

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**JUNE 30, 2013**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

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

**JUNE 30, 2013**

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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, 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, 2013, 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 school internal funds, which represent 32 percent of the assets and 56 percent of the liabilities of the aggregate remaining fund information. 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, 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 and major fund budgetary comparison information 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 financial statements or to the 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 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 March 4, 2014, 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*

March 4, 2014  
Gainesville, Florida

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

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The Management of the Clay County District School Board (the District) has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

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

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2012-13 fiscal year are as follows:

- As of June 30, 2013, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$406,141,252.82 (net position).
- In total, net position decreased \$14,705,125.25, which represents a 3.53 percent decrease from the 2011-12 fiscal year.
- General revenues totaled \$266,727,866.86 or 94.05 percent of all revenues in the 2012-13 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$16,888,023.36, or 5.95 percent of all revenues.
- Expenses totaled \$298,321,015.47. Only \$16,888,023.36 of these expenses were offset by the program specific revenues, with the remainder paid from general revenues and net position. Total expenses exceeded total revenues by \$14,705,125.25.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$4,929,362.92 at June 30, 2013, or 2.12 percent of total General Fund revenues.
- During the current year, General Fund expenditures exceeded revenues and other financing sources by \$6,028,152.57. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures by \$9,312,957.09.
- The District's investment in capital assets decreased by a net amount of \$10,784,749.87 or 2.28 percent, as compared to the June 30, 2012, balance.
- The District's long-term debt decreased by a net amount of \$3,750,000.00 or 5.60 percent, as compared to the June 30, 2012, balance.

**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.

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

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**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 and liabilities, 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 the net position, which is a measure of the financial health of the District. 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.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. These represent most of the District's services, including its educational programs: basic, vocational, adult and exceptional education. Support functions such as transportation and administration are also included. Property taxes and state revenues finance most of these activities. The Clay School Board Leasing Corporation (Leasing Corporation), although 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 and is reported in the government-wide financial statements as governmental activities.

**Fund Financial Statements**

Fund financial statements are one of the basic financial statement components. 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 financial 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

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**Governmental Funds—(Concluded)**

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, Food Services Fund, Special Revenue - Other Federal Programs Funds, Federal Economic Stimulus Funds, Debt Service - Other Debt Service Funds, Capital Projects - Other Capital Projects Funds, and Capital Projects - Capital Improvement Section 1011.71(2) F.S. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts and maintains annual budgets 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.

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.



**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

	<b>Net Position, End of Year</b>	
	<b>Governmental</b>	
	<b>Activities</b>	
	<b>6-30-13</b>	<b>6-30-12</b>
Current and Other Assets	\$ 42,691,933.67	\$ 48,645,082.66
Capital Assets	463,251,023.38	474,035,773.25
<b>Total Assets</b>	<b>505,942,957.05</b>	<b>522,680,855.91</b>
Long-term Liabilities	87,243,812.47	89,679,060.60
Other Liabilities	12,557,891.76	12,155,417.24
<b>Total Liabilities</b>	<b>99,801,704.23</b>	<b>101,834,477.84</b>
Net Position:		
Invested in Capital Assets -		
Net of Debt	400,051,023.38	407,085,773.25
Restricted	16,051,292.83	15,108,849.05
Unrestricted	(9,961,063.39)	(1,348,244.23)
<b>Total Net Position</b>	<b>\$ 406,141,252.82</b>	<b>\$ 420,846,378.07</b>

The largest portion of the District's net position (98.5 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less related debt outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net position (3.95 percent) represents resources that are subject to external restrictions on how they may be used. Under the long-term view provided by the government-wide statements, at June 30, 2013, the District's unrestricted net position is negative. However, the District has sufficient current assets to meet its current obligations.

The District's Current and Other Assets and Total Assets decreased by \$4,583,046.59 and \$15,367,796.46, respectively during the 2012-13 fiscal year. The decrease represents the degree to which revenues have decreased. Details of the revenues and expenses comprising the decrease are as follows:

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

	<b>Operating Results</b>	
	<b>for the Fiscal Year Ended</b>	
	<b>Governmental</b>	
	<b>Activities</b>	
	<u><b>6-30-13</b></u>	<u><b>6-30-12</b></u>
Program Revenues:		
Charges for Services	\$ 7,182,997.34	\$ 7,220,191.54
Operating Grants and Contributions	8,252,054.60	7,864,895.39
Capital Grants and Contributions	1,452,971.42	1,478,169.63
General Revenues:		
Property Tax Levied for Operational Purposes	55,566,687.34	57,666,051.48
Property Tax Levied for Capital Projects	12,700,176.96	13,357,457.53
Local Sales Taxes	1,633,054.50	1,562,024.26
Grants and Contributions Not Restricted to Specific Programs	193,669,286.85	186,688,306.55
Unrestricted Investment Earnings	643,112.58	282,346.00
Miscellaneous	2,515,548.63	2,121,210.28
<b>Total Revenues</b>	<u><b>283,615,890.22</b></u>	<u><b>278,240,652.66</b></u>
Functions/Program Expenses:		
Instruction	173,313,782.13	170,665,908.88
Pupil Personnel Services	13,651,551.07	13,097,725.58
Instructional Media Services	3,723,302.75	3,881,022.72
Instruction and Curriculum Development Services	5,056,163.49	5,213,920.18
Instructional Staff Training	2,443,561.08	2,032,853.15
Instruction Related Technology	2,153,092.58	1,841,609.78
Board of Education	855,192.40	1,144,428.75
General Administration	939,625.77	1,125,635.53
School Administration	14,696,089.22	14,082,031.39
Facilities Acquisition and Construction	4,895,135.98	4,825,296.72
Fiscal Services	410,589.78	290,314.59
Food Services	14,260,271.37	14,022,802.05
Central Services	3,189,150.72	3,238,317.54
Pupil Transportation Services	14,392,527.19	13,808,344.15
Operation of Plant	18,057,932.89	20,311,232.29
Maintenance of Plant	5,540,570.39	5,298,469.76
Administrative Technology Services	1,991,947.09	2,009,932.45
Community Services	342,490.04	330,910.67
Interest on Long-Term Debt	2,876,290.23	2,623,253.49
Unallocated Depreciation Expenses	15,531,749.30	15,847,492.92
<b>Total Functions/Program Expenses</b>	<u><b>298,321,015.47</b></u>	<u><b>295,691,502.59</b></u>
<b>Change in Net Position</b>	<u><b>\$ (14,705,125.25)</b></u>	<u><b>\$ (17,450,849.93)</b></u>

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 94.04 percent of total revenues, whereas program revenues provide only about 5.96 percent. The majority of program revenues are in the food services activities.

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

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The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. Student enrollment decreased by 463.72 FTE, from 35,544.73 in the 2011-12 fiscal year to 35,081.01, in the 2012-13 fiscal year. The District's property tax revenues for operational purposes decreased by \$2,099,364.14 (3.64 percent) from the 2011-12 fiscal year, primarily as a result of declining property values.

Instruction expenses represent the majority of the District's expenses, totaling approximately 58.10 and 57.72 percent of total governmental activities expenses in the 2012-13 and 2011-12 fiscal years, respectively. Overall, total expenses increased \$2,629,512.88, as compared to the 2011-12 fiscal year due to increases in salary and benefits expenses. Instruction expenses represent the increase, as instruction expenses increased \$2,647,873.25.

**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 School Board, or an individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$3,905,179.37 during the fiscal year to \$22,511,387.77 at June 30, 2013. Approximately 16.45 percent of this amount is unassigned fund balance (\$3,703,299.70), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned.

**Major Governmental Funds**

**The General Fund**—is the chief operating fund of the District. At the end of the current fiscal year, the assigned and unassigned fund balance was \$4,929,362.92 while the total fund balance was \$7,294,052.57. The assigned and unassigned fund balance represents 2.12 percent of total General Fund revenues, while the total fund balance represents 3.14 percent of such revenues. The assigned and unassigned fund balance decreased by \$4,652,808.55 during the fiscal year. The total fund balance decreased by \$6,028,152.57. Key factors are as follows:

- Total General Fund expenditures exceeded total revenues and other financing sources by \$6,028,152.57.
- Total expenditures increased by \$3,273,659.26. The increase in General Fund expenditures was mainly due to hiring additional staff and raises in salary and benefit costs.
- Decreases in property values resulted in decreased tax revenues of \$2,490,924.75.

**The Special Revenue – Food Service Fund**—is used to account for the proceeds of Food and Nutrition Services. Food and Nutrition Services is concerned with providing food to pupils and staff in the school system. Food and Nutrition Services includes the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities and the delivery of food. The Food Service Fund has revenues and expenditures of \$14,383,131.84 and \$14,410,388.22, respectively, and ended the fiscal year with a fund balance of \$4,332,225.25. The fund balance was restricted for food service operations.

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Continued)*

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**The Special Revenue - Other Federal Programs Funds**—are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The Fund accounted for revenues and expenditures of \$14,355,434.31, with the funding mainly used for instruction activities and administered through the State's cash advance system.

**The Special Revenue - Federal Economic Stimulus Programs Fund**—are used to account for the proceeds of the American Recovery and Reinvestment Act funds that are legally restricted to expenditure for specified purposes. The fund has total revenues and expenditures of \$461,329.26, and the funding was mainly used for a new student information computer software system. Because revenues of grants accounted for in the Federal Economic Stimulus Programs Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances.

**The Debt Service - Other Debt Service Fund**—is used to account for financial resources used to pay debt principal, interest, and related costs for the Certificates of Participation. The Fund maintained a small fund balance (\$72,956.44 at June 30, 2013), all of which was restricted for the payment of debt service.

**The Capital Projects – Capital Improvement Section 1011.71(2) F.S. Fund**—had a total fund balance of \$4,928,134.90 at June 30, 2013, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$1,111,313.11 in the current year. Expenditures were mainly for the expansion of the Ridgeview High School Cafeteria, and renovation of Keystone Heights High School Building One, and purchases 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.

