

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

JUNE 30, 2011

**FINANCIAL STATEMENTS
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JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Clay County District School Board (the District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 17 percent of the assets and 48 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Clay County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, and, cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, February 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for other post employment 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements, as a whole. The accompanying 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. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the 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 information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Purvis, Gray and Company, LLP

February 14, 2012
Gainesville, Florida

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

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, 2011. 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 2010-11 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2011, by \$436,927,125.29 (net assets).
- In total, net assets decreased \$4,117,193.66, which represents a 0.93 percent decrease from the 2009-10 fiscal year.
- General revenues totaled \$284,856,589.25 or 90.85 percent of all revenues in the 2010-11 fiscal year, as compared to \$281,070,973.34, or 91.35 percent for the 2009-10 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$28,686,886.66, or 9.15 percent.
- Expenses totaled \$317,660,669.57. Only \$28,686,886.66 of these expenses was offset by the program specific revenues, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$4,117,193.66.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$17,674,428.33 at June 30, 2011, or 7.42 percent of total General Fund revenues. The unassigned fund balance increased by \$5,793,388.29 from the 2009-10 fiscal year.
- During the current year, General Fund revenues and other financing sources exceeded expenditures by \$5,879,002.33. This may be compared to last year's results in which General Fund revenues and other financing sources exceeded expenditures by \$2,115,452.19.
- The District's investment in capital assets decreased by a net amount of \$7,416,355.87 or 1.52 percent, as compared to the June 30, 2010, balance.
- The District's long-term debt decreased by a net amount of \$3,450,000.00 or 4.63 percent, as compared to the June 30, 2010, 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

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)

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 assets 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 assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – This category includes the Clay County Education Foundation, Inc. (a direct support organization). Although a legally separate organization, this component unit is included because it meets the criteria for inclusion provided by generally accepted accounting principles. The financial information for this component unit is reported separately from the financial information presented for the primary government.

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

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)

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

The governmental funds statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's major funds. The District's major funds are the General Fund, Food Service Fund, Federal Economic Stimulus Funds, Debt Service – Other Debt Service 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.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental	
	Activities	
	<u>6-30-11</u>	<u>6-30-10</u>
Current and Other Assets	\$ 65,960,577.73	\$ 64,251,873.53
Capital Assets	<u>480,869,033.50</u>	<u>488,285,389.37</u>
Total Assets	<u>546,829,611.23</u>	<u>552,537,262.90</u>
Long-Term Liabilities	94,760,876.79	95,737,153.30
Other Liabilities	<u>15,141,609.15</u>	<u>15,755,790.65</u>
Total Liabilities	<u>109,902,485.94</u>	<u>111,492,943.95</u>
Net Assets:		
Invested in Capital Assets -		
Net of Debt	409,642,815.23	413,462,760.85
Restricted	21,415,051.04	22,408,905.38
Unrestricted	<u>5,869,259.02</u>	<u>5,172,652.72</u>
Total Net Assets	<u>\$ 436,927,125.29</u>	<u>\$ 441,044,318.95</u>

The largest portion of the District's net assets (93.76 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 assets (4.90 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (1.34 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

The District's net assets decreased by \$4,117,193.66 during the 2010-11 fiscal year. The decrease represents the degree to which ongoing expenses have increased. Details of the revenues and expenses comprising the increase are as follows:

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)

	Operating Results for the Fiscal Year Ending June 30, 2011 and June 30, 2010	
	Governmental Activities	
	<u>6-30-11</u>	<u>6-30-10</u>
Program Revenues:		
Charges for Services	\$ 7,051,540.24	\$ 6,784,659.96
Operating Grants and Contributions	15,719,324.13	13,999,955.29
Capital Grants and Contributions	5,916,022.29	5,815,133.93
General Revenues:		
Property Tax Levied for Operational Purposes	60,541,549.24	63,506,283.12
Property Tax Levied for Capital Projects	13,585,708.87	15,309,430.53
Local Sales Taxes	1,522,002.06	1,532,152.06
Grants and Contributions Not Restricted to Specific Programs	206,846,939.44	197,347,963.03
Unrestricted Investment Earnings	208,732.36	782,975.86
Miscellaneous	<u>2,151,657.28</u>	<u>2,166,900.27</u>
Total Revenues	<u>313,543,475.91</u>	<u>307,245,454.05</u>
Functions/Program Expenses:		
Instruction	182,215,046.03	175,357,296.32
Pupil Personnel Services	14,022,422.66	14,249,289.83
Instructional Media Services	4,958,662.50	5,216,541.12
Instruction and Curriculum Development Services	5,269,733.25	5,009,594.60
Instructional Staff Training	2,527,945.51	2,611,479.98
Instruction Related Technology	1,891,977.58	1,086,387.60
Board of Education	1,087,612.91	1,133,057.70
General Administration	1,426,409.25	1,676,201.50
School Administration	15,871,953.56	15,174,592.49
Facilities Acquisition and Construction	9,510,995.69	6,706,728.56
Fiscal Services	603,684.92	757,076.32
Food Services	14,175,543.92	12,326,093.52
Central Services	3,239,218.60	3,357,225.62
Pupil Transportation Services	13,724,701.09	13,131,019.71
Operation of Plant	20,341,794.94	19,146,491.15
Maintenance of Plant	5,479,985.69	5,651,879.33
Administrative Technology Services	1,520,136.57	1,811,655.61
Community Services	423,777.13	410,710.56
Interest on Long-Term Debt	3,304,141.89	3,861,244.59
Unallocated Depreciation Expenses	<u>16,064,925.88</u>	<u>14,692,920.91</u>
Total Functions/Program Expenses	<u>317,660,669.57</u>	<u>303,367,487.02</u>
(Decrease) Increase in Net Assets	<u>\$ (4,117,193.66)</u>	<u>\$ 3,877,967.03</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 90.85 percent of total revenues, whereas program revenues provide only about 9.15 percent. The majority of program revenues are in the facilities acquisition and construction, maintenance of plant, food services, and pupil transportation services activities.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Continued)

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. The District's property tax revenues decreased by \$4,688,455.54 from the 2009-10 fiscal year, primarily as a result of declining property values. Grants and contributions not restricted to specific programs increased by \$9,498,976.41, mainly because of new funding received from the Education Jobs Fund grant.

Instructional activities represent the majority of the District's expenses, totaling approximately 57.36 percent of total governmental expenses in the 2010-11 fiscal year. Instructional expenses increased by \$6,857,749.71, or 3.91 percent, from the previous year mainly due to employment of additional instructional staff related to class size reduction. Overall, total expenses increased \$14,293,182.55, as compared to the 2009-10 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$17,674,428.33 while the total fund balance was \$22,882,967.53. The unassigned fund balance represents 7.42 percent of total General Fund revenues, while the total fund balance represents 9.60 percent of such expenditures. The unassigned fund balance increased by \$5,793,388.29 while the total fund balance increased by \$6,003,240.53 during the fiscal year. Key factors are as follows:

- State Sources Revenue increased.
- Total expenditures decreased by \$3,793,876.87 mainly due to receiving the Federal Education Jobs Fund grant recorded in the Federal Economic Stimulus Programs Funds. The funds were used to pay for salaries and benefits expenditures.

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 Special Revenue – Federal Economic Stimulus Programs Funds are used to account for the proceeds of the American Recovery and Reinvestment Act funds and Education Jobs Fund grant that are legally restricted to expenditure for specified purposes. 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. As noted above, these expenditures partially offset the decrease in General Fund expenditures.

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 (\$56,837.81 at June 30, 2011), 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 \$7,999,107.17 at June 30, 2011, most of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of construction projects at various facilities and the purchases of buses.

DISTRICT SCHOOL BOARD OF CLAY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011
(Concluded)

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$991,933.84. Final appropriations decreased by \$4,284,205.14 from the original budgeted amount. 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 more than final budgeted amounts, whereas actual expenditures were \$7,269,704.79 or 3.08 percent, less than anticipated. 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, 2011, was \$480,869,033.50. 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; and audio visual materials and computer software.

The investment in capital assets decreased by a net amount of \$7,416,355.87, or 1.52 percent, as compared to the June 30, 2010, balance. Major capital asset events during the current fiscal year included purchases of school buses and construction related to the new administration building addition at Keystone Heights Elementary School.

Additional information on the District's capital assets is shown in the Notes to the financial statements.

Long-Term Debt

At June 30, 2011, the District had total long-term debt outstanding of \$71,070,000. This amount was comprised of \$63,120,000 of Certificates of Participation, and \$7,950,000.00 of Bonds. During the year, the District's long-term debt decreased by a net amount of \$3,450,000.00, or 4.63 percent, as compared to the June 30, 2010, balance.

Additional information on the District's long-term debt is shown in the Notes to the financial statements.

