28,973.69 for award number S041B-2013-1240, \$44,035.03 for award number s041b-2014-1240 and \$414.104.25 for award number S041B-2016-1240.

Special Education Cluster:

- (4) Expenditures for CFDA No. 84.027 total \$7,344,592.38.

Indirect Cost Rate Election:

- (5) The District received a negotiated indirect cost rate for federal awards and state projects; therefor, the District did not elect to charge de minimus rate of 10% for determining indirect cost amounts.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County District School Board (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 10, 2017. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

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

We noted additional matters that we reported to management of the District in a separate letter dated February 10, 2017.

Purpose of this Report

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

Durvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

Report on Compliance for Each Major Federal Program

We have audited the Clay County District School Board's (the District) compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in that circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Certified Public Accountants

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Clay County District School Board and
Superintendent
Green Cove Springs, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)**

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all *deficiency in internal control over compliance* that might be *material weaknesses* or significant deficiencies and therefore, *material weaknesses* or significant deficiencies may exist that were not identified.

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

Durvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida

**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of Auditors’ Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? None reported

Noncompliance material to financial
statements noted? No

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? None reported

Type of Auditors’ Report Issued on Compliance for
Major Programs: Unmodified for all major programs

Any Audit Findings Disclosed that are Required to
be Reported in Accordance with Section .510(a)
of Uniform Guidance? No

Identification of Major Programs:

Special Education Cluster
(CFDA Nos. 84.173, 84.027)

ARRA - State Fiscal Stabilization Fund
(SFSF) - Race-to-the-Top Incentive
Grants, Recovery Act
(CFDA No. 84.395-ARRA)

Dollar Threshold Used to Distinguish Between
Type A and Type B Programs: \$827,146

Auditee Qualified as Low-risk Auditee? Yes

CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
(Concluded)

SECTION II- FINANCIAL STATEMENT FINDINGS

Findings Related to the Basic Financial Statements Required to be Reported Under Generally Accepted Government Auditing Standards (GAGAS)

The audit disclosed no findings, which are required to be reported under GAGAS.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR AUDIT FINDINGS

See Summary Schedule of Prior Year Audit Findings.

CORRECTIVE ACTION PLANNED FOR CURRENT YEAR AUDIT FINDINGS

There are no current year audit findings included in the current year schedule of findings and questioned costs.

CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

1. Status of Prior Audit Findings

Prior Federal Award Finding No. 2015-001 (2015 Audit)

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

Brief Description: Federal regulations provide, for charges to Federal awards for salaries and wages, that for employees expected to work on multiple cost activities or objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports (PARs) or equivalent documentation. It was noted in the prior year that these reports were not being adequately maintained for individuals being charged to the Child Nutrition Cluster. It was recommended that the District enhance procedures to ensure that only allowable costs are charged to Federal programs and that required documentation is maintained to support salaries and benefits charged to Federal Programs.

Current Status: The District has implemented procedures to document the time and effort of employees that work on multiple cost activities and have portions of their pay charged to the Child Nutrition Cluster.

Prior Federal Award Finding No. 2015-002 (2015 Audit)

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)
Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Title I Grants to Local Education agencies (CFDA No. 84.010)

Brief Description: Federal regulations provide that employers' contributions to a reserve for a workers' compensation self-insurance program must be based on sound actuarial principles using historical experience and reasonable assumptions, and that actual claims paid to or on behalf of employees or former employees are allowable in the year of payment provided the governmental unit follows consistent costing policy and they are allocated as a general administrative expense to all activities of the governmental unit. It was noted in the prior year that the District failed to properly allocate these expenses to all District activities as required therefore all amounts reported in the Federal programs listed above were considered questioned costs. It was recommended that the District enhance procedures to ensure that only allowable costs are charged to Federal programs and that contributions to the workers' compensation self-insurance program follow a consistent costing policy and are allocated as a general administrative expense to all District activities. In addition, the District should document the allow ability of the questioned costs for CNC, the SEC, and the Title I Programs to the respective grantors (FDACS or FDOE) or restore these amounts to the respective programs.

Current Status: The District has implemented procedures to properly allocate costs to all District activities going forward. No similar finding was noted in the current year audit.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

We have examined Clay County District School Board (the District)'s compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the fiscal year ended June 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2016.

Purvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida

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MANAGEMENT LETTER

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Clay County District School Board (the District), as of and for the year ended June 30, 2016, and have issued our report thereon February 10, 2017. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This letter does not include the results of the other auditors' and such information related to that audit is reported on separately by those auditors.

Auditors Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs and our Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports and schedule, which are dated February 10, 2017, should be considered in conjunction with this management letter.

Prior Year Audit Findings

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2014-2015 FY Finding #	2013-2014 FY Finding #
2016-3	Audit Report No. 2016-157 Finding #16	n/a
2016-3	Audit Report No. 2016-157 Finding #17	n/a
2016-3	Audit Report No. 2016-157 Finding #19	n/a

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Clay County District School Board and
Superintendent
Green Cove Springs, Florida

MANAGEMENT LETTER
(Concluded)

Financial Condition

- Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.804(1)(f)5.a and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Transparency

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

Other Matters

- Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, please see the accompanying Management Letter Comments.
- Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Audit Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District School Board Members, and applicable management and is not intended to be, and should not be used by anyone other than these specified parties.

Durvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida

MANAGEMENT LETTER COMMENTS

Clay County District School Board and
Superintendent
Green Cove Springs, Florida

During the course of our 2016 audit, the following items came to our attention. These items involve primarily operational matters, which, if improved, will result in more efficient and effective operations.

2016-1—Leave Time

During the year being audited, the client noted that there were issues related to the controls around accurately recording teachers leave days and deducting them from their leave balance. Review of the payroll narrative noted a lack of controls around the notification and recording pertaining to individuals requesting leave days. This issue was also noted by the Auditor General during an operational audit conducted during 2016.

By not properly recording leave time there is a risk that employees may be incorrectly compensated and that the leave balances may not be accurate. This would result in an increase in overall expenditures for the School Board.

We recommend the management review their process related to recording leave taken as well as have a training for all cost center timekeepers to ensure they know the proper procedures for entering leave information.

2016-2—Revenue Recognition - Special Revenue Fund - Other Fund

During our testing of subsequent receipts related to Due from Other Agencies, we noted that revenues related to a grant was over stated by approximately \$125,900. The adjustment was made to move the expenditures to the General Fund from the grant after the discovery was made.

If the issue was not discovered the grant would have over stated revenues in the current year and required an adjustment in the following year when the funds were received which would have decreased 2016-17 revenues due to the error in 2015-16.

We recommend management review grant funding to ensure funds are available, and to review subsequent receipts after year end to ensure the amount recorded in accounts receivable at year-end is reasonable.

2016-3—Information Technology (IT) Controls

During our review of the School Board's use of IT in the financial reporting process, we noted opportunities to improve and strengthen the control environment and the quality and integrity of information generated by the IT systems. Recommendations for management's consideration are:

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Clay County District School Board and
Superintendent
Green Cove Springs, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

2016-3—Information Technology (IT) Controls (Concluded)

- **Disaster Recovery Plan** - We recommend the Disaster Recovery Plan be updated to include test plans that are tested to provide reasonable assurance to management that systems and data can be recovered to meet required business objectives.
- **IT Policies and Procedures** - We recommend management document policies and procedures for key IT control areas, to include, but not limited to IT security (e.g., network monitoring, user access provisioning, file access monitoring, access revalidation, remote access, physical access) and change management (e.g., patching, configuration changes).
- **Incident Response Plan** - The Incident Response Plan should be completed and approved. Also, training on how incidents are to be handled and resolved should be a component of the plan.
- **User Access** - As recommended by the Florida Auditor General Office, a periodic review of user access privileges should be performed to ensure an appropriate separation of duties is maintained and the user's access is necessary.

Our management letter is intended solely for the information and use of the Legislative Audit Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to thank the Board, Superintendent, and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.

Purvis, Gray and Company, LLP

February 10, 2017
Ocala, Florida



Addison G. Davis
Superintendent of Schools

SCHOOL BOARD OF CLAY COUNTY

900 Walnut Street
Green Cove Springs, Florida 32043
Telephones:
904/284-6500 (GCS) 904/272-8100 (OP)
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BOARD MEMBERS:

Janice Kerekes
District 1
Carol Studdard
District 2
Betsy Condon
District 3
Mary Bolla
District 4
Ashley Gilhousen
District 5

March 7, 2017

The School Board of Clay County
900 Walnut Street
Green Cove Springs, Florida 32043

Re: 2015/2016 Response to Management Letter Comments

Board Members,

Pursuant to the Financial Statements and Independent Auditor's Report dated February 10, 2017 concerning Audit Comments resulting from the audit of the Clay County School Board for the fiscal year ending June 30, 2016, attached are the responses to the comments and the actions taken to correct the deficiencies.

Respectfully,

Mr. Addison Davis, Superintendent
School Board of Clay County

Cc: Dr. Susan Legutko, Assistant Superintendent Business Affairs

Response to Management Letter Comments and Recommendations

2016-1 Leave Time

District Response: The district will develop and implement procedures to ensure that leave taken is appropriately documented and accurately reported in the payroll system. The district has implemented additional steps through the payroll certification process that certifies that leave reported by the timekeepers are accurate through the payroll certification process.

2016-2: Revenue Recognition - Special Revenue Fund - Other Fund

District Response: The district agrees with the findings, has reviewed its current procedures, and developed new procedures that will ensure that monthly review of the grant funding is implemented.

2016-3 Information Technology (IT) Controls

Disaster Recovery Plan

District Response: The District can document several test to date this year of portions of the DR Plan. Additional testing of the remaining components will occur in June, 2017 to minimize impact on users.

IT Policies and Procedures

District Response: These Policies are in draft status. Last found edition was based on 2007 data. We are working to incorporate new procedures into existing framework. The new/updated District IT Policies are expected to be submitted for approval in Spring 2017.

Incident Response Plan

District Response: The District Response Plan has been completed. A training plan and schedule will be determined based on new organizational structure and responsibilities once the plan has been reviewed and approved by the Superintendent's new Cabinet.

User Access

District Response: The District reviews the access privileges granted weekly based on changes that take place. A report is produced from TERMS that indicates termination or any changes in position and permissions are adjusted accordingly. Additionally, the School District of Clay County implemented a top down review of access privileges. This took place as of summer 2016. During the conversion to Business Plus, new auditing features and workflow is being developed that will allow for immediate termination of access for *employees upon separation*