**The Capital Projects – Other Capital Projects Fund**—is mainly used to account for the financial resources received from local impact fees and local sales taxes. The fund had a total fund balance of \$5,359,734.71 at June 30, 2013. Resources of the fund were used mainly for transfers out for debt service payments.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the 2012-13 fiscal year, the District amended its General Fund budget several times. The amendments resulted in a decrease in total budgeted revenues of \$4,648,548.42 due mainly to changes in estimated State funding resulting from declining student enrollment. These budget revisions were necessary to adjust planned revenues and expenditures based on actual resources and resource needs. The Board approves the final amendment to the budget after year-end.

Actual revenues were slightly less than final budgeted amounts. Since actual expenditures were well within budgetary estimates, unexpended appropriations were available to increase fund balance. Accordingly, the actual ending fund balance exceeded the final amended budget fund balance.

**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, 2013, was \$463,251,023.38. The capital assets include land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; property under capital lease; intangible assets; and audio visual materials and computer software.

**DISTRICT SCHOOL BOARD OF CLAY COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**  
*(Concluded)*

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The investment in capital assets decreased by a net amount of \$10,784,749.87, or 2.28 percent, as compared to the June 30, 2012, balance. Major capital asset events during the current fiscal year included purchases of school buses and construction related to the expansion of the Ridgeview High School Cafeteria, and renovation of Keystone Heights High School Building One.

Additional information on the District's capital assets is shown in the Notes to the financial statements (exhibit D-1).

**Long-term Debt**

At June 30, 2013, the District had total long-term debt outstanding of \$63,200,000.00. This amount was comprised of \$57,055,000.00 of Certificates of Participation, and \$6,145,000.00 of Bonds. During the year, the District's long-term debt decreased by a net amount of \$3,750,000, or 5.60 percent, as compared to the June 30, 2012, balance. Major long-term debt events during the current fiscal year included:

- A decrease of \$3,750,000.00 from scheduled principal payments to retire long-term debt.

Additional information on the District's long-term debt is shown in the Notes to the financial statements (exhibit D-1).

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Clay County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Affairs, Clay County District School Board, 900 Walnut Street, Green Cove Springs, FL 32043.

## **FINANCIAL STATEMENTS**

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	<b>Primary Government</b>
	<b>Governmental</b>
	<b>Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 32,510,691.23
Investments	770,091.71
Accounts Receivable	133,053.32
Due from Other Agencies	3,092,865.39
Inventories	1,340,875.77
Capital Credits Receivable	3,516,745.56
Prepaid Items	1,327,610.69
Capital Assets:	
Nondepreciable Capital Assets	31,920,272.74
Depreciable Capital Assets, Net	431,330,750.64
<b>Total Assets</b>	<b>505,942,957.05</b>
 <b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
Salaries and Benefits Payable	4,609,677.25
Payroll Deductions and Withholdings	1,133,469.53
Accounts Payable	2,343,416.12
Construction Contracts Payable	86,272.14
Construction Contracts Payable - Retainage	203,483.54
Unearned Revenue	18,716.28
Matured Certificates of Participation Payable	2,910,000.00
Matured Interest Payable	1,252,856.90
Long-term Liabilities:	
Portion Due Within One Year	13,325,621.02
Portion Due After One Year	73,918,191.45
<b>Total Liabilities</b>	<b>99,801,704.23</b>
 <b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	400,051,023.38
Restricted for:	
State Required Carryover Programs	833,957.63
Debt Service	441,603.36
Capital Projects	10,443,506.59
Food Service	4,332,225.25
Unrestricted	(9,961,063.39)
<b>Total Net Position</b>	<b>\$ 406,141,252.82</b>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary Government</b>			
<b>Governmental Activities</b>			
Instruction	\$ 173,313,782.13	\$ 654,494.45	\$ 0.00
Student Personnel Services	13,651,551.07	0.00	0.00
Instructional Media Services	3,723,302.75	0.00	0.00
Instruction and Curriculum Development Services	5,056,163.49	0.00	0.00
Instructional Staff Training Services	2,443,561.08	0.00	0.00
Instruction-related Technology	2,153,092.58	0.00	0.00
School Board	855,192.40	0.00	0.00
General Administration	939,625.77	0.00	0.00
School Administration	14,696,089.22	0.00	0.00
Facilities Acquisition and Construction	4,895,135.98	0.00	0.00
Fiscal Services	410,589.78	0.00	0.00
Food Services	14,260,271.37	6,111,678.22	8,252,054.60
Central Services	3,189,150.72	0.00	0.00
Student Transportation Services	14,392,527.19	0.00	0.00
Operation of Plant	18,057,932.89	0.00	0.00
Maintenance of Plant	5,540,570.39	0.00	0.00
Administrative Technology Services	1,991,947.09	0.00	0.00
Community Services	342,490.04	416,824.67	0.00
Unallocated Interest on Long-term Debt	2,876,290.23	0.00	0.00
Unallocated Depreciation Expense*	15,531,749.30	0.00	0.00
<b>Total Governmental Activities</b>	<b>\$ 298,321,015.47</b>	<b>\$ 7,182,997.34</b>	<b>\$ 8,252,054.60</b>

**General Revenues**

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Tax

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

**Net Position - Beginning of Year, As Restated**

**Net Position - End of Year**

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

See accompanying notes.



<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
\$ 0.00	\$ (172,659,287.68)
0.00	(13,651,551.07)
0.00	(3,723,302.75)
0.00	(5,056,163.49)
0.00	(2,443,561.08)
0.00	(2,153,092.58)
0.00	(855,192.40)
0.00	(939,625.77)
0.00	(14,696,089.22)
497,905.06	(4,397,230.92)
0.00	(410,589.78)
0.00	103,461.45
0.00	(3,189,150.72)
0.00	(14,392,527.19)
0.00	(18,057,932.89)
0.00	(5,540,570.39)
0.00	(1,991,947.09)
0.00	74,334.63
955,066.36	(1,921,223.87)
0.00	(15,531,749.30)
<u>\$ 1,452,971.42</u>	<u>(281,432,992.11)</u>

55,566,687.34
12,700,176.96
1,633,054.50
193,669,286.85
643,112.58
2,515,548.63
<u>266,727,866.86</u>
(14,705,125.25)
420,846,378.07
<u>\$ 406,141,252.82</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

	<b>General Fund</b>	<b>Special Revenue Food Service Fund</b>	<b>Special Revenue Other Federal Programs Fund</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 7,538,718.21	\$ 4,948,726.81	\$ 583,743.96
Investments	302,500.54	23,476.80	6,034.03
Accounts Receivable	26,169.38	467.45	0.00
Due from Other Funds	4,640,418.91	0.00	12,354.78
Due from Other Agencies	527,206.08	30,742.21	1,904,646.04
Inventories	1,228,231.48	112,644.29	0.00
<b>Total Assets</b>	<b>14,263,244.60</b>	<b>5,116,057.56</b>	<b>2,506,778.81</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Salaries and Benefits Payable	4,595,521.28	2.04	14,153.93
Payroll Deductions and Withholdings	1,106,615.29	9,296.05	17,558.19
Accounts Payable	907,618.60	105,964.90	2,208.88
Construction Contracts Payable	0.00	0.00	0.00
Construction Contracts Payable - Retainage	0.00	0.00	0.00
Due to Other Funds	359,436.86	668,569.32	2,454,141.53
Unearned Revenue	0.00	0.00	18,716.28
Matured Certificates of Participation Payable	0.00	0.00	0.00
Matured Interest Payable	0.00	0.00	0.00
<b>Total Liabilities</b>	<b>6,969,192.03</b>	<b>783,832.31</b>	<b>2,506,778.81</b>
<b>Fund Balances</b>			
Nonspendable:			
Inventory	1,228,231.48	112,644.29	0.00
Fund B Surplus Funds Trust Fund	302,500.54	23,476.80	6,034.03
Restricted:			
State Required Carryover Programs	833,957.63	0.00	0.00
Debt Service	0.00	0.00	0.00
Capital Projects	0.00	0.00	0.00
Food Services	0.00	4,196,104.16	0.00
Assigned:			
Special Projects	1,220,029.19	0.00	0.00
Unassigned	3,709,333.73	0.00	(6,034.03)
<b>Total Fund Balances</b>	<b>7,294,052.57</b>	<b>4,332,225.25</b>	<b>0.00</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,263,244.60</b>	<b>\$ 5,116,057.56</b>	<b>\$ 2,506,778.81</b>

See accompanying notes.

Special Revenue Federal Economic Stimulus Fund	Debt Service Other Debt Service Fund	Capital Projects Local Capital Improvement Fund	Capital Projects Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 4,224,944.21	\$ 6,077,795.50	\$ 4,783,530.44	\$ 665,149.57	\$ 28,822,608.70
0.00	169.59	158,080.63	105,867.07	129,090.95	725,219.61
0.00	0.00	0.00	0.00	72.86	26,709.69
0.00	10,699.54	0.00	0.00	0.00	4,663,473.23
46,422.95	0.00	0.00	583,848.11	0.00	3,092,865.39
0.00	0.00	0.00	0.00	0.00	1,340,875.77
<u>46,422.95</u>	<u>4,235,813.34</u>	<u>6,235,876.13</u>	<u>5,473,245.62</u>	<u>794,313.38</u>	<u>38,671,752.39</u>
0.00	0.00	0.00	0.00	0.00	4,609,677.25
0.00	0.00	0.00	0.00	0.00	1,133,469.53
0.00	0.00	13.05	0.00	0.00	1,015,805.43
0.00	0.00	86,272.14	0.00	0.00	86,272.14
0.00	0.00	203,483.54	0.00	0.00	203,483.54
46,422.95	0.00	1,017,972.50	113,510.91	270,029.48	4,930,083.55
0.00	0.00	0.00	0.00	0.00	18,716.28
0.00	2,910,000.00	0.00	0.00	0.00	2,910,000.00
0.00	1,252,856.90	0.00	0.00	0.00	1,252,856.90
<u>46,422.95</u>	<u>4,162,856.90</u>	<u>1,307,741.23</u>	<u>113,510.91</u>	<u>270,029.48</u>	<u>16,160,364.62</u>
0.00	0.00	0.00	0.00	0.00	1,340,875.77
0.00	169.59	158,080.63	105,867.07	30,168.19	626,296.85
0.00	0.00	0.00	0.00	0.00	833,957.63
0.00	72,786.85	0.00	0.00	363,888.92	436,675.77
0.00	0.00	4,770,054.27	5,253,867.64	130,226.79	10,154,148.70
0.00	0.00	0.00	0.00	0.00	4,196,104.16
0.00	0.00	0.00	0.00	0.00	1,220,029.19
0.00	0.00	0.00	0.00	0.00	3,703,299.70
<u>0.00</u>	<u>72,956.44</u>	<u>4,928,134.90</u>	<u>5,359,734.71</u>	<u>524,283.90</u>	<u>22,511,387.77</u>
<u>\$ 46,422.95</u>	<u>\$ 4,235,813.34</u>	<u>\$ 6,235,876.13</u>	<u>\$ 5,473,245.62</u>	<u>\$ 794,313.38</u>	<u>\$ 38,671,752.39</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, 2013**