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 ASSETS
JUNE 30, 2011

	<u>Primary Government Governmental Activities</u>	<u>Total Nonmajor Component Units</u>
Assets		
Cash and Cash Equivalents	\$ 57,291,917.62	\$ 56,244.00
Investments	1,338,808.76	0.00
Accounts Receivable	96,923.04	0.00
Funds Held by Others	0.00	2,181.00
Due from Other Agencies	2,321,580.66	0.00
Due from Excess Insurance Carrier	37,916.52	0.00
Inventories	1,575,705.48	0.00
Capital Credits Receivable	3,297,725.65	0.00
Capital Assets:	0.00	0.00
Nondepreciable Capital Assets	31,534,520.39	0.00
Depreciable Capital Assets, Net	449,334,513.11	0.00
Total Assets	<u>546,829,611.23</u>	<u>58,425.00</u>
Liabilities and Net Assets		
Liabilities		
Salaries and Benefits Payable	5,635,263	0.00
Payroll Deductions and Withholdings	1,285,643.97	0.00
Accounts Payable	3,207,593.68	2,181.00
Construction Contracts Payable	775,213.85	0.00
Construction Contracts Payable - Retainage	91,274.87	0.00
Deferred Revenue	58,235.42	0.00
Matured Certificates of Participation Payable	2,670,000.00	0.00
Matured Interest Payable	1,418,383.88	0.00
Long-term Liabilities:		
Portion Due Within One Year	14,096,152.82	0.00
Portion Due After One Year	80,664,723.97	0.00
Total Liabilities	<u>109,902,485.94</u>	<u>2,181.00</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	409,642,815.23	0.00
Restricted for:		
State Required Carryover Programs	1,126,924.89	0.00
Debt Service	458,959.89	0.00
Capital Projects	15,241,603.07	0.00
Food Service	4,587,563.19	0.00
Other Purposes	0.00	3,785.00
Unrestricted	5,869,259.02	52,459.00
Total Net Assets	<u>\$ 436,927,125.29</u>	<u>\$ 56,244.00</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Instruction	\$ 182,215,046.03	\$ 517,846.55	\$ 0.00
Pupil Personnel Services	14,022,422.66	0.00	0.00
Instructional Media Services	4,958,662.50	0.00	0.00
Instruction and Curriculum Development Services	5,269,733.25	0.00	0.00
Instructional Staff Training Services	2,527,945.51	0.00	0.00
Instruction-related Technology	1,891,977.58	0.00	0.00
Board of Education	1,087,612.91	0.00	0.00
General Administration	1,426,409.25	0.00	0.00
School Administration	15,871,953.56	0.00	0.00
Facilities Acquisition and Construction	9,510,995.69	0.00	0.00
Fiscal Services	603,684.92	0.00	0.00
Food Services	14,175,543.92	6,533,693.69	7,694,572.13
Central Services	3,239,218.60	0.00	0.00
Pupil Transportation Services	13,724,701.09	0.00	8,024,752.00
Operation of Plant	20,341,794.94	0.00	0.00
Maintenance of Plant	5,479,985.69	0.00	0.00
Administrative Technology Services	1,520,136.57	0.00	0.00
Community Services	423,777.13	0.00	0.00
Unallocated Interest on Long-term Debt	3,304,141.89	0.00	0.00
Unallocated Depreciation Expense*	16,064,925.88	0.00	0.00
Total Governmental Activities	\$ 317,660,669.57	\$ 7,051,540.24	\$ 15,719,324.13
Component Unit			
Clay County Education Foundation, Inc.	\$ 69,161.00	\$ 0.00	\$ 73,149.00

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 Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

See accompanying notes.

Program Revenues	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government Governmental Activities	Total Nonmajor Component Units
\$ 0.00	\$ (181,697,199.48)	\$ 0.00
0.00	(14,022,422.66)	0.00
0.00	(4,958,662.50)	0.00
0.00	(5,269,733.25)	0.00
0.00	(2,527,945.51)	0.00
0.00	(1,891,977.58)	0.00
0.00	(1,087,612.91)	0.00
0.00	(1,426,409.25)	0.00
0.00	(15,871,953.56)	0.00
2,885,584.16	(6,625,411.53)	0.00
0.00	(603,684.92)	0.00
0.00	52,721.90	0.00
0.00	(3,239,218.60)	0.00
0.00	(5,699,949.09)	0.00
0.00	(20,341,794.94)	0.00
2,062,385.00	(3,417,600.69)	0.00
0.00	(1,520,136.57)	0.00
0.00	(423,777.13)	0.00
968,053.13	(2,336,088.76)	0.00
0.00	(16,064,925.88)	0.00
<u>\$ 5,916,022.29</u>	<u>(288,973,782.91)</u>	<u>0.00</u>
<u>\$ 0.00</u>	<u>0.00</u>	<u>3,988.00</u>
	60,541,549.24	0.00
	13,585,708.87	0.00
	1,522,002.06	0.00
	206,846,939.44	350.00
	208,732.36	282.00
	2,151,657.28	0.00
	<u>284,856,589.25</u>	<u>632.00</u>
	(4,117,193.66)	4,620.00
	<u>441,044,318.95</u>	<u>51,624.00</u>
	<u>\$ 436,927,125.29</u>	<u>\$ 56,244.00</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General Fund	Food Service Fund	Special Revenue ARRA Economic Stimulus Fund
Assets			
Cash and Cash Equivalents	\$ 24,225,917.97	\$ 5,206,554.44	\$ 0.00
Investments	539,943.83	41,904.56	0.00
Accounts Receivable	42,858.66	745.51	0.00
Due from Other Funds	4,308,535.83	0.00	0.00
Due from Other Agencies	799,268.98	171,116.89	800,050.10
Inventories	1,476,036.78	99,668.70	0.00
Total Assets	31,392,562.05	5,519,990.10	800,050.10
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	5,617,238.12	2,749.98	372.22
Payroll Deductions and Withholdings	1,243,752.56	22,551.42	602.74
Accounts Payable	1,648,603.84	136,700.59	0.00
Construction Contracts Payable	0.00	0.00	0.00
Construction Contracts Payable - Retainage	0.00	0.00	0.00
Due to Other Funds	0.00	770,424.92	799,075.14
Deferred Revenue	0.00	0.00	0.00
Matured Certificates of Participation Payable	0.00	0.00	0.00
Matured Interest Payable	0.00	0.00	0.00
Total Liabilities	8,509,594.52	932,426.91	800,050.10
Fund Balances			
Nonspendable:			
Inventory	1,476,036.78	99,668.70	0.00
Other	539,943.83	41,904.56	0.00
Restricted:			
Federal Required Carryover Programs	0.00	4,445,989.93	0.00
State Required Carryover Programs	1,126,924.89	0.00	0.00
Debt Service	0.00	0.00	0.00
Capital Projects	0.00	0.00	0.00
Assigned:			
Special Projects	2,065,633.70	0.00	0.00
Unassigned	17,674,428.33	0.00	0.00
Total Fund Balances	22,882,967.53	4,587,563.19	0.00
Total Liabilities and Fund Balances	\$ 31,392,562.05	\$ 5,519,990.10	\$ 800,050.10

See accompanying notes.

Debt Service Other Debt Service Fund	Capital Projects Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,158,363.80	\$ 9,973,021.56	\$ 4,595,314.14	\$ 48,159,171.91
302.71	282,163.66	394,400.22	1,258,714.98
0.00	0.00	0.00	43,604.17
19,125.70	0.00	23.25	4,327,684.78
0.00	166,321.03	377,378.50	2,314,135.50
0.00	0.00	0.00	1,575,705.48
<u>4,177,792.21</u>	<u>10,421,506.25</u>	<u>5,367,116.11</u>	<u>57,679,016.82</u>
0.00	0.00	14,903.16	5,635,263.48
0.00	0.00	18,737.25	1,285,643.97
0.00	0.00	26,834.11	1,812,138.54
0.00	775,213.85	0.00	775,213.85
0.00	91,274.87	0.00	91,274.87
32,570.52	1,555,910.36	919,097.38	4,077,078.32
0.00	0.00	58,235.42	58,235.42
2,670,000.00	0.00	0.00	2,670,000.00
1,418,383.88	0.00	0.00	1,418,383.88
<u>4,120,954.40</u>	<u>2,422,399.08</u>	<u>1,037,807.32</u>	<u>17,823,232.33</u>
0.00	0.00	0.00	1,575,705.48
302.71	282,163.66	253,584.48	1,117,899.24
0.00	0.00	1,217,232.72	5,663,222.65
0.00	0.00	0.00	1,126,924.89
56,535.10	0.00	393,265.36	449,800.46
0.00	7,716,943.51	2,465,226.23	10,182,169.74
0.00	0.00	0.00	2,065,633.70
0.00	0.00	0.00	17,674,428.33
<u>56,837.81</u>	<u>7,999,107.17</u>	<u>4,329,308.79</u>	<u>39,855,784.49</u>
<u>\$ 4,177,792.21</u>	<u>\$ 10,421,506.25</u>	<u>\$ 5,367,116.11</u>	<u>\$ 57,679,016.82</u>

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Total Fund Balances - Governmental Funds		\$ 39,855,784.49
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		480,869,033.50
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,599,936.44
Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets.		3,297,725.65
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	\$ (7,950,000.00)	
Certificates of Participation Payable	(63,120,000.00)	
Obligation Under Capital Lease	(156,218.27)	
Compensated Absences Payable	(20,427,426.52)	
Other Postemployment Benefits Payable	(1,041,710.00)	(92,695,354.79)
<hr/>	<hr/>	<hr/>
Total Net Assets - Governmental Activities		\$ 436,927,125.29

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, 2011

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Special Revenue ARRA Economic Stimulus Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 926,129.53	\$ 0.00	\$ 0.00
Federal Through State and Local	0.00	7,559,919.13	25,642,337.59
State	175,024,909.01	134,653.00	0.00
Local:			
Property Taxes	57,891,949.17	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	6,533,693.69	0.00
Miscellaneous	4,507,607.58	26,266.19	0.00
Total Revenues	<u>238,350,595.29</u>	<u>14,254,532.01</u>	<u>25,642,337.59</u>
Expenditures			
Current - Education:			
Instruction	155,743,025.59	0.00	16,812,874.00
Pupil Personnel Services	8,471,506.03	0.00	4,463,175.36
Instructional Media Services	2,406,496.34	0.00	2,498,540.70
Instruction and Curriculum Development Services	3,901,134.55	0.00	24,212.81
Instructional Staff Training Services	592,769.96	0.00	492,929.17
Instruction-related Technology	1,220,654.69	0.00	419,912.65
Board of Education	1,111,362.67	0.00	0.00
General Administration	874,805.21	0.00	266,494.93
School Administration	15,673,358.02	0.00	2,853.83
Facilities Acquisition and Construction	2,046,749.67	0.00	0.00
Fiscal Services	596,597.94	0.00	0.00
Food Services	71,673.41	14,017,706.91	0.00
Central Services	3,242,315.33	0.00	0.00
Pupil Transportation Services	11,580,015.82	0.00	1,310.16
Operation of Plant	19,948,063.70	0.00	539,056.43
Maintenance of Plant	5,466,928.47	0.00	0.00
Administrative Technology Services	1,501,843.44	0.00	7,000.00
Community Services	419,988.42	0.00	0.00
Fixed Capital Outlay:			
Facilities Acquisition and Construction	182,089.83	0.00	0.00
Other Capital Outlay	692,612.37	209,608.79	89,894.22
Debt Service:			
Principal	122,326.92	0.00	24,083.33
Interest and Fiscal Charges	20,273.08	0.00	0.00
(Total Expenditures)	<u>235,886,591.46</u>	<u>14,227,315.70</u>	<u>25,642,337.59</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,464,003.83</u>	<u>27,216.31</u>	<u>0.00</u>
Other Financing Sources (Uses)			
Transfers in	3,385,928.71	0.00	0.00
Proceeds from Sale of Capital Assets	13,358.40	0.00	0.00
Insurance Loss Recoveries	15,711.39	0.00	0.00
Transfers (out)	0.00	0.00	0.00
Total Other Financing Sources (Uses)	<u>3,414,998.50</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	5,879,002.33	27,216.31	0.00
Fund Balances, Beginning of Year	16,879,727.00	4,568,967.28	0.00
Increase (Decrease) in Inventory Reserve	124,238.20	(8,620.40)	0.00
Fund Balances, End of Year	<u>\$ 22,882,967.53</u>	<u>\$ 4,587,563.19</u>	<u>\$ 0.00</u>

See accompanying notes.

Debt Service Other Debt Service Fund	Capital Projects Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 0.00	\$ 0.00	\$ 0.00	\$ 926,129.53
0.00	0.00	12,814,815.04	46,017,071.76
0.00	0.00	3,762,270.12	178,921,832.13
0.00	13,647,039.98	0.00	71,538,989.15
0.00	0.00	1,522,002.06	1,522,002.06
0.00	0.00	2,440,893.88	2,440,893.88
0.00	0.00	0.00	6,533,693.69
1,892.36	565,364.37	63,237.26	5,164,367.76
<u>1,892.36</u>	<u>14,212,404.35</u>	<u>20,603,218.36</u>	<u>313,064,979.96</u>
0.00	0.00	7,995,337.79	180,551,237.38
0.00	0.00	930,259.64	13,864,941.03
0.00	0.00	0.00	4,905,037.04
0.00	0.00	1,284,863.78	5,210,211.14
0.00	0.00	1,423,222.54	2,508,921.67
0.00	0.00	240,986.65	1,881,553.99
0.00	0.00	0.00	1,111,362.67
0.00	0.00	277,418.53	1,418,718.67
0.00	0.00	4,346.25	15,680,558.10
0.00	5,292,210.44	2,397,189.04	9,736,149.15
0.00	0.00	0.00	596,597.94
0.00	0.00	0.00	14,089,380.32
0.00	0.00	44,367.36	3,286,682.69
0.00	0.00	75,426.97	11,656,752.95
0.00	0.00	0.00	20,487,120.13
0.00	0.00	0.00	5,466,928.47
0.00	0.00	0.00	1,508,843.44
0.00	0.00	0.00	419,988.42
0.00	6,455,052.30	2,357,861.60	8,995,003.73
0.00	0.00	282,120.22	1,274,235.60
2,670,000.00	0.00	780,000.00	3,596,410.25
2,855,371.00	0.00	428,497.81	3,304,141.89
<u>5,525,371.00</u>	<u>11,747,262.74</u>	<u>18,521,898.18</u>	<u>311,550,776.67</u>
<u>(5,523,478.64)</u>	<u>2,465,141.61</u>	<u>2,081,320.18</u>	<u>1,514,203.29</u>
5,527,861.99	0.00	0.00	8,913,790.70
0.00	73,102.50	0.00	86,460.90
0.00	0.00	0.00	15,711.39
0.00	(7,454,475.36)	(1,459,315.34)	(8,913,790.70)
<u>5,527,861.99</u>	<u>(7,381,372.86)</u>	<u>(1,459,315.34)</u>	<u>102,172.29</u>
4,383.35	(4,916,231.25)	622,004.84	1,616,375.58
52,454.46	12,915,338.42	3,707,303.95	38,123,791.11
0.00	0.00	0.00	115,617.80
<u>\$ 56,837.81</u>	<u>\$ 7,999,107.17</u>	<u>\$ 4,329,308.79</u>	<u>\$ 39,855,784.49</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, 2011**

Net Change in Fund Balances - Governmental Funds \$ 1,616,375.58

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	\$ 10,269,239.33	
Depreciation Expense	<u>(18,091,010.22)</u>	(7,821,770.89)

Capital assets donated to the District increase net assets in the government-wide
financial statements, but are not financial resources and, therefore, are not
reported in the governmental funds. 414,915.01

The cost of capital assets was recognized as an expenditure in the year
purchased. Thus, the change in net assets differs from the change in fund
balances by the undepreciated cost of disposed assets. (9,500.00)

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

Certificates of Participation Payable	2,670,000.00	
Bonds Payable	780,000.00	
Obligation Under Capital Lease	<u>146,410.25</u>	3,596,410.25

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. (2,423,019.74)

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, 2011
(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. \$ (531,699.00)

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. 738,419.42

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	\$	3,297,725.65	
(Less Prior Year Accrual)		<u>(3,110,667.74)</u>	187,057.91

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. 115,617.80

Change in Net Assets - Governmental Activities \$ (4,117,193.66)

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Governmental Activities Internal Service Funds
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 9,132,745.71
Investments	80,093.78
Due from Other Agencies	7,445.16
Due from Excess Insurance Carrier	37,916.52
Total Assets	9,258,201.17
 Liabilities	
Current Liabilities:	
Accounts Payable	1,395,455.14
Due to Other Funds	197,287.59
Estimated Insurance Claims Payable	691,949.87
Total Current Liabilities	2,284,692.60
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	1,373,572.13
Total Liabilities	3,658,264.73
 Net Assets	
Unrestricted	\$ 5,599,936.44

See accompanying notes.

CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Governmental Activities Internal Service Funds
Operating Revenues	
Insurance Premiums	\$ 2,879,445.35
Total Operating Revenues	2,879,445.35
Operating Expenses	
Insurance Claims	558,119.87
Excess Insurance Premiums	1,411,467.06
State Assessments	37,458.69
Purchased Services	156,387.50
Total Operating Expenses	2,163,433.12
Operating Income	716,012.23
Nonoperating Revenues (Expenses)	
Interest Income	22,407.19
Net Income	738,419.42
Total Net Assets - Beginning of Year	4,861,517.02
Total Net Assets - End of Year	\$ 5,599,936.44

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from Board Funds	\$ 5,873,720.32
Cash Payments to Vendors for Goods and Services	(1,475,508.88)
Cash Payments to Insurance Claims	(697,028.43)
Net Cash Provided by Operating Activities	3,701,183.01
Cash Flows from Investing Activities	
Proceeds from Sale of Investments	191,262.84
Interest	22,407.19
Net Cash Provided by Investing Activities	213,670.03
Net Increase in Cash and Cash Equivalents	3,914,853.04
Cash and Cash Equivalents, Beginning of Year	5,217,892.67
Cash and Cash Equivalents, End of Year	\$ 9,132,745.71
 <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income	\$ 716,012.23
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by (Used in) Operating Activities:	
Increase in Due from Other Funds	2,994,274.97
Decrease in Due from Other Agencies	(7,445.16)
Increase in Due from Excess Insurance Carrier	195,676.44
Decrease in Accounts Payable	(7,683.66)
Increase in Due to Other Funds	144,933.19
Decrease in Estimated Insurance Claims Payable	(334,585.00)
Total Adjustments	2,985,170.78
Net Cash Provided by Operating Activities	\$ 3,701,183.01

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Agency Funds
Assets	
Cash and Cash Equivalents	\$ 3,069,512.33
Total Assets	3,069,512.33
 Liabilities	
Accounts Payable	69,398.45
Due to Other Funds	53,318.87
Internal Accounts Payable	2,946,795.01
Total Liabilities	\$ 3,069,512.33

See accompanying notes.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District School 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 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 Clay County District School Board 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.
- **Discretely Presented Component Unit**—The component unit columns in the basic financial statements, include the financial data of the Clay County Education Foundation, Inc. (the Foundation). The Foundation was organized and operated in accordance with Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property, and to make expenditures to, or for the benefit of, public prekindergarten through twelfth grade education in Clay County. The nature and significance of the Foundation's relationship with the School Board causes it to be considered a component unit. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the Foundation for the fiscal year ended June 30, 2011. A copy of the separate financial statements for the Foundation can be obtained by contacting the Foundation through the Public Relations Office, 900 Walnut Street, Green Cove Springs, FL 32043.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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

Basis of Presentation

■ **Government-wide Financial Statements**

Government-wide financial statements, including the statement of net assets 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 units.

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.

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 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.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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

Basis of Presentation *(Concluded)*

■ **Fund Financial Statements *(Concluded)***

- **ARRA Economic Stimulus Programs Funds**—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 ARRA Economic Stimulus Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances.
- **Debt Service – Other Debt Service Fund**—to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the long-term certificates of participation.
- **Capital Projects – Local Capital Improvement Section 1011.71(2), F.S. Fund**—to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on 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.

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.

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(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 Internal Service Fund is accounted for as a proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services 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.

New Pronouncements

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District has disclosed information about fund balance reporting in a subsequent note on fund balance reporting.

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 consist of amounts placed in placed with money market mutual funds, Florida Education Investment Trust Fund, and the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pools. Effective July 1, 2009, the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) is known as Florida PRIME.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Concluded)

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investments of debt service moneys and amounts placed with SBA for participation in Fund B Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in the Florida Education Investment Trust Fund and Florida Prime which 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 accounting for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. 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 are reported at fair value and consist of amounts placed in money market mutual funds under a trust agreement in connection with certificates of participation financing arrangements. The District's money market mutual funds are Securities and Exchange Commission Rule 2a7 external investment pools, whereby shares are owned in the funds rather than the underlying investments. The money market mutual funds are reported at fair value, which is amortized cost.

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.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Certain invested assets held by a trustee under a trust agreement, in the name of the District, in connection with certificates of participation financing arrangements are classified as restricted assets because they are set aside for repayment of maturing debt as required by applicable debt covenants. These assets are restricted for the repayment of matured certificates of participation principal and interest reported as current liabilities on the statement of net assets and are payable on July 1.

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$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. Land, improvements other than buildings, and buildings acquired or constructed prior to July 1, 1968, are stated at appraised value when historical costs could not be determined. Certain year-end construction costs have been budgeted to be paid from the subsequent year's available resources and are recorded as subsequent year activity.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	25 Years
Buildings and Fixed Equipment	50 Years
Furniture, Fixtures, and Equipment	7 Years
Motor Vehicles	10 Years
Audio Visual Materials and Computer Software	5 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 assets.

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.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Liabilities (Concluded)

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.

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

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

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

District Property Taxes

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

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

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

District Property Taxes *(Concluded)*

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

The School Board adopted the 2010 tax levy on September 16, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

Local Government Infrastructure Surtax

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

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

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.

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.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 3 - INVESTMENTS

As of June 30, 2011, the District has the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market Mutual Funds:		
First American Prime Obligations (1) (2)	34 Day Average	\$ 589,600.21
First American Treasury Obligations (1) (2)	35 Day Average	3,503,690.66
State Board of Administration:		
Florida PRIME (2)	31 Day Average	37,490,271.43
Fund B Surplus Funds Trust Fund	7.16 Year Average	1,197,993.02
State Board of Administration Debt Service Accounts	6 Months	140,815.73
Florida Education Investment Trust Fund (2)	60 Day Average	<u>5,004,614.38</u>
		<u>47,926,985.43</u>
Fiduciary Funds:		
State Board of Administration:		
Florida PRIME (2)	31 Day Average	<u>1,693,776.33</u>
Total Investments, Reporting Entity		<u>\$ 49,620,761.76</u>

Notes: (1) At June 30, 2011, investments totaling \$4,093,290.87 were held under a trust agreement in connection with Certificates of Participation financing arrangements.

(2) Investments reported as cash equivalents.

Interest Rate Risk

- 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.
- 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. The maturity of the SBA Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates as of June 30, 2011. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- The District's investment policy limits investments to the SBA Local Government Surplus Funds 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.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 3 - INVESTMENTS (Concluded)

Credit Risk (Concluded)

- 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 credit risk for this account.
- As of June 30, 2011, the District's investment in the Florida PRIME is rated AAAM by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.
- The District's investments in the Money Market Mutual Funds were rated AAAM by Standard & Poor's and Aaa by Moody's Investor Services.
- The District's investments in the Florida Education Investment Trust Fund were rated AAAM by Standard & Poor's.

Custodial Credit Risk

- 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 2010-11 fiscal year, the District received \$58,768.01 related to portions of capital credits earned from the 1988 through 2009 fiscal years. At June 30, 2011, the accumulated credits to the District's accounts were \$3,297,725.65.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 5 - RECEIVABLES

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, 2011:

<u>Fund/Source</u>	<u>Amount</u>
Major Governmental Funds:	
General:	
Clay County Sheriff's Office:	
Fuel Reimbursement	\$ 395.47
U.S. Navy:	
Junior Reserve Officers Training Corps Grant	75,124.05
State of Florida:	
DCF State Grant	5,889.98
U.S. Postmaster:	
Postage Meter Reimbursement	11,071.08
Clay County Tax Collector:	
Local Property Taxes	705,813.40
Florida Virtual School	975.00
Special Revenue Fund-Food Services:	
State of Florida:	
Reimbursements for School Meals	171,116.89
Federal Economic Stimulus Funds:	
State of Florida:	
Federal Cash Advance System	800,013.59
First Coast Workforce Development:	
ARRA - WIA Youth Activities, Recovery Act Grant	36.52
Capital Projects - Capital Improvement Section 1011.71(2) F.S.:	
Clay County Tax Collector:	
Local Property Taxes	166,321.03
Nonmajor Governmental Funds:	
Clay County Board of County Commissioners:	
Local Impact Fees	136,060.71
Local Sales Surtax	155,530.46
State of Florida:	
Dept. of Revenue Gas Tax Refunds	18,644.00
State of Florida:	
Federal Cash Advance System	18,464.06
First Coast Workforce Development:	
WIA Youth Activities Grant	48,679.26
Proprietary Fund:	
Governmental Activities - Internal Service Funds:	
State of Florida Disability Fund Recoveries	7,445.16
Total	<u>\$ 2,321,580.66</u>