<b>Total Fund Balances - Governmental Funds</b>		\$ 22,511,387.77
 <b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
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.		463,251,023.38
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.		2,733,500.58
Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net position.		3,516,745.56
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:		
Bonds Payable	\$ (6,145,000.00)	
Certificates of Participation Payable	(57,055,000.00)	
Compensated Absences Payable	(20,637,339.47)	
Other Postemployment Benefits Payable	(2,034,065.00)	(85,871,404.47)
<b>Total Net Position - Governmental Activities</b>		<b>\$ 406,141,252.82</b>

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, 2013**

	<b>General Fund</b>	<b>Special Revenue Food Service Fund</b>	<b>Special Revenue Other Federal Programs Fund</b>
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 900,062.89	\$ 0.00	\$ 797,752.84
Federal Through State and Local State	1,672,807.17	8,117,836.60	13,557,681.47
	171,577,860.96	134,218.00	0.00
Local:			
Property Taxes	55,175,126.73	0.00	0.00
Local Sales Taxes	0.00	0.00	0.00
Impact Fees	0.00	0.00	0.00
Charges for Services - Food Service	0.00	6,111,210.77	0.00
Miscellaneous	2,666,566.20	19,866.47	0.00
<b>Total Revenues</b>	<b>231,992,423.95</b>	<b>14,383,131.84</b>	<b>14,355,434.31</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	161,813,535.18	0.00	9,616,655.89
Student Personnel Services	12,284,935.34	0.00	1,293,427.83
Instructional Media Services	3,704,346.76	0.00	399.75
Instruction and Curriculum Development Services	3,730,519.87	0.00	1,220,139.26
Instructional Staff Training Services	811,017.99	0.00	1,599,393.31
Instruction-Related Technology	2,055,321.09	0.00	72,986.37
School Board	852,961.97	0.00	0.00
General Administration	737,903.89	0.00	198,348.69
School Administration	14,593,090.64	0.00	17,882.54
Facilities Acquisition and Construction	956,394.66	0.00	0.00
Fiscal Services	408,379.06	0.00	0.00
Food Services	85,904.63	14,093,918.76	0.00
Central Services	3,172,951.05	0.00	0.00
Student Transportation Services	10,693,733.26	0.00	38,484.57
Operation of Plant	18,011,105.60	0.00	0.00
Maintenance of Plant	5,183,701.97	0.00	0.00
Administrative Technology Services	1,847,773.35	0.00	0.00
Community Services	340,927.60	0.00	0.00
Fixed Capital Outlay:			
Facilities Acquisition and Construction	272,854.98	0.00	45,612.00
Other Capital Outlay	939,865.69	316,469.46	252,104.10
Debt Service:			
Principal	0.00	0.00	0.00
Interest and Fiscal Charges	0.00	0.00	0.00
<b>(Total Expenditures)</b>	<b>242,497,224.58</b>	<b>14,410,388.22</b>	<b>14,355,434.31</b>
<b>(Deficiency) Excess of Revenues</b>			
<b>(Under) Over Expenditures</b>	<b>(10,504,800.63)</b>	<b>(27,256.38)</b>	<b>0.00</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	4,325,543.00	0.00	0.00
Proceeds from Sale of Capital Assets	110,433.06	0.00	0.00
Insurance Loss Recoveries	40,672.00	0.00	0.00
Transfers (out)	0.00	0.00	0.00
<b>Total Other Financing Sources (Uses)</b>	<b>4,476,648.06</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Change in Fund Balances</b>	<b>(6,028,152.57)</b>	<b>(27,256.38)</b>	<b>0.00</b>
<b>Fund Balances, Beginning of Year</b>	<b>13,382,968.37</b>	<b>4,352,487.31</b>	<b>0.00</b>
<b>(Decrease) Increase in Inventory Reserve</b>	<b>(60,763.23)</b>	<b>6,994.32</b>	<b>0.00</b>
<b>Fund Balances, End of Year</b>	<b>\$ 7,294,052.57</b>	<b>\$ 4,332,225.25</b>	<b>\$ 0.00</b>

See accompanying notes.

Special Revenue Federal Economic Stimulus Fund	Debt Service Other Debt Service Fund	Capital Projects Local Capital Improvement Fund	Capital Projects Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,697,815.73
461,329.26	0.00	0.00	0.00	0.00	23,809,654.50
0.00	0.00	0.00	73,093.42	1,598,879.37	173,384,051.75
0.00	0.00	13,091,737.57	0.00	0.00	68,266,864.30
0.00	0.00	0.00	1,633,054.50	0.00	1,633,054.50
0.00	0.00	0.00	5,315,447.59	0.00	5,315,447.59
0.00	0.00	0.00	0.00	0.00	6,111,210.77
0.00	1,150.71	79,333.63	48,552.98	11,779.50	2,827,249.49
<u>461,329.26</u>	<u>1,150.71</u>	<u>13,171,071.20</u>	<u>7,070,148.49</u>	<u>1,610,658.87</u>	<u>283,045,348.63</u>
111.21	0.00	0.00	0.00	0.00	171,430,302.28
0.00	0.00	0.00	0.00	0.00	13,578,363.17
0.00	0.00	0.00	0.00	0.00	3,704,746.51
77,878.98	0.00	0.00	0.00	0.00	5,028,538.11
22,377.89	0.00	0.00	0.00	0.00	2,432,789.19
16,794.18	0.00	0.00	0.00	0.00	2,145,101.64
0.00	0.00	0.00	0.00	0.00	852,961.97
0.00	0.00	0.00	0.00	0.00	936,252.58
0.00	0.00	0.00	0.00	0.00	14,610,973.18
0.00	0.00	3,657,814.61	1,108,382.91	247,351.09	5,969,943.27
0.00	0.00	0.00	0.00	0.00	408,379.06
0.00	0.00	0.00	0.00	0.00	14,179,823.39
0.00	0.00	0.00	0.00	0.00	3,172,951.05
0.00	0.00	0.00	0.00	0.00	10,732,217.83
0.00	0.00	0.00	0.00	0.00	18,011,105.60
0.00	0.00	0.00	0.00	0.00	5,183,701.97
85,167.00	0.00	0.00	0.00	0.00	1,932,940.35
0.00	0.00	0.00	0.00	0.00	340,927.60
0.00	0.00	3,241,746.20	469,974.90	25,696.75	4,055,884.83
259,000.00	0.00	0.00	0.00	0.00	1,767,439.25
0.00	2,910,000.00	0.00	0.00	870,000.00	3,780,000.00
0.00	2,513,472.20	0.00	0.00	332,818.03	2,846,290.23
<u>461,329.26</u>	<u>5,423,472.20</u>	<u>6,899,560.81</u>	<u>1,578,357.81</u>	<u>1,475,865.87</u>	<u>287,101,633.06</u>
<u>0.00</u>	<u>(5,422,321.49)</u>	<u>6,271,510.39</u>	<u>5,491,790.68</u>	<u>134,793.00</u>	<u>(4,056,284.43)</u>
0.00	5,438,946.00	0.00	0.00	0.00	9,764,489.00
0.00	0.00	0.00	0.00	0.00	110,433.06
0.00	0.00	0.00	0.00	0.00	40,672.00
0.00	0.00	(7,382,823.50)	(2,381,665.50)	0.00	(9,764,489.00)
<u>0.00</u>	<u>5,438,946.00</u>	<u>(7,382,823.50)</u>	<u>(2,381,665.50)</u>	<u>0.00</u>	<u>151,105.06</u>
0.00	16,624.51	(1,111,313.11)	3,110,125.18	134,793.00	(3,905,179.37)
0.00	56,331.93	6,039,448.01	2,249,609.53	389,490.90	26,470,336.05
0.00	0.00	0.00	0.00	0.00	(53,768.91)
<u>\$ 0.00</u>	<u>\$ 72,956.44</u>	<u>\$ 4,928,134.90</u>	<u>\$ 5,359,734.71</u>	<u>\$ 524,283.90</u>	<u>\$ 22,511,387.77</u>

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, 2013**

**Net Change in Fund Balances - Governmental Funds** \$ (3,905,179.37)

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:

Fixed Capital Outlay Expenditures	\$ 5,823,324.08	
Depreciation Expense	<u>(17,786,463.70)</u>	(11,963,139.62)

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.

1,178,389.75

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:

Certificates of Participation Payable	2,910,000.00	
Bonds Payable	<u>840,000.00</u>	3,750,000.00

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.

(342,945.87)

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, 2013**  
*(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. \$ (1,088,115.00)

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. (2,572,315.54)

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	\$	3,516,745.56	
(Less Prior Year Accrual)		<u>(3,224,796.25)</u>	291,949.31

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. (53,768.91)

**Change in Net Position - Governmental Activities** \$ (14,705,125.25)

See accompanying notes.