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(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>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 29,939,213.81	\$ 0.00	\$ 9,500.00	\$ 29,929,713.81
Construction in Progress	87,975.00	6,483,229.98	4,966,398.40	1,604,806.58
Total Capital Assets Not Being Depreciated	<u>30,027,188.81</u>	<u>6,483,229.98</u>	<u>4,975,898.40</u>	<u>31,534,520.39</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	23,391,514.67	727,274.02	0.00	24,118,788.69
Buildings and Fixed Equipment	510,443,034.08	4,239,124.38	0.00	514,682,158.46
Furniture, Fixtures, and Equipment	34,525,123.51	1,496,163.32	2,846,411.16	33,174,875.67
Motor Vehicles	23,583,483.87	2,617,075.75	1,109,864.41	25,090,695.21
Property Under Capital Lease	481,289.25	0.00	0.00	481,289.25
Audio Visual Materials and Computer Software	3,904,448.71	87,685.30	450,365.97	3,541,768.04
Total Capital Assets Being Depreciated	<u>596,328,894.09</u>	<u>9,167,322.77</u>	<u>4,406,641.54</u>	<u>601,089,575.32</u>
Less Accumulated Depreciation:				
Improvements Other Than Buildings	13,331,585.76	935,660.59	0.00	14,267,246.35
Buildings and Fixed Equipment	94,234,076.92	10,342,755.60	0.00	104,576,832.52
Furniture, Fixtures, and Equipment	17,788,023.23	4,265,062.09	2,846,411.16	19,206,674.16
Motor Vehicles	9,617,174.59	2,026,084.34	1,109,864.41	10,533,394.52
Property Under Capital Lease	96,257.05	96,257.05	0.00	192,514.10
Audio Visual Materials and Computer Software	3,003,575.98	425,190.55	450,365.97	2,978,400.56
Total Accumulated Depreciation	<u>138,070,693.53</u>	<u>18,091,010.22</u>	<u>4,406,641.54</u>	<u>151,755,062.21</u>
Total Capital Assets Being Depreciated	<u>458,258,200.56</u>	<u>(8,923,687.45)</u>	<u>0.00</u>	<u>449,334,513.11</u>
Total Governmental Activities				
Capital Assets, Net	<u>\$ 488,285,389.37</u>	<u>\$ (2,440,457.47)</u>	<u>\$ 4,975,898.40</u>	<u>\$ 480,869,033.50</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
Governmental Activities	
Pupil Transportation Services	\$ 2,026,084.34
Unallocated	<u>16,064,925.88</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 18,091,010.22</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 7 - OBLIGATION UNDER CAPITAL LEASE

Property being acquired under a capital lease arrangement consists of the Compass Learning Odyssey computer software program with an asset value of \$481,289.25. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	<u>\$ 166,683.33</u>	<u>\$ 156,218.27</u>	<u>\$ 10,465.06</u>

Note 8 - CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2011, are as follows:

<u>Series</u>	<u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rates</u> <u>(Percent)</u>	<u>Lease</u> <u>Term</u> <u>Maturity</u>	<u>Original</u> <u>Amount</u>
Series 2003	\$ 15,495,000	3.875 - 5.000	2025	\$ 15,495,000
Series 2004, Refunding	5,900,000	3.000 - 3.625	2017	9,900,000
Series 2005A	15,005,000	3.5 - 4.5	2027	16,430,000
Series 2005B, Refunding	16,540,000	4.0 - 5.0	2025	18,545,000
Series 2008	<u>10,180,000</u>	4.76	2029	11,165,000
Total Certificates of Participation	<u>\$ 63,120,000</u>			

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 2003	Earlier of Date Paid in Full or June 30, 2025
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 2008	Earlier of Date Paid in Full or June 30, 2029

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 8 - CERTIFICATES OF PARTICIPATION (Concluded)

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 2003	Construction of a New Junior High School in the Lake Asbury Area. (Lake Asbury Junior High School)
Series 2005A	Construction of a New Junior High School in the Oakleaf Area. (Oakleaf Junior High School)
Series 2008	Construction of a New Senior High School in the Oakleaf Area. (Oakleaf High School)

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,506,334.26	\$ 2,760,000.00	\$ 2,746,334.26
2013	5,507,849.26	2,860,000.00	2,647,849.26
2014	5,510,506.52	2,970,000.00	2,540,506.52
2015	5,507,430.52	3,080,000.00	2,427,430.52
2016	5,505,415.52	3,200,000.00	2,305,415.52
2017 - 2021	27,533,522.04	18,265,000.00	9,268,522.04
2022 - 2026	27,529,997.26	22,715,000.00	4,814,997.26
2027 - 2029	7,704,880.00	7,270,000.00	434,880.00
Total Minimum Lease Payments	\$ 90,305,935.38	\$ 63,120,000.00	\$ 27,185,935.38

Note 9 - BONDS PAYABLE

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2002B, Refunding	\$ 1,050,000	4.00 - 5.375	2015
Series 2003A	510,000	3.00 - 4.25	2023
Series 2005A, Refunding	2,620,000	5.00	2017
Series 2005B, Refunding	570,000	5.00	2018
Series 2009A, Refunding	275,000	4.00 - 5.00	2019
District Revenue Bonds:			
Series 2010, Refunding	2,925,000	2.00 - 5.00	2032
Total Bonds Payable	\$ 7,950,000		

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 9 - BONDS PAYABLE (Continued)

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

■ **State School Bonds**

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

■ **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1995, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 65-1383, Laws of Florida, and Chapter 70-631, Laws of Florida, which provide that the bonds be secured by the portion of the racetrack and jai alai fronton funds distributed annually to Clay County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes), 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 average annual debt service requirements represent approximately 98 percent of the annual distribution, and no annual debt service requirement exceeds the annual distribution amount. The tax proceeds are pledged for repayment of the bonds until all such bonds outstanding have been redeemed.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	\$ 985,346.25	\$ 740,000.00	\$ 245,346.25
2013	986,696.25	775,000.00	211,696.25
2014	982,852.50	810,000.00	172,852.50
2015	966,831.25	835,000.00	131,831.25
2016	764,500.00	675,000.00	89,500.00
2017 - 2021	1,174,756.25	1,065,000.00	109,756.25
2022 - 2023	<u>133,075.00</u>	<u>125,000.00</u>	<u>8,075.00</u>
Total State School Bonds	<u>\$ 5,994,057.50</u>	<u>\$ 5,025,000.00</u>	<u>\$ 969,057.50</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 9 - BONDS PAYABLE (Concluded)

Fiscal Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
District Revenue Bonds:			
2012	\$ 220,137.50	\$ 100,000.00	\$ 120,137.50
2013	218,137.50	100,000.00	118,137.50
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 - 2021	1,090,100.00	590,000.00	500,100.00
2022 - 2026	1,086,041.28	715,000.00	371,041.28
2027 - 2031	1,093,887.50	905,000.00	188,887.50
2032	<u>215,250.00</u>	<u>205,000.00</u>	<u>10,250.00</u>
Total District Revenue Bonds	<u>4,574,936.28</u>	<u>2,925,000.00</u>	<u>1,649,936.28</u>
Total	<u>\$ 10,568,993.78</u>	<u>\$ 7,950,000.00</u>	<u>\$ 2,618,993.78</u>

Note 10 - CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
Certificates of Participation Payable	\$ 65,790,000.00		\$ 2,670,000.00	\$ 63,120,000.00	\$ 2,760,000.00
Obligation Under Capital Lease	302,628.52		146,410.25	156,218.27	156,218.27
Estimated Insurance Claims Payable	2,400,107.00	\$ 558,120.31	892,705.31	2,065,522.00	691,949.87
Bonds Payable	8,730,000.00		780,000.00	7,950,000.00	840,000.00
Other Postemployment Benefits Obligation	510,011.00	1,171,535.00	639,836.00	1,041,710.00	
Compensated Absences Payable	<u>18,004,406.78</u>	<u>12,071,004.41</u>	<u>9,647,984.68</u>	<u>20,427,426.51</u>	<u>9,647,984.68</u>
Total Governmental Activities	<u>\$ 95,737,153.30</u>	<u>\$ 13,800,659.72</u>	<u>\$ 14,776,936.24</u>	<u>\$ 94,760,876.78</u>	<u>\$ 14,096,152.82</u>

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 has adopted GASB 54 as part of its 2010-11 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 11 - FUND BALANCE REPORTING (Continued)

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories that are considered nonspendable. Additionally, the District has investments in Fund B Surplus Funds Trust Fund of the State Board of Administration. Since Fund B is not subject to participant withdrawal requests, the Fund B balance at June 30, 2011 is considered nonspendable. The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided spendable fund balances, based on a hierarchy of spending constraints.

- Restricted—Fund balances that are constrained by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.
- Committed—Fund balances that contain self imposed constraints by formal action of the government from its highest level of decision making authority.
- Assigned—Fund balances that are intended to be used for a particular purpose as authorized by a division of the governing body or a designated official.
- Unassigned—Fund balance of the General Fund that has not been restricted, committed, or assigned to any particular purpose.