**CLAY COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<b>Governmental Activities Internal Service Funds</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 3,688,082.53
Investments	44,872.10
Due from Other Agencies	36,817.69
Due from Other Funds	336,382.54
Prepaid Insurance	1,327,610.69
<b>Total Assets</b>	<b>5,433,765.55</b>
 <b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	1,327,610.69
Due to Other Funds	246.28
Estimated Insurance Claims Payable	754,824.40
<b>Total Current Liabilities</b>	<b>2,082,681.37</b>
 Noncurrent Liabilities:	
Estimated Insurance Claims Payable	617,583.60
<b>Total Liabilities</b>	<b>2,700,264.97</b>
 <b>Net Position</b>	
Unrestricted	<b>\$ 2,733,500.58</b>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2013**

	<b>Governmental Activities Internal Service Funds</b>
<b>Operating Revenues</b>	
Insurance Premiums	\$ 126,167.97
<b>Total Operating Revenues</b>	126,167.97
<b>Operating Expenses</b>	
Insurance Claims	1,138,324.07
Excess Insurance Premiums	1,370,102.40
State Assessments	48,019.20
Purchased Services	170,436.13
<b>Total Operating Expenses</b>	2,726,881.80
<b>Operating Income</b>	(2,600,713.83)
<b>Nonoperating Revenues (Expenses)</b>	
Investment Income	28,398.29
<b>Net (Loss)</b>	(2,572,315.54)
<b>Total Net Position - Beginning of Year, as Restated</b>	5,305,816.12
<b>Total Net Position - End of Year</b>	\$ 2,733,500.58

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<b>Governmental Activities Internal Service Funds</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Board Funds	\$ 14,966.83
Cash Payments to Vendors for Goods and Services	(1,646,421.03)
Cash Payments to Insurance Claims	(1,214,832.87)
<b>Net Cash Provided by Operating Activities</b>	(2,846,287.07)
 <b>Cash Flows from Investing Activities</b>	
Proceeds from Sale of Investments	27,860.74
Interest Income	28,398.29
<b>Net Cash Provided by Investing Activities</b>	56,259.03
 <b>Net Increase in Cash and Cash Equivalents</b>	(2,790,028.04)
 <b>Cash and Cash Equivalents, Beginning of Year</b>	6,478,110.57
 <b>Cash and Cash Equivalents, End of Year</b>	\$ 3,688,082.53
 <b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u></b>	
Operating Income	\$ (2,600,713.83)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:	
Increase in Due from Other Funds	(111,201.14)
Increase in Due from Other Agencies	(36,817.69)
Decrease in Due from Excess Insurance Carrier	39,800.20
Decrease in Prepays	42,491.71
Decrease in Accounts Payable	(42,491.71)
Decrease in Due to Other Funds	(21,045.61)
Decrease in Estimated Insurance Claims Payable	(116,309.00)
Total Adjustments	(245,573.24)
 <b>Net Cash Provided by Operating Activities</b>	\$ (2,846,287.07)

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,938,161.03
<b>Total Assets</b>	2,938,161.03
 <b>Liabilities</b>	
Accounts Payable	131,625.93
Due to Other Funds	69,525.94
Internal Accounts Payable	2,737,009.16
<b>Total Liabilities</b>	\$ 2,938,161.03

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**Basis of Presentation**

■ **Government-wide Financial Statements**

Government-wide financial statements, i.e., the statement of net position and statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements.

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

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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

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

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

■ **Fund Financial Statements**

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

The District reports the following major governmental funds:

- **General Fund**—to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Food Service Fund**—to account for the proceeds of Food and Nutrition Services. Food and Nutrition Services is concerned with providing food to students and staff in the school system. Food and Nutrition Services includes the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities and the delivery of food.
- **Other Federal Programs 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 Other Federal Programs Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances.
- **Federal Economic Stimulus Programs Fund**—to account for the proceeds of American Recovery and Reinvestment Act funds that are legally restricted to expenditure for specified purposes. Because revenues of grants accounted for in the Federal Economic Stimulus Fund 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.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Concluded)**

■ **Fund Financial Statements (Concluded)**

- **Capital Projects – Local Capital Improvement Fund**—to account for the financial resources generated by the local 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.

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 governmental activities column.

**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.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Concluded)**

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 30 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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the District for workers' compensation, automobile liability, general liability, and property loss insurance premiums. Operating expenses include insurance claims, insurance premiums for excess insurance, State assessments, and administrative expenses and fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**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 and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, 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.



**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deposits and Investments (Concluded)**

The District's investments in Florida Prime and FEITF, which the SBA and FEITF, respectively, indicate are Securities and Exchange Commission Rule 2a7-like external investment pools, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

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.

**Inventories**

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.

**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 fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets (Concluded)**

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

<b>Description</b>	<b>Estimated Lives</b>
Improvements Other Than Buildings	25 Years
Buildings and Fixed Equipment	50 Years
Furniture, Fixtures, and Equipment	7 Years
Motor Vehicles	10 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.

**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.

**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.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**State Revenue Sources *(Concluded)***

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.

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

**District Property Taxes**

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

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

The School Board adopted the 2012 tax levy on September 6, 2012. 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.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**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 October 2005, when Ordinance 2005-43 established, in part, revised rates to be collected. 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 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.

**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.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

**New Pronouncements**

The District adopted new accounting guidance GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Concepts Statement No. 4, *Elements of Financial Statements*. These statements incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and renamed that measure as net position, rather than net assets, affecting the comparability of the financial statements for the 2012-2013 and 2011-2012 fiscal years.

**Restatement of Beginning Balances**

The beginning net position balance of the Internal Service Fund has been restated to record a prior period adjustment to report the prepaid portion of insurance premiums. As a result of this restatement, the beginning net position of the Internal Service Fund and the Governmental-Activities of the government-wide financial statements were each increased \$1,370,102.40.

**Note 2 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

**Note 3 - INVESTMENTS**

As of June 30, 2013, the District has the following investments:

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 3 - INVESTMENTS (Continued)**

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Mutual Funds:		
First American Treasury Obligations (1) (2)	53 Day Average	\$ 3,251,689.40
First American Prime Obligations (1) (2)	47 Day Average	911,731.28
State Board of Administration:		
Florida PRIME (2)	40 Day Average	18,612,773.39
Fund B Surplus Funds Trust Fund	3.98 Year Average	671,168.95
State Board of Administration Debt Service Accounts	6 Months	98,926.45
Florida Education Investment Trust Fund (2)	44 Day Average	<u>4,976,411.63</u>
		<u>28,522,701.10</u>
Fiduciary Funds:		
State Board of Administration:		
Florida PRIME (2)	40 Day Average	<u>1,642,289.60</u>
<b>Total Investments, Reporting Entity</b>		<u>\$ 30,164,990.70</u>

Notes: (1) At June 30, 2013, investments totaling \$4,163,420.68 were held under a trust agreement in connection with Certificates of Participation financing arrangements.

(2) Investments reported as cash equivalents.

**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 had a weighted average days to maturity (WAM) of 40 days, and the FEITF had a WAM of 44 days at June 30, 2013. 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. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time delivered by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2013, based on expected future cash flows, the WAL of Fund B is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

**CLAY COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**  
*(Continued)*

**Note 3 - 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 Local Government Surplus Trust Fund Investment Pool, which effective July 1, 2009, is known as 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, 2013, the District's investment in the Florida PRIME is rated AAAM by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.

As of June 30, 2013, the District's investment in the FEITF was rated AAAM by Standard & Poor's, and the District's investment in the First American Treasury Obligations money market mutual funds was rated AAAM by Standard & Poor's and Aaa by Moody's Investor Services.

**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.

**Note 4 - CAPITAL CREDITS 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 2012-2013 fiscal year, the District received \$48,054.42 related to portions of capital credits earned from the 1988 through 2011 fiscal years. At June 30, 2013, the accumulated credits to the District's accounts were \$3,516,745.56.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
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JUNE 30, 2013  
(Continued)**

**Note 5 - RECEIVABLES DUE FROM OTHER AGENCIES**

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. The following is a schedule of amounts Due from Other Agencies at June 30, 2013:

<u>FUND/SOURCE</u>	<u>AMOUNT</u>
<b>Major Governmental Funds</b>	
General:	
Clay County Sheriff's Office:	
Fuel Reimbursement	\$ 261.75
Episcopal Childrens Services:	
VPK Program	15,769.03
State of Florida:	
DCF State Grant	32,109.32
AHCA State Grant	315,925.28
DOH State Grant	35,000.00
DMA State Grant	62,500.00
Clay County Education Association:	
Union Officers' Salaries Reimbursement	18,199.39
Clay Behavioral Health:	
County Health Grant	2,541.32
Clay County Tax Collector:	
Local Property Taxes	44,899.99
Special Revenue Fund-Food Services:	
State of Florida:	
Reimbursements for School Meals	30,742.21
Federal Economic Stimulus Funds:	
State of Florida:	
Federal Cash Advance System	46,422.95
Special Revenue Fund-Other Special Revenue:	
State of Florida:	
Federal Cash Advance System	1,309,344.24
First Coast Workforce Development:	
WIA Youth Activities Grant	64,234.64
U.S. Department of Defense Education Activities:	
Achievement at Military Connected Schools	531,067.16
Capital Projects - Other Capital Projects:	
Clay County Board of County Commissioners:	
Local Impact Fees	370,565.24
State of Florida:	
Department of Revenue Gas Tax Refunds	38,688.49
Department of Revenue Local Sales Surtax	174,594.38
<b>TOTAL</b>	<b>\$ 3,092,865.39</b>



**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 6 - CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 29,929,713.81	\$ 0.00	\$ 0.00	\$ 29,929,713.81
Construction in Progress	3,104,699.12	4,754,606.75	5,868,746.94	1,990,558.93
Total Capital Assets Not Being Depreciated	<u>33,034,412.93</u>	<u>4,754,606.75</u>	<u>5,868,746.94</u>	<u>31,920,272.74</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,571,315.09	419,556.41	0.00	24,990,871.50
Buildings and Fixed Equipment	520,451,993.92	5,449,190.53	0.00	525,901,184.45
Furniture, Fixtures, and Equipment	31,853,083.63	1,410,248.64	2,187,594.67	31,075,737.60
Motor Vehicles	24,212,372.40	498,590.87	698,138.17	24,012,825.10
Property Acquired Under Capital Lease	481,289.25	0.00	0.00	481,289.25
Audio Visual Materials and Computer Software	3,301,784.84	338,267.57	8,541.46	3,631,510.95
Total Capital Assets Being Depreciated	<u>604,871,839.13</u>	<u>8,115,854.02</u>	<u>2,894,274.30</u>	<u>610,093,418.85</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	15,231,997.90	982,852.60	0.00	16,214,850.50
Buildings and Fixed Equipment	115,004,370.61	10,542,934.80	0.00	125,547,305.41
Furniture, Fixtures, and Equipment	20,432,165.54	3,537,272.76	2,187,594.67	21,781,843.63
Motor Vehicles	10,561,057.48	2,254,714.40	698,138.17	12,117,633.71
Property Acquired Under Capital Lease	288,771.95	96,257.85	0.00	385,029.80
Audio Visual Materials and Computer Software	2,352,115.33	372,431.29	8,541.46	2,716,005.16
Total Accumulated Depreciation	<u>163,870,478.81</u>	<u>17,786,463.70</u>	<u>2,894,274.30</u>	<u>178,762,668.21</u>
Total Capital Assets Being Depreciated, Net	<u>441,001,360.32</u>	<u>(9,670,609.68)</u>	<u>0.00</u>	<u>431,330,750.64</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 474,035,773.25</u>	<u>\$(4,916,002.93)</u>	<u>\$ 5,868,746.94</u>	<u>\$463,251,023.38</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
<b>Governmental Activities</b>	
Student Transportation Services	\$ 2,254,714.40
Unallocated	<u>15,531,749.30</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 17,786,463.70</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 7 - CERTIFICATES OF PARTICIPATION**

Certificates of Participation at June 30, 2013, 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 2004, Refunding	\$ 4,055,000	3.000 - 3.625	2017	\$ 9,900,000
Series 2005A	14,365,000	3.625 - 4.500	2027	16,430,000
Series 2005B, Refunding	14,120,000	4.0 - 5.0	2025	18,545,000
Series 2012, Refunding	<u>24,515,000</u>	2.0 - 5.0	2028	24,930,000
<b>Total Certificates of Participation</b>	<b><u>\$ 57,055,000</u></b>			

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 2004, Refunding	Earlier of Date Paid in Full or June 30, 2017
Series 2005A	Earlier of Date Paid in Full or June 30, 2027
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

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

<u>Certificates</u>	<u>Description of Properties</u>
Series 2004, 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. (Ridgeview High School)
Series 2005B, Refunding	Construction of a New Senior High School in the Fleming Island Area. (Fleming Island High School)
Series 2005A	Construction of a New Junior High School in the Oakleaf Area. (Oakleaf Junior 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)

**CLAY COUNTY DISTRICT SCHOOL BOARD  
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(Continued)**

**Note 7 - CERTIFICATES OF PARTICIPATION (Concluded)**

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:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 5,427,445.02	\$ 3,020,000.00	\$ 2,407,445.02
2015	5,423,995.02	3,120,000.00	2,303,995.02
2016	5,422,820.02	3,235,000.00	2,187,820.02
2017	5,419,295.02	3,365,000.00	2,054,295.02
2018	5,411,883.76	3,485,000.00	1,926,883.76
2019 - 2023	26,849,031.26	19,750,000.00	7,099,031.26
2024 - 2028	<u>23,588,210.00</u>	<u>21,080,000.00</u>	<u>2,508,210.00</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 77,542,680.10</u></b>	<b><u>\$ 57,055,000.00</u></b>	<b><u>\$ 20,487,680.10</u></b>

**Note 8 - BONDS PAYABLE**

Bonds payable at June 30, 2013, are as follows:

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
State School Bonds:			
Series 2005A, Refunding	\$ 1,835,000.00	5.00	2017
Series 2005B, Refunding	460,000.00	5.00	2018
Series 2009A, Refunding	215,000.00	4.00 - 5.00	2019
Series 2011A, Refunding	910,000.00	3.00 – 5.00	2023
District Revenue Bonds:			
Series 2010, Refunding	<u>2,725,000.00</u>	2.15 - 5.00	2032
<b>Total Bonds Payable</b>	<b><u>\$ 6,145,000.00</u></b>		

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.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 8 - BONDS PAYABLE (Concluded)**

■ **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 (2011)), and Chapter 65-1164, Laws of Florida. 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 District has pledged a combined total of \$4,136,661.28 of future pari-mutuel tax revenues in connection with the Series 2010A, District Revenue Bonds, described above. During the 2012-2013 fiscal year, the District recognized sales tax revenues totaling \$223,250.00, and expended \$218,137.50 of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on May 1, 2032. Approximately 98% of this revenue stream has been pledged in connection with the debt service on the revenue bonds until all such bonds outstanding have been redeemed.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
State School Bonds:			
2014	\$ 963,700.00	\$ 795,000.00	\$ 168,700.00
2015	928,950.00	800,000.00	128,950.00
2016	758,950.00	670,000.00	88,950.00
2017	725,450.00	670,000.00	55,450.00
2018	216,950.00	195,000.00	21,950.00
2019 - 2023	<u>321,600.00</u>	<u>290,000.00</u>	<u>31,600.00</u>
<b>Total State School Bonds</b>	<u>\$ 3,915,600.00</u>	<u>\$ 3,420,000.00</u>	<u>\$ 495,600.00</u>
<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
District Revenue Bonds:			
2014	\$ 216,137.50	\$ 100,000.00	\$ 116,137.50
2015	218,987.50	105,000.00	113,987.50
2016	216,257.50	105,000.00	111,257.50
2017	218,055.00	110,000.00	108,055.00
2018	219,480.00	115,000.00	104,480.00
2019 - 2023	1,084,037.52	630,000.00	454,037.52
2024 - 2028	1,090,156.26	785,000.00	305,156.26
2029 - 2032	<u>873,550.00</u>	<u>775,000.00</u>	<u>98,550.00</u>
<b>Total District Revenue Bonds</b>	<u>4,136,661.28</u>	<u>2,725,000.00</u>	<u>1,411,661.28</u>
<b>Total</b>	<u>\$ 8,052,261.28</u>	<u>\$ 6,145,000.00</u>	<u>\$ 1,907,261.28</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**Note 9 - DEFEASED DEBT**

Certain outstanding State School Bonds and Certificates of Participation of the District have been defeased by placing the proceeds of refunding bonds and certificates in irrevocable trust to provide for future debt service payments. Accordingly, the trust and the defeased bonds and certificates are not included in the District's government-wide financial statements. The defeased bonds and certificates outstanding at June 30, 2013 considered extinguished are as follows:

Issue	Amount Outstanding
State School Bonds:	
Series 2002B	\$ 805,000.00
Series 2003A	480,000.00
Certificates of Participation:	
Series 2003 and 2008	25,675,000.00

**Note 10 - CHANGES IN LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<b>Governmental Activities</b>					
Certificates of Participation Payable	\$ 59,965,000.00	\$ 0.00	\$ 2,910,000.00	\$ 57,055,000.00	\$ 3,020,000.00
Estimated Insurance Claims Payable	1,488,717.00	1,364,979.09	1,481,288.09	1,372,408.00	617,583.60
Bonds Payable	6,985,000.00	0.00	840,000.00	6,145,000.00	895,000.00
Other Postemployment Benefits Obligation	945,950.00	1,688,054.00	599,939.00	2,034,065.00	0.00
Compensated Absences Payable	20,294,393.60	9,135,983.29	8,793,037.42	20,637,339.47	8,793,037.42
<b>Total Governmental Activities</b>	<b>\$ 89,679,060.60</b>	<b>\$ 12,189,016.38</b>	<b>\$ 14,624,264.51</b>	<b>\$ 87,243,812.47</b>	<b>\$ 13,325,621.02</b>

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 11 - FUND BALANCE REPORTING**

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

■ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

■ **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.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**Note 11 - FUND BALANCE REPORTING (Concluded)**

■ **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, 2013.

■ **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.

■ **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.

**Note 12 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major Governmental Funds		
General	\$ 4,640,418.91	\$ 359,436.86
Debt Service:		
Other Debt Service	10,699.54	0.00
Capital Projects:		
Local Capital Improvement	0.00	1,017,972.50
Other Capital Projects	0.00	113,510.91
Special Revenue:		
Food Service Fund	0.00	668,569.32
Other Federal Programs	12,354.78	2,454,141.53
Federal Economic Stimulus Programs	0.00	46,422.95
Nonmajor Governmental Funds	0.00	270,029.48
Proprietary Fund		
Internal Service Fund	336,382.54	246.28
Agency Funds	0.00	69,525.94
<b>Total</b>	<u>\$ 4,999,855.77</u>	<u>\$ 4,999,855.77</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

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

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:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 4,325,543.00	\$ 0.00
Debt Service:		
Other Debt Service	5,438,946.00	0.00
Capital Projects:		
Local Capital Improvement	0.00	7,382,823.50
Nonmajor Governmental Funds	<u>0.00</u>	<u>2,381,665.50</u>
<b>Total</b>	<u>\$ 9,764,489.00</u>	<u>\$ 9,764,489.00</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 2012-2013 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 129,019,580.00
Categorical Educational Program:	
Class Size Reduction	38,417,094.00
School Recognition	2,318,989.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,379,878.00
Workforce Development Program	868,772.00
Voluntary Prekindergarten Program	429,739.10
Department of Military Affairs	250,000.00
Racing Commission Funds	223,250.00
Food Service Supplement	134,218.00
Department of Children and Families	115,996.00
Miscellaneous	<u>226,535.65</u>
<b>Total</b>	<u>\$ 173,384,051.75</u>

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

**CLAY COUNTY DISTRICT SCHOOL BOARD  
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**Note 14 - PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-2013 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.323	\$ 47,982,974
Basic Discretionary Local Effort	0.748	6,742,676
Critical Operating Needs	0.250	2,253,568
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	13,521,409
<b>Total</b>	<u>7.821</u>	<u>\$ 70,500,627</u>

**Note 15 - STATE RETIREMENT PROGRAM**

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. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of 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 service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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.



**CLAY COUNTY DISTRICT SCHOOL BOARD  
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(Continued)**

**Note 15 - STATE RETIREMENT PROGRAM (Concluded)**

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 the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest after one year of service.

The State of Florida establishes contribution rates for participating employees and employers. During the 2012-2013 fiscal year, contribution rates 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	8.18
Florida Retirement System, Elected County Officers	3.00	10.23
Deferred Retirement Option Program – Applicable to Members from all of the Above Classes or Plans	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.03 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 liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) to all plans for the fiscal years ending June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$17,235,938.23, \$11,642,097.12 and \$14,610,331.16, respectively, which were equal to the required contributions for each fiscal year.