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

- Nonspendable—At June 30, 2011, in the District's Governmental Funds, the District has inventories totaling \$1,575,705.48 and investments in Fund B Surplus Funds Trust Fund of the State Board of Administration totaling \$1,117,899.24.
- Spendable—The District has classified the spendable fund balances as Restricted, Committed, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as Committed.
- Restricted for Food Services, Federal Required Carryover Programs, State Required Carryover Programs, Debt Service and Capital Projects—Laws, rules, regulations, ordinances, and policies require that certain revenues be specifically designated for the purposes of Federal carryover programs, state carryover programs, food services, debt service, and capital projects. These funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$17,422,117.74 and represented \$1,126,924.89 in State required carryover programs, \$4,445,989.93 in food services, \$1,217,232.72 in Federal required carryover programs, \$449,800.46 in debt service, and \$10,182,169.74 in capital projects.

CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)

Note 11 - FUND BALANCE REPORTING (Concluded)

- Assigned for Special Projects and Capital Projects—The School Board has set aside certain spendable fund balance for special projects and capital projects. At year-end, the assigned fund balance is \$2,065,633.70 which is for special projects. The assigned fund balance for special projects includes \$743,253.54 for outstanding encumbrances and \$1,322,380.16 for carryover programs.
- Unassigned—The unassigned fund balance for the General Fund is \$17,674,428.33.

The District has not established a contingency reserve or “Rainy Day Fund.” At the end of the fiscal year, the unassigned general fund balance, representing the net current financial resources available for general appropriation by the Board, totaled \$17,674,428.33, or 7.49 percent of total General Fund expenditures.

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. Accordingly, no fund balances are reported for these grant funds at June 30, 2011.

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	\$ 4,308,535.83	
Debt Service:		
Other Debt Service	19,125.70	\$ 32,570.52
Capital Projects:		
Capital Improvement		
Section 1011.71(2), F.S.		1,555,910.36
Special Revenue:		
Food Service Fund		770,424.92
Federal Economic Stimulus Programs		799,075.14
Nonmajor Governmental Funds	23.25	919,097.38
Proprietary Fund:		
Internal Service Fund		197,287.59
Agency Funds		53,318.87
Total	<u>\$ 4,327,684.78</u>	<u>\$ 4,327,684.78</u>

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.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

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

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major Governmental Funds:		
General	\$ 3,385,928.71	
Debt Service:		
Other Debt Service	5,527,861.99	
Capital Projects:		
Capital Improvement		
Section 1011.71(2), F.S.		\$ 7,454,475.36
Nonmajor Governmental Funds		<u>1,459,315.34</u>
Total	<u>\$ 8,913,790.70</u>	<u>\$ 8,913,790.70</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 2010-2011 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Programs:	
Transportation	\$ 7,990,419.00
Instructional Materials	2,860,121.00
Florida Teachers Lead	455,802.00
Other	120,329,549.00
Categorical Educational Program:	
Class Size Reduction	39,300,545.00
School Recognition	2,095,340.00
Gross Receipts Tax (Public Education Capital Outlay)	2,062,385.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,397,350.34
Workforce Development Program	926,208.00
Voluntary Prekindergarten Program	351,610.14
Excellent Teacher Program	332,368.92
Racing Commission Funds	223,250.00
Food Service Supplement	134,653.00
Discretionary Lottery Funds	134,515.00
Miscellaneous	<u>327,715.73</u>
Total	<u>\$ 178,921,832.13</u>

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

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 14 - PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.351	\$ 52,138,537.00
Basic Discretionary Local Effort	0.766	7,463,674.00
Supplemental Discretionary Local Effort	0.250	2,435,925.00
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	14,615,549.00
Total	<u>7.867</u>	<u>\$ 76,653,685.00</u>

Note 15 - STATE RETIREMENT PROGRAM

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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.

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

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 15 - STATE RETIREMENT PROGRAM (Concluded)

The contribution rates for members are established, and may be amended, by the State of Florida Legislature. During the 2010-11 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	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program – Applicable to Members from all of the Above Classes or Plans	0.00	12.25
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) for the fiscal years ending June 30, 2010 and June 30, 2011, totaled \$18,279,852.17, and \$20,200,796.23, 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.

Note 16 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Postemployment Health Care Benefits 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 plan on average than those of active employees.

Additionally, retirees who worked for and retired from the District after a minimum of 25 years, and who are age 59 before the start of the insurance plan year (October 1) receive insurance coverage at a reduced (explicitly subsidized) premium rate. This defined benefit plan provides an annual premium reduction of up to \$1,200 and continues until the retirees are eligible to enroll in the Federal Medicare program for their primary coverage (age 65).

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 16 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description (Concluded)

This premium supplement for retirees with 25 years of service was eliminated effective October 1, 2010.

The Postemployment Health Care Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy

For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you go basis. For the 2010-11 fiscal year, 165 retirees and eligible dependents received postemployment health care benefits. The District provided required contributions of \$639,836 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 \$1,095,900.

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 following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for Postemployment Health Care Benefits:

Description	June 30, 2011
Normal Cost (Service Cost for One Year)	\$ 833,088
Amortization of Unfunded Actuarial Accrued Liability	291,367
Interest on Normal Cost and Amortization	44,895
Annual Required Contribution	1,169,350
Interest on Net OPEB Obligation	20,400
(Less Amortization of Net OPEB Obligation)	(18,215)
Annual OPEB Cost (Expense)	1,171,535
Contribution Toward the OPEB Cost	(639,836)
Increase in Net OPEB Obligation	531,699
Net OPEB Obligation, Beginning of Year	510,011
Net OPEB Obligation, End of Year	\$ 1,041,710

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, 2011, was as follows:

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 16 - OTHER POSTEMPLOYMENT BENEFITS (Concluded)

Annual OPEB Cost and Net OPEB Obligation (Concluded)

<u>Fiscal Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 736,454	50.9%	\$ 722,018
2010	777,965	127.3%	510,011
2011	1,171,535	54.6%	1,041,710

Funded Status and Funding Progress

As of June 30, 2011, the actuarial accrued liability for benefits was \$8,050,153 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,050,153. The covered payroll (annual payroll of active participating employees) was \$123,782,275 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.5 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and 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. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation for the 2010-11 fiscal year used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. These methods were selected because they produced the lowest OPEB liability and annual cost. 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 10.5 percent initially for the 2010-11 fiscal year, 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 over 30 years.

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

Note 17 - CONSTRUCTION CONTRACT COMMITMENTS

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Lightning Protection System -			
McRae Elementary and Wilkinson Jr. High			
Architect	\$ 16,705.98	\$ 12,529.49	\$ 4,176.49
General Contractor	146,363.00	0.00	146,363.00
Direct Materials	132,070.00	80,600.00	51,470.00
Roof and Rooftop Unit Replacement -			
Orange Park High and Clay High			
Architect	64,794.54	48,595.91	16,198.63
General Contractor	566,328.34	280,574.08	285,754.26
Direct Materials	513,580.66	303,642.01	209,938.65
Air Handling Unit and Chiller Replacement -			
Ridgeview High and Ridgeview Elementary			
Architect	32,481.00	24,360.75	8,120.25
General Contractor	389,198.00	39,264.75	349,933.25
Direct Materials	152,152.00	109,112.00	43,040.00
Remodel Building One - Middleburg Elementary			
Architect	38,964.00	30,259.44	8,704.56
General Contractor	449,400.00	79,219.00	370,181.00
Direct Materials	200,000.00	1,412.00	198,588.00
Panelboard and Switchgear Replacement -			
Lake Asbury Elementary, Keystone Heights High and Montclair Elementary			
Architect	22,975.69	18,669.91	4,305.78
General Contractor	219,671.52	153,540.65	66,130.87
Direct Materials	158,499.98	142,917.00	15,582.98
Lighting and Ceiling Replacement Phase II -			
Middleburg High			
Architect	32,730.00	25,447.57	7,282.43
General Contractor	315,416.10	60,964.00	254,452.10
Direct Materials	230,083.90	193,698.02	36,385.88
Total	<u>\$ 3,681,414.71</u>	<u>\$ 1,604,806.58</u>	<u>\$ 2,076,608.13</u>

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, 2011
(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 \$2,065,522 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2011.