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

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 16 - 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 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 2012-2013 fiscal year, 165 retirees and eligible dependents received postemployment health care benefits. The District provided required contributions of \$599,939 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 \$1,160,011.

**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:

<b>Description</b>	<b>June 30, 2013</b>
Normal Cost (Service Cost for One Year)	\$ 1,185,063
Amortization of Unfunded Actuarial Accrued Liability	434,169
Interest on Normal Cost and Amortization	64,769
Annual Required Contribution	1,684,001
Interest on Net OPEB Obligation	37,838
(Less Amortization of Net OPEB Obligation)	(33,785)
Annual OPEB Cost (Expense)	1,688,054
Contribution Toward the OPEB Cost	(599,939)
Increase in Net OPEB Obligation	1,088,115
<b>Net OPEB Obligation, Beginning of Year</b>	<b>945,950</b>
<b>Net OPEB Obligation, End of Year</b>	<b>\$ 2,034,065</b>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 16 - 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, 2013, and the two preceding years, was as follows:

<b>Fiscal Year Ending June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2011	\$ 1,171,535	54.6%	\$ 1,041,710
2012	1,239,977	107.7%	945,950
2013	1,688,054	35.5%	2,034,065

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$10,872,425 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,872,425. The covered payroll (annual payroll of active participating employees) was \$127,623,502.53 for the 2012-2013 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.5 percent.

**Actuarial Methods and Assumptions**

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.

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, 2012, 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 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 9.5 percent initially, reduced each year, to an ultimate rate of 5.5 percent for the fiscal year ending June 30, 2018. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 24 years.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**Note 17 - 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, 2013:

<b>Fund</b>	<b>Encumbrance Amount</b>
General	\$ 392,705.72
Food Service	133,509.19
Other Federal Programs	182,978.10
Federal Economic Stimulus	24,206.68
Local Capital Improvement	3,578,100.91
Other Capital Projects	<u>57,797.57</u>
<b>Total</b>	<b>\$ 4,369,298.17</b>

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

<b>Project</b>	<b>Contract Amount</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
<b>Building I Renovation - Keystone Heights High School</b>			
Architect	\$ 21,622.69	\$ 15,354.12	\$ 6,268.57
General Contractor	367,066.48	300,892.47	66,174.01
Direct Materials	140,000.00	17,612.68	122,387.32
<b>Cafeteria Expansion - Phase II - Ridgeview High School</b>			
Architect	160,222.92	148,336.36	11,886.56
General Contractor	1,788,031.44	1,129,208.94	658,822.50
Direct Materials	660,000.00	379,154.36	280,845.64
<b>Total</b>	<b>\$ 3,136,943.53</b>	<b>\$ 1,990,558.93</b>	<b>\$ 1,146,384.60</b>

**Note 18 - RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Concluded)**

**Note 18 - RISK MANAGEMENT PROGRAMS (Concluded)**

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 \$1,372,408 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2013.

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>
2011-12	\$2,065,522.00	\$ 718,249.10	\$ (1,295,054.10)	\$ 1,488,717.00
2012-13	1,488,717.00	1,098,523.87	(1,214,832.87)	1,372,408.00

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY COUNTY DISTRICT SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General Fund</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 920,000.00	\$ 920,000.00	\$ 900,062.89	\$ (19,937.11)
Federal Through State and Local	0.00	0.00	1,672,807.17	1,672,807.17
State	176,485,783.32	171,722,731.91	171,577,860.96	(144,870.95)
Local:				
Property Taxes	56,700,833.00	54,580,833.00	55,175,126.73	594,293.73
Miscellaneous	2,551,423.15	4,785,926.14	2,666,566.20	(2,119,359.94)
<b>Total Revenues</b>	<u>236,658,039.47</u>	<u>232,009,491.05</u>	<u>231,992,423.95</u>	<u>(17,067.10)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	159,200,602.42	165,334,370.17	161,813,535.18	3,520,834.99
Student Personnel Services	12,235,318.43	12,298,728.90	12,284,935.34	13,793.56
Instructional Media Services	3,962,443.70	3,723,180.80	3,704,346.76	18,834.04
Instruction and Curriculum				
Development Services	3,713,748.72	3,874,346.31	3,730,519.87	143,826.44
Instructional Staff Training Services	646,923.89	826,467.14	811,017.99	15,449.15
Instruction-related Technology	2,330,282.43	2,147,082.64	2,055,321.09	91,761.55
School Board	1,321,223.23	1,020,112.12	852,961.97	167,150.15
General Administration	754,860.07	750,296.22	737,903.89	12,392.33
School Administration	13,538,691.32	14,626,841.35	14,593,090.64	33,750.71
Facilities Acquisition and Construction	1,220,300.07	1,293,064.29	956,394.66	336,669.63
Fiscal Services	740,083.14	500,631.12	408,379.06	92,252.06
Food Services	1,744.99	87,653.06	85,904.63	1,748.43
Central Services	3,561,331.60	3,317,368.30	3,172,951.05	144,417.25
Student Transportation Services	11,038,425.62	10,759,699.05	10,693,733.26	65,965.79
Operation of Plant	18,928,279.34	20,325,771.72	18,011,105.60	2,314,666.12
Maintenance of Plant	5,359,241.80	5,184,204.48	5,183,701.97	502.51
Administrative Technology Services	1,837,723.75	1,875,653.46	1,847,773.35	27,880.11
Community Services	371,012.39	448,778.26	340,927.60	107,850.66
Fixed Capital Outlay:				
Facilities Acquisition and Construction	131,474.15	126,154.14	272,854.98	(146,700.84)
Other Capital Outlay	969,341.90	1,140,420.71	939,865.69	200,555.02
<b>(Total Expenditures)</b>	<u>241,863,052.96</u>	<u>249,660,824.24</u>	<u>242,497,224.58</u>	<u>7,163,599.66</u>
<b>Excess of Revenues Over Expenditures</b>	<u>(5,205,013.49)</u>	<u>(17,651,333.19)</u>	<u>(10,504,800.63)</u>	<u>7,146,532.56</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,325,543.00	3,325,543.00	4,325,543.00	1,000,000.00
Proceeds from Sale of Capital Assets	200,000.00	200,600.00	110,433.06	(90,166.94)
Insurance Loss Recoveries	40,000.00	43,925.08	40,672.00	(3,253.08)
<b>Total Other Financing Sources (Uses)</b>	<u>3,565,543.00</u>	<u>3,570,068.08</u>	<u>4,476,648.06</u>	<u>906,579.98</u>
<b>Net Change in Fund Balances</b>	(1,639,470.49)	(14,081,265.11)	(6,028,152.57)	8,053,112.54
<b>Fund Balances, Beginning of Year</b>	13,230,810.16	13,230,810.16	13,382,968.37	152,158.21
<b>Increase (Decrease) in Inventory Reserve</b>	152,158.21	0.00	(60,763.23)	(60,763.23)
<b>Fund Balances, End of Year</b>	<u>\$ 11,743,497.88</u>	<u>\$ (850,454.95)</u>	<u>\$ 7,294,052.57</u>	<u>\$ 8,144,507.52</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

	<b>Food Service Fund</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 8,128,223.00	\$ 8,128,223.00	\$ 8,117,836.60	\$ (10,386.40)
State	137,000.00	137,000.00	134,218.00	(2,782.00)
Local:				
Charges for Services - Food Service	6,653,663.00	6,653,663.00	6,111,210.77	(542,452.23)
Miscellaneous	0.00	0.00	19,866.47	19,866.47
<b>Total Revenues</b>	<b>14,918,886.00</b>	<b>14,918,886.00</b>	<b>14,383,131.84</b>	<b>(535,754.16)</b>
<b>Expenditures</b>				
Current - Education:				
Food Services	14,657,381.05	14,298,036.93	14,093,918.76	204,118.17
Fixed Capital Outlay:				
Other Capital Outlay	463,158.86	457,131.77	316,469.46	140,662.31
<b>(Total Expenditures)</b>	<b>15,120,539.91</b>	<b>14,755,168.70</b>	<b>14,410,388.22</b>	<b>344,780.48</b>
<b>(Deficiency) of Revenues (Under)</b>				
<b>Expenditures</b>	<b>(201,653.91)</b>	<b>163,717.30</b>	<b>(27,256.38)</b>	<b>(190,973.68)</b>
<b>Net Change in Fund Balances</b>	<b>(201,653.91)</b>	<b>163,717.30</b>	<b>(27,256.38)</b>	<b>(190,973.68)</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,352,487.31</b>	<b>4,352,487.31</b>	<b>4,352,487.31</b>	<b>0.00</b>
<b>Increase in Inventory Reserve</b>	<b>0.00</b>	<b>0.00</b>	<b>6,994.32</b>	<b>6,994.32</b>
<b>Fund Balances, End of Year</b>	<b>\$ 4,150,833.40</b>	<b>\$ 4,516,204.61</b>	<b>\$ 4,332,225.25</b>	<b>\$ (183,979.36)</b>



**CLAY COUNTY DISTRICT SCHOOL BOARD  
BUDGETARY COMPARISON SCHEDULE  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

	<b>Special Revenue - Other Federal Programs Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 1,369,377.43	\$ 1,705,459.43	\$ 797,752.84	\$ (907,706.59)
Federal Through State and Local	18,660,991.12	19,133,181.16	13,557,681.47	(5,575,499.69)
<b>Total Revenues</b>	<u>20,030,368.55</u>	<u>20,838,640.59</u>	<u>14,355,434.31</u>	<u>(6,483,206.28)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	13,455,143.72	13,201,847.61	9,616,655.89	3,585,191.72
Student Personnel Services	1,417,321.58	1,698,534.60	1,293,427.83	405,106.77
Instructional Media Services	0.00	500.00	399.75	100.25
Instruction and Curriculum				
Development Services	1,481,375.01	1,679,737.41	1,220,139.26	459,598.15
Instructional Staff Training Services	2,130,810.77	2,429,612.15	1,599,393.31	830,218.84
Instruction-related Technology	0.00	77,736.37	72,986.37	4,750.00
General Administration	355,690.65	357,774.86	198,348.69	159,426.17
School Administration	2,169.85	17,882.54	17,882.54	0.00
Facilities Acquisition and Construction	0.00	70,500.00	0.00	70,500.00
Central Services	22,004.50	45,898.74	0.00	45,898.74
Student Transportation Services	108,717.59	123,749.10	38,484.57	85,264.53
Operation of Plant	0.00	1,536.00	0.00	1,536.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	168,238.45	251,662.65	45,612.00	206,050.65
Other Capital Outlay	640,643.46	754,079.43	252,104.10	501,975.33
<b>(Total Expenditures)</b>	<u>19,782,115.58</u>	<u>20,711,051.46</u>	<u>14,355,434.31</u>	<u>6,355,617.15</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>248,252.97</u>	<u>127,589.13</u>	<u>0.00</u>	<u>(127,589.13)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer (out)	0.00	(400,909.56)	0.00	400,909.56
<b>Total Other Financing Sources (Uses)</b>	<u>0.00</u>	<u>(400,909.56)</u>	<u>0.00</u>	<u>400,909.56</u>
<b>Net Change in Fund Balances</b>	248,252.97	(273,320.43)	0.00	273,320.43
<b>Fund Balances, Beginning of Year</b>	273,320.46	273,320.46	0.00	(273,320.46)
<b>(Decrease) Increase in Inventory Reserve</b>	(152,158.21)	0.00	0.00	0.00
<b>Fund Balances, End of Year</b>	<u>\$ 369,415.22</u>	<u>\$ 0.03</u>	<u>\$ 0.00</u>	<u>\$ (0.03)</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
 (Concluded)**

	<b>Special Revenue - Federal Economic Stimulus Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 581,333.24	\$ 576,223.24	\$ 461,329.26	\$ (114,893.98)
<b>Total Revenues</b>	<u>581,333.24</u>	<u>576,223.24</u>	<u>461,329.26</u>	<u>(114,893.98)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	3,989.58	111.21	111.21	0.00
Instruction and Curriculum				
Development Services	138,958.23	146,663.04	77,878.98	68,784.06
Instructional Staff Training Services	26,567.31	44,857.31	22,377.89	22,479.42
Instruction-related Technology	50,634.44	23,408.00	16,794.18	6,613.82
Administrative Technology Services	102,183.68	102,183.68	85,167.00	17,016.68
Fixed Capital Outlay:				
Other Capital Outlay	259,000.00	259,000.00	259,000.00	0.00
<b>(Total Expenditures)</b>	<u>581,333.24</u>	<u>576,223.24</u>	<u>461,329.26</u>	<u>114,893.98</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Net Change in Fund Balances</b>	0.00	0.00	0.00	0.00
<b>Fund Balances, Beginning of Year</b>	0.00	0.00	0.00	0.00
<b>Fund Balances, End of Year</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYMENT BENEFITS PLAN  
 JUNE 30, 2013**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Liability (AAL) Entry Age Actuarial Cost Method (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
July 1, 2007	\$ 0.00	\$ 5,529,370.00	\$ 5,529,370.00	0.0%	\$118,363,122.00	4.7%
July 1, 2008	0.00	6,793,061.00	6,793,061.00	0.0%	130,241,610.00	5.2%
July 1, 2010	0.00	8,050,153.00	8,050,153.00	0.0%	123,782,275.00	6.5%
July 1, 2012	0.00	8,628,473.00	8,628,473.00	0.0%	122,134,018.00	7.1%

**CLAY COUNTY DISTRICT SCHOOL BOARD  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

**BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds except no appropriation is made for capital leases in the year of inception.

**ADDITIONAL 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) CIRCULAR A-133; 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, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Amount of Expenditures
<b>United States Department of Agriculture</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 1,336,431.65
National School Lunch Program	10.555 (A)	300	6,715,647.18
Summer Food Service Program for Children	10.559	323	<u>65,757.77</u>
<b>Total United States Department of Agriculture</b>			<u>8,117,836.60</u>
<b>United States Department of Labor</b>			
Indirect:			
First Coast Workforce Development, Inc.:			
WIA Youth Activities	17.259	FCWD 2013-05	<u>92,267.76</u>
<b>United States Department of Education</b>			
Direct:			
Impact Aid	84.041	N/A	<u>601,201.00</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	8,270,215.44
Special Education - Preschool Grants	84.173	267	167,735.00
Duval County District School Board:			
Special Education - Grants to States	84.027	48447	909.25
University of South Florida:			
Special Education - Grants to States	84.027	1725104600	<u>2,193.47</u>
Total Special Education Cluster			<u>8,441,053.16</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	215,445.42
Title I Grants to Local Educational Agencies	84.010	212, 226	3,535,895.93
Career and Technical Education - Basic Grants to States	84.048	161	260,191.27
Education for Homeless Children and Youth	84.196	127	72,210.89
Education Technology State Grants	84.318	122	95,084.00
English Language Acquisition Grants	84.365	102	89,297.31
Improving Teacher Quality State Grants	84.367	224	624,794.80
ARRA - State Fiscal Stabilization Funds (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD211, RG311, RL111	<u>461,329.26</u>
Total Indirect			<u>13,795,302.04</u>
<b>Total United States Department of Education</b>			<u>14,396,503.04</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Concluded)**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass- Through Grantor Number	Amount of Expenditures
<b>United States Department of Health and Human Services</b>			
Indirect:			
First Coast Workforce Development, Inc.:			
Temporary Assistance for Needy Families	93.558	FCWD 2013-05	\$ 92,267.75
<b>United States Department of Defense</b>			
Direct:			
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	N/A	797,752.84
Navy Junior Reserve Officers Training Corps	None	N/A	351,789.27
<b>Total United States Department of Education</b>			<u>1,149,542.11</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 23,848,417.26</u>

**Notes:**

**Basis of Presentation:**

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:**

(A) National School Lunch Program - Includes \$883,287 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

**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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2014. Other auditors audited the financial statements of the school internal funds, 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 over financial reporting.

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

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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 March 4, 2014.

**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.

*Purvis, Gray and Company, LLP*

March 4, 2014  
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 OMB Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination 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, 2013.

**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 PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

*(Continued)*

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133, and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the Management Response Letter. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-1, to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-2, to be a significant deficiency.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Concluded)**

**Report on Internal Control Over Compliance (Concluded)**

The District's responses to the findings identified in our audit are described in the Management Response Letter. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*Purvis, Gray and Company, LLP*

March 4, 2014  
Gainesville, Florida

**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

1. **Summary of Audit Results**

**I. Type of Audit Report Issued on General Purpose Financial Statements**

The auditors' report expresses an unmodified opinion on the financial statements of Clay County District School Board (the District).

**II. Reportable Conditions and/or Material Weaknesses in Internal Control**

No significant deficiencies relating to the audit of the financial statements are identified in the report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements of the District.

**III. Noncompliance Material to Auditee General Purpose Financial Statements**

No instances of noncompliance material to the financial statements of the District were disclosed during the audit.

**IV. Reportable Conditions and/or Material Weaknesses in Internal Control Over the Major Programs**

A material weakness, identified as Federal Award Finding 2013-1, and a significant deficiency, identified as Federal Award Finding 2013-2, relating to the audit of the major federal award programs are identified in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

**V. Type of Audit Report Issued on Compliance with Requirements Applicable to the Major Programs**

The auditors' report on compliance for major federal programs expresses an unmodified opinion.

**VI. Audit Findings Relative to Section .510(a) of OMB Circular A-133**

The audit disclosed findings, identified as Federal Award Finding 2013-1 and 2013-2, required to be reported in accordance with .510(a) of OMB Circular A-133, relative to the major federal programs.

**VII. Major Federal Programs:**

■ **Department of Education**

● **Special Education Cluster:**

- Passed through the Florida Department of Education, the Duval County District School Board, and the University of South Florida:
  - ▶ Special Education – Grants to States (CFDA No. 84.027)
  - ▶ Special Education – Preschool Grants (CFDA No. 84.173)

**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**  
*(Concluded)*

1. **Summary of Audit Results** *(Concluded)*

VII. **Major Federal Programs:** *(Concluded)*

- **Department of Education** *(Concluded)*
  - Race to the Top Incentive Grant, Recovery Act (CFDA No. 84.395 – ARRA)
- **Department of Defense**
  - Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools (CFDA No. 12.556)

VIII. **Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

\$714,452

IX. **Auditee Qualification as Low-risk Auditee**

The auditee does qualify as a low-risk auditee per criteria set forth in Section .530 of OMB Circular A-133.

2. **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.

3. **Status of Prior Audit Findings**

See Summary Schedule of Prior Year Audit Findings.

4. **Corrective Action Planned for Current Year Audit Findings**

See Management's Response for the Corrective Action Planned for Current Year Audit Findings.

**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**  
**SUMMARY SCHEDULE OF CURRENT AUDIT FINDINGS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

**June 30, 2013 Audit Report**

**Federal Awards Finding No. 2013-1**

***Program:*** Promoting K-12 Student Achievement at Military-Connected Schools (CFDA No. 12.556)

***Finding Type:*** Noncompliance and Material Weakness

***Questioned Costs:*** \$102,973.07

***Brief Description:*** Based upon testing of employee salaries charged to Promoting K-12 Student Achievement at Military-Connected Schools it was determined that employee salaries and benefits of \$102,973.07 were incorrectly charged to this program.

***Recommendation:*** We recommend that the District take steps to ensure that only eligible employee salaries and benefits are charged to this program. In addition, the District should document the allowability of these questioned costs to the grantor or restore this amount to the program.

**Federal Awards Finding No. 2013-2**

***Program:*** Special Education Cluster (CFDA Nos. 84.027 and 84.173)

***Finding Type:*** Noncompliance and Significant Deficiency

***Questioned Costs:*** \$50,364.37

***Brief Description:*** Based upon testing of employee salaries charged to the Special Education Program it was determined that net salaries and benefits of \$50,364.37 were incorrectly charged to this program.

***Recommendation:*** We recommend that the District take steps to ensure that only eligible employee salaries and benefits are charged to this program. In addition, the District should document the allowability of these questioned costs to the grantor or restore this amount to the program.