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>
2009-10	\$ 2,927,333.00	\$ 782,457.25	\$ (1,309,683.25)	\$ 2,400,107.00
2010-11	2,400,107.00	558,120.31	(892,705.31)	2,065,522.00

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, 2011**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal Direct	\$ 920,000.00	\$ 920,000.00	\$ 926,129.53	\$ 6,129.53
State	175,897,176.12	174,880,781.35	175,024,909.01	144,127.66
Local:				
Property Taxes	59,676,610.00	59,507,901.00	57,891,949.17	(1,615,951.83)
Miscellaneous	2,607,623.96	2,800,793.89	4,507,607.58	1,706,813.69
Total Revenues	<u>239,101,410.08</u>	<u>238,109,476.24</u>	<u>238,350,595.29</u>	<u>241,119.05</u>
Expenditures				
Current - Education:				
Instruction	161,840,039.17	158,767,749.98	155,743,025.59	3,024,724.39
Pupil Personnel Services	11,010,034.88	8,579,482.36	8,471,506.03	107,976.33
Instructional Media Services	2,566,072.40	2,443,775.29	2,406,496.34	37,278.95
Instruction and Curriculum				
Development Services	3,640,585.39	4,059,496.28	3,901,134.55	158,361.73
Instructional Staff Training Services	862,305.69	753,397.25	592,769.96	160,627.29
Instruction-related Technology	1,235,450.65	1,285,045.25	1,220,654.69	64,390.56
Board of Education	1,617,929.76	1,553,266.80	1,111,362.67	441,904.13
General Administration	1,055,475.27	894,899.71	874,805.21	20,094.50
School Administration	15,619,102.97	15,715,209.41	15,673,358.02	41,851.39
Facilities Acquisition and Construction	1,631,227.49	2,653,443.61	2,046,749.67	606,693.94
Fiscal Services	752,017.36	824,649.96	596,597.94	228,052.02
Food Services	0.00	77,316.05	71,673.41	5,642.64
Central Services	3,684,595.99	3,640,900.58	3,242,315.33	398,585.25
Pupil Transportation Services	11,336,851.14	11,871,276.74	11,580,015.82	291,260.92
Operation of Plant	20,024,032.30	20,452,295.50	19,948,063.70	504,231.80
Maintenance of Plant	5,550,202.39	5,685,567.55	5,466,928.47	218,639.08
Administrative Technology Services	2,003,726.31	1,895,710.72	1,501,843.44	393,867.28
Community Services	460,661.03	419,988.42	419,988.42	0.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	772,970.00	236,579.24	182,089.83	54,489.41
Other Capital Outlay	1,634,621.20	1,203,645.55	692,612.37	511,033.18
Debt Service:				
Principal	122,326.92	122,326.92	122,326.92	0.00
Interest	20,273.08	20,273.08	20,273.08	0.00
(Total Expenditures)	<u>247,440,501.39</u>	<u>243,156,296.25</u>	<u>235,886,591.46</u>	<u>7,269,704.79</u>
Excess of Revenues Over Expenditures	<u>(8,339,091.31)</u>	<u>(5,046,820.01)</u>	<u>2,464,003.83</u>	<u>7,510,823.84</u>
Other Financing Sources (Uses)				
Transfers in	3,325,543.24	3,385,543.24	3,385,928.71	385.47
Proceeds from Sale of Capital Assets	27,000.00	27,000.00	13,358.40	(13,641.60)
Insurance Loss Recoveries	40,000.00	40,000.00	15,711.39	(24,288.61)
Total Other Financing Sources (Uses)	<u>3,392,543.24</u>	<u>3,452,543.24</u>	<u>3,414,998.50</u>	<u>(37,544.74)</u>
Net Change in Fund Balances	(4,946,548.07)	(1,594,276.77)	5,879,002.33	7,473,279.10
Fund Balances, Beginning of Year	16,879,727.00	16,879,727.00	16,879,727.00	0.00
Increase (Decrease) in Inventory Reserve	0.00	0.00	124,238.20	124,238.20
Fund Balances, End of Year	<u>\$ 11,933,178.93</u>	<u>\$ 15,285,450.23</u>	<u>\$ 22,882,967.53</u>	<u>\$ 7,597,517.30</u>

**CLAY COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

	Food Service Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 6,569,325.00	\$ 6,569,325.00	\$ 7,559,919.13	\$ 990,594.13
State	125,000.00	125,000.00	134,653.00	9,653.00
Local:				
Charges for Services - Food Service	7,833,825.00	7,833,825.00	6,533,693.69	(1,300,131.31)
Miscellaneous	6,500.00	6,500.00	26,266.19	19,766.19
Total Revenues	<u>14,534,650.00</u>	<u>14,534,650.00</u>	<u>14,254,532.01</u>	<u>(280,117.99)</u>
Expenditures				
Current - Education:				
Food Services	12,839,143.88	14,140,687.45	14,017,706.91	122,980.54
Fixed Capital Outlay:				
Other Capital Outlay	601,487.93	430,596.72	209,608.79	220,987.93
(Total Expenditures)	<u>13,440,631.81</u>	<u>14,571,284.17</u>	<u>14,227,315.70</u>	<u>343,968.47</u>
Excess of Revenues Over Expenditures	<u>1,094,018.19</u>	<u>(36,634.17)</u>	<u>27,216.31</u>	<u>63,850.48</u>
Net Change in Fund Balances	1,094,018.19	(36,634.17)	27,216.31	63,850.48
Fund Balances, Beginning of Year	4,568,967.28	4,568,967.28	4,568,967.28	0.00
(Decrease) in Inventory Reserve	0.00	0.00	(8,620.40)	(8,620.40)
Fund Balances, End of Year	<u>\$ 5,662,985.47</u>	<u>\$ 4,532,333.11</u>	<u>\$ 4,587,563.19</u>	<u>\$ 55,230.08</u>

CLAY COUNTY DISTRICT SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)

	Special Revenue - ARRA Economic Stimulus Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 18,081,575.54	\$ 26,640,896.54	\$ 25,642,337.59	\$ (998,558.95)
Total Revenues	<u>18,081,575.54</u>	<u>26,640,896.54</u>	<u>25,642,337.59</u>	<u>(998,558.95)</u>
Expenditures				
Current - Education:				
Instruction	13,536,162.83	16,836,212.40	16,812,874.00	23,338.40
Pupil Personnel Services	1,941,196.78	4,468,981.97	4,463,175.36	5,806.61
Instructional Media Services	2,523,756.21	2,498,540.70	2,498,540.70	0.00
Instruction and Curriculum				
Development Services	3,663.47	25,302.76	24,212.81	1,089.95
Instructional Staff Training Services	6,160.04	493,429.17	492,929.17	500.00
Instruction-related Technology	38,466.45	429,538.00	419,912.65	9,625.35
General Administration	846.06	266,666.26	266,494.93	171.33
School Administration	3,390.37	2,853.83	2,853.83	0.00
Food Services	0.00	518,000.00	0.00	518,000.00
Pupil Transportation Services	3,850.00	1,993.89	1,310.16	683.73
Operation of Plant	0.00	539,056.43	539,056.43	0.00
Administrative Technology Services	0.00	438,321.34	7,000.00	431,321.34
Fixed Capital Outlay:				
Other Capital Outlay	0.00	97,916.46	89,894.22	8,022.24
Debt Service:				
Principal	24,083.33	24,083.33	24,083.33	0.00
(Total Expenditures)	<u>18,081,575.54</u>	<u>26,640,896.54</u>	<u>25,642,337.59</u>	<u>998,558.95</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Change in Fund Balances	0.00	0.00	0.00	0.00
Fund Balances, Beginning of Year	0.00	0.00	0.00	0.00
Fund Balances, End of Year	<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, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age Actuarial Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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, 2009	0.00	7,415,816.00	7,415,816.00	0.0%	132,458,671.00	5.6%
July 1, 2010	0.00	8,050,153.00	8,050,153.00	0.0%	123,782,275.00	6.5%

**CLAY COUNTY DISTRICT SCHOOL BOARD
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

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, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures
United States Department of Agriculture			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 1,183,559.26
National School Lunch Program	10.555	300	5,434,971.90
Summer Food Service Program for Children	10.559	323	45,161.34
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program - Non-Cash Assistance Commodities	10.555(2)(A)	None	894,671.00
Total Child Nutrition Cluster			<u>7,558,363.50</u>
Florida Department of Health:			
Child and Adult Care Food Program	10.558	I-3198	4,369.49
Total United States Department of Agriculture			<u>7,562,732.99</u>
United States Department of Labor			
Indirect:			
Florida Association of Career and Technical Education:			
WIA Adult Program	17.258	None	14,536.05
ARRA - WIA Dislocated Workers, Recovery Act	17.260	None	14,536.05
WIA Youth Activities	17.259	None	14,536.06
First Coast Workforce Development, Inc.:			
WIA Youth Activities	17.259	FCWD 2011-05	53,757.72
ARRA-WIA Youth Activities, Recovery Act	17.259	FCWD 2010-S02, S03	36,726.59
Total United States Department of Labor			<u>134,092.47</u>
United States General Services Administration			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	2,617.33
United States Department of Education			
Direct:			
Impact Aid	84.041	N/A	635,363.27
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I, Grants to Local Educational Agencies	84.010	212, 222, 226, 228	3,396,699.47
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	1,175,311.66
Total Title I, Part A Cluster			<u>4,572,011.13</u>
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	5,765,058.52
Special Education - Preschool Grants	84.173	267	59,903.54
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	4,624,280.84
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	165,530.50
Duval County District School Board:			
Special Education - Grants to States	84.027	48907	439.04
University of South Florida:			
Special Education - Grants to States	84.027	1725104600	23,073.81
Total Special Education Cluster			<u>10,638,286.25</u>
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	71,380.01
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	21,417.90
Total Education for Homeless Children and Youth Cluster			<u>92,797.91</u>