**CLAY COUNTY DISTRICT SCHOOL BOARD - GREEN COVE SPRINGS, FLORIDA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

**1. Status of Prior Audit Findings**

**Prior Federal Award Finding No. 1 (2012 Audit)**

**Program:** Special Education Cluster (CFDA Nos. 84.027 and 84.173)

**Brief Description:** Contrary to Federal regulations, the Clay County District School Board (the District) did not maintain the required amount of local fiscal effort for special education related expenditures, resulting in a maintenance of effort shortfall of \$99,142.

**Current Status:** The District restored the \$99,142.91 to this program. No similar finding was noted in the current year audit.

**Prior Federal Award Finding No. 2 (2012 Audit)**

**Program:** Improving Teacher Quality State Grants (CFDA No. 84.367)

**Brief Description:** Contrary to OMB-Circular A-87, the Clay County District School Board (the District) could not provide documentation that costs were necessary and reasonable, resulting in questioned costs of \$7,500 for prepaid services.

**Current Status:** The District restored the \$7,500 to this program. No similar finding was noted in the current year audit.



**MANAGEMENT LETTER**

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

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, 2013, and have issued our report thereon March 4, 2014. Other auditors audited the financial statements of the school internal funds, 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.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 4, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, *Rules of the Auditor General*, which governs the conduct of the district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors’ report or schedule:

- 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:

<b>Tabulation of Uncorrected Audit Findings</b>		
<b>Current Year Finding #</b>	<b>2011-2012 FY Finding #</b>	<b>2010-2011 FY Finding #</b>
2013-6	Audit Report No. 2013-156 Finding #4	2011-4
2013-7	Audit Report No. 2013-156 Finding #2	2011-6

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

**MANAGEMENT LETTER**  
*(Concluded)*

- Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District School Board 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).
- Section 10.804(1)(f)3., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.
- Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management (please see the accompanying management letter comments).
- Section 10.804(1)(f)5., *Rules of the Auditor General*, requires that we address fraud, noncompliance with provisions of laws or regulations and contract 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 warrant the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Pursuant to Sections 10.804(1)(f)6.a. and 10.805(6), *Rules of the Auditor General*, we applied the financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.
- Section 10.804(1)(f)7., *Rules of the Auditor General*, requires the auditor to state whether or not the District School Board complied with the transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District complied with transparency requirements.

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.

*Purvis, Gray and Company, LLP*

March 4, 2014  
Gainesville, Florida

## MANAGEMENT LETTER COMMENTS

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

During the course of our 2013 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.

### **2013-3—Fund Balance Adequacy**

Fund Balance is the difference between the total assets and total liabilities of a government fund and represents the working capital reserves of the fund that are used to bridge cash flow needs prior to the distributions of ad valorem taxes which begin in November of each year and provide for unforeseen emergencies, etc.

Florida Statute 1011.051 contains language that requires notification by the Superintendent to the District School Board and the Commissioner of Education if at any time assigned and unassigned fund balance is expected to fall below 3% of projected general fund revenues. If it is expected to fall below 2%, additional notification and possible direct state oversight of District operations under the Financial Emergency Statute are possible.

Our review of the District's audited financial statements indicates that the total fund balance of the General Fund has dropped from a high as of June 30, 2008, of approximately \$31.8 million to a low of approximately \$7.3 million as of June 30, 2013, reflecting the use of fund balance reserves to balance the budget during recent revenue declines. The assigned and unassigned portion of the 2013 fund balance is approximately \$4.93 million or 2.12% of general fund's revenues, leaving less than a .12% or a \$278 thousand buffer before reaching the statutorily defined 2% rate at which undesirable events may occur.

During the 2013 year, the General Fund experienced a decrease in fund balance of approximately \$6 million, indicating that the District is at a critical point of fund balance depletion before the 2% threshold becomes a factor. Accordingly, we recommend that the District continue its effort to monitor and rebuild its General Fund balance levels to provide a more substantial buffer to handle emergencies and avoid potential state intrusion into operations.

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**MANAGEMENT LETTER COMMENTS**  
*(Continued)*

**2013-4—Funding Spending Order Policy**

The District sometimes incurs expenditures for which both restricted and unrestricted resources are available funding sources. While the disclosures in the financial statements regarding the spending order, known as the fund balance flow assumptions, state that the District will spend restricted resources first, when multiple sources are available, the District does not have an actual policy to this effect. Additionally, we noted some instances during the fiscal year when this practice was not initially followed. The lack of policy and practice during the fiscal year, potentially led the District into a more dire financial situation placing the assigned and unassigned fund balance below 2%. After further review by the District, it was discovered that eligible expenditures remained that could be applied first to restricted resources and they were able to re-allocate expenditures following the District's fund balance flow assumptions, bringing the assigned and unassigned balance over 2%. We recommend the District adopt a formal fund balance flow assumption policy for spending restricted funds before unrestricted funds and apply the practice throughout the District, including at the school level.

**2013-5—Investment Reconciliations**

The District maintains a pooled cash and investment fund which allows the various funds of the District to pool monies for investment purposes and overall cash management. The District maintains records to identify the proportionate share of each fund investing in the pool. Investment earnings, as well as changes in the fair market value of investments, of the pool are allocated to the participating funds based on the respective fund's proportionate share at the end of each month.

During our audit and as the result of the District's additional review, it was discovered that some losses on the SBA Pool B investments had been misallocated between funds. The District subsequently recalculated accumulated gains and losses and reclassified investment activity to appropriately report SBA Pool B losses. We recommend management review the procedures for reconciliation of investment activity to ensure that all investment activity, including unrealized gains and losses, is reported timely and properly allocated among the appropriate funds.

**2013-6—Investment Policy**

As required by the Florida Statute Chapter 218.415, Section X, the District's investment policy required the Assistant Superintendent for Business Affairs to "establish a system of internal controls which shall be in writing and made part of the Board's operational procedures and subject to review during the Board's annual audit." However, the written system of internal controls over investments had not been established and the policy did not specify the authorized securities dealers, issuers, and banks from which securities may be purchased. Although no written policy was established as of year-end fiscal year 2013 or during fieldwork, inquiries of District personnel indicated that as of February 2014, the District has made progress on developing a written system of internal controls and updating the investment policy.

**2013-7—Bank Account Reconciliations**

Effective internal controls require that reconciliations of bank account balances to the general ledger be performed on a timely, routine basis. While bank reconciliations were being performed, the reconciliation of the June 2013 general ledger cash balance for the master bank account was overstated by an unidentified difference of \$75,625 that has been carried forward from prior years. We recommend that the District should enhance its procedures to ensure accurate and timely reconciliations of bank amounts to the general ledger, a prompt resolution of differences noted during the reconciliation process, and a thorough supervisory review of the reconciliations.

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

**MANAGEMENT LETTER COMMENTS**  
*(Concluded)*

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.

*Purvis, Gray and Company, LLP*

March 4, 2014  
Gainesville, Florida



Charlie Van Zant  
Superintendent of Schools

## SCHOOL DISTRICT OF CLAY COUNTY

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### BOARD MEMBERS:

Janice Kerekes  
*District 1*  
Carol Studdard  
*District 2*  
Tina Bullock  
*District 3*  
Johnna McKinnon  
*District 4*  
Lisa Graham  
*District 5*

March 19, 2014

The Honorable Clay County School Board  
900 Walnut Street  
Green Cove Springs, FL 32043

Dear School Board Members:

Please accept the following written statements of explanation concerning the Financial Reporting and Federal Awards Findings and our corrective actions.

#### Federal Awards Finding No. 2013-1 Promoting K-12 Student Achievement at Military-Connected Schools

Since this was the first competitive grant ever received by the School District of Clay County from the United States Department of Defense, District personnel were not as familiar as we should have been with the administrative salary restrictions of the Promoting K-12 Student Achievement at Military-Connected Schools grant. Regretfully, \$102,973.07 of unallowable employee salaries and benefits were charged to this program during the 2012-13 fiscal year. To resolve this matter of ineligible employee salaries and benefits being incorrectly charged to this program, the School District restored \$102,973.07 to the program. Since the grant term runs until August 31, 2014, we were able to restore this amount during the 2013-14 fiscal year.

#### Federal Awards Finding No.2013-2 Special Education Cluster Program

The School District of Clay County continues to work diligently to ensure that only allowable employee salaries and benefits are charged to the Special Education Cluster Federal program. Periodically, Exceptional Student Education Department personnel review reports showing names of employees charged to the Special Education Cluster to ensure accuracy and eligibility.

To resolve the matter of \$50,364.37 of ineligible employee salaries and benefits being incorrectly charged to this program, the School District restored \$50,364.37 to the Special Education Cluster Federal program during the 2013-14 fiscal year. We accomplished this restoration by reducing the amount received by the District from the IDEA program for indirect costs, which are charged at the rate approved by the Florida Department of Education.

#### Finding 2013-3 Fund Balance Adequacy

Section 1011.051, Florida Statutes, has established a desired general fund ending fund balance, not classified as restricted, committed, or nonspendable, as at least three percent of general fund revenues. Ongoing commitment is pledged by the School District of Clay County to obtain the three percent

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threshold by keeping expenditures within available resources and setting aside a reserve to gradually progress toward the goal.

Finding 2013-4 Funding Spending Order Policy

The School District will adopt written policies prescribing spending order, known as the fund balance flow, to spend restricted resources first, when multiple sources are available.

Finding 2013-5 Investment Reconciliations

The School District will implement necessary procedures to enhance the allocation of investment earnings properly to the funds based on the proportionate share of each fund investing in the pool.

Finding 2013-6 Investment Policy

To ensure compliance with Section 218.415(9), Florida Statutes, the School District will revise its investment policy to specify the authorized securities dealers, issuers, and banks from which securities may be purchased. Subsequent to audit fieldwork, the School District established a written system of internal controls over investments, which became part of the District's operational procedures. It clearly identifies controls designed to prevent losses and provides additional assurance that investments are consistent with the School Board's intent.

Finding 2013-7 Bank Account Reconciliations

The School District will implement new procedures to bring prompt resolution to variances noted during the reconciliation process.

We appreciate the recommendations from Purvis, Gray and Company along with all other assistance provided by their professional and courteous staff.

Respectfully submitted,

*Sonya Findley*

Sonya Findley, CPA  
Director of Finance