CLAY COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Concluded)

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass Through Grantor Number	Amount of Expenditures
United States Department of Education, (Concluded)			
Indirect: <i>(Concluded)</i>			
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121, 122	\$ 212,360.13
ARRA - Education Technology State Grants, Recovery Act	84.386	121	39,806.15
Total Educational Technology State Grants Cluster			<u>252,166.28</u>
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	11,450,664.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	253,844.30
Total State Fiscal Stabilization Fund Cluster			<u>11,704,508.30</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	110,895.23
Career and Technical Education - Basic Grants to States	84.048	161	281,150.69
Safe and Drug-free Schools and Communities - State Grants	84.186	103	18,022.28
English Language Acquisition Grants	84.365	102	70,967.75
Improving Teacher Quality State Grants	84.367	224	1,082,105.11
ARRA - State Fiscal Stabilization Funds (SFSF)- Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL 111	426,912.65
Education Jobs Fund	84.410	541	7,447,843.00
Washington County District School Board: Reading First State Grants	84.357	7929003	1,800.00
Total Indirect			<u>36,699,466.58</u>
Total United States Department of Education			<u>37,334,829.85</u>
United States Department of Health and Human Services:			
Indirect:			
First Coast Workforce Development, Inc.: Temporary Assistance for Needy Families	93.558	FCWD 2001-05	53,757.72
United States Department of Defense			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	331,516.17
Total Expenditures of Federal Awards			<u>\$ 45,419,546.53</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 - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Donation of Federal Surplus Personal Property - Represents 23.2% of the original acquisition costs of the donated federal surplus personal property obtained during the fiscal year.

**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 the financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Clay County District School Board (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's financial statements and have issued our report thereon dated, February 14, 2012. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, 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. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Certified Public Accountants

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

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

**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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 certain other matters that we reported to management of the District in a separate letter dated, February 14, 2012.

The District's response to the management letter comments identified in our audit is described in the accompanying management's response to management letter comments. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Purvis, Gray and Company, LLP

February 14, 2012
Gainesville, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Clay County District School Board's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, which could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are 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 2011-1 and 2011-2.

Internal Control Over Compliance

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

Certified Public Accountants

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Concluded)**

Internal Control Over Compliance (Concluded)

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the schedule of findings and questioned costs section of this report as findings Nos. 2011-1 and 2011-2. A significant deficiency in internal control over compliance is a deficiency, or 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.

Management's response to the findings is described in the schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on the response.

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

Purvis, Gray and Company, LLP

February 14, 2012
Gainesville, Florida

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

1. **Summary of Audit Results**

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

The auditors' report expresses an unqualified 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**

Two significant deficiencies, identified as Federal Award Finding 2011-1 and 2011-2, 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 unqualified opinion.

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

The audit disclosed findings, identified as Federal Award Finding 2011-1 and 2011-2, required to be reported in accordance with Section .510(a) of OMB Circular A-133, relative to the major federal programs.

VII. **Major Federal Programs**

■ **Department of Agriculture**

- Child Nutrition Cluster:
 - School Breakfast Program (CFDA No. 10.553)
 - National School Lunch Program (CFDA No. 10.555)
 - Summer Food Service Program for Children (CFDA No. 10.559)

■ **Department of Education**

- Title I Part A Cluster:
 - Grants to Local Agencies (CFDA No. 84.010)
 - Grants to Local Educational Agencies (CFDA No. 84.389 - ARRA)
- Special Education Cluster:
 - Special Education - Grants to States (CFDA No. 84.027)
 - Special Education - Preschool Grants (CFDA No. 84.173)
 - Idea Part B, ARRA - (CFDA No. 84.391 - ARRA)
 - Idea Part B, Preschool ARRA - (CFDA No. 84.392 - ARRA)

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

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

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

■ **Department of Education (Concluded)**

- State Stabilization Fund Cluster:
 - Stabilization Fiscal Stabilization Fund – Education State Grants (CFDA No. 84.394 - ARRA)
 - Stabilization Fiscal Stabilization Fund – Government Services (CFDA No. 84.397 -ARRA)
- Education Jobs Fund (CFDA No. 84.410)

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

The threshold used for distinguishing between Type A and B programs was \$1,362,586.

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

The District did not qualify as a low-risk auditee pursuant to OMB Circular A-133.

2. **Findings Related to the 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. **Findings and Questioned Costs for Federal Awards Required to be Reported Under Section .510(a) of OMB Circular A-133**

See Schedule of Current Year Audit Findings.

4. **Status of Prior Audit Findings**

See Summary Schedule of Prior Year Audit Findings.

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

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

**SCHEDULE OF CURRENT AUDIT FINDINGS
CLAY COUNTY DISTRICT SCHOOL BOARD
GREEN COVE SPRINGS, FLORIDA**

June 30, 2011 Audit Report

Federal Awards Finding No. 2011-1

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Brief Description: Federal Regulations provides that the District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its food service program. Contrary to Federal Regulations, the District had excess net cash resources of \$272,801.56 for its food service program at June 30, 2011.

Recommendation: The District should ensure that net cash resources of its food service program are maintained within the level prescribed by Federal Regulations.

Federal Awards Finding No. 2011-2

Program: Education Jobs Fund (CFDA Nos. 84.410)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$51,068.72

Brief Description: Indirect costs are not eligible costs under the Education Jobs Fund. Contrary to Federal Regulations, the District charged \$51,068.72 of indirect costs to this program.

Recommendation: We recommend the District consult with the Florida Department of Education to determine what steps need to be taken to address this issue.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
CLAY COUNTY DISTRICT SCHOOL BOARD
GREEN COVE SPRINGS, FLORIDA**

Audit Report No. 2011-142

Federal Awards Finding No. 1

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Brief Description: Contrary to Federal regulations, the District did not properly allocate program income from its exclusive beverage contract to the food service program, resulting in \$322,031 of questioned costs.

Current Status: The recommendation was adopted by the District. No similar findings were noted in the 2011 audit.

Federal Awards Finding No. 2

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Brief Description: Contrary to Federal regulations, the District had excess net cash resources of \$748,815.75 for its food service program at June 30, 2010.

Current Status: The finding has been addressed by the District during the fiscal year 2011 but has not been resolved. A similar finding was noted in the 2011 audit.

MANAGEMENT LETTER

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

We have audited the financial statements of Clay County District School Board (the District), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated, February 14, 2012. Our report was modified to include a reference to other auditors. Other auditors audited the financial statements school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. This letter does not include the results of the other auditors' audit, which are reported on separately by those auditors.

We conducted our audit in accordance with generally accepted auditing standards and 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 report on internal control over financial reporting and compliance and other matters, report on compliance requirements applicable to each major federal program and on internal control over compliance, and schedule of findings and questioned costs. Disclosure in those reports and schedule, which are dated, February 14, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.800, *Rules of the Auditor General*, which governs the conduct of the District's 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 annual financial audit report. Please see the accompanying schedule of findings and questioned costs.
- 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 noted no instances of noncompliance 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.

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

MANAGEMENT LETTER
(Concluded)

- Section 10.804(1)(f)5., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.804(1)(f)6., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts and grant agreements, fraud, illegal acts, or abuse; and (2) control deficiencies that are not significant deficiencies. Please see the accompanying management letter comments.
- 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), Florida Statutes.
- Pursuant to Sections 10.804(1)(f)7.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.
- Pursuant to Sections 10.804(1)(f)8., *Rules of the Auditor General*, requires the auditor to state whether or not the district school board complied with transparency requirements. Section 2, Specific Appropriation 115A of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their Web Sites to the Transparency Florida Web Site.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the District and management, and the Florida Auditor General, and is not intended to be and should not be used for anyone other than these specified parties.

Purvis, Gray and Company, LLP

February 14, 2012
Gainesville, Florida

MANAGEMENT LETTER COMMENTS

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

During the course of our audit, the following items came to our attention.

Current Year Recommendations

Construction Accounts Payable Cutoff Procedures

During our review of the District's cutoff procedures over accounts payable, we observed that the District's cutoff procedures at year-end, which have been in place for many years, extend out only one month through July 31. The District implemented this brief cutoff period due to the significant time it takes the District to prepare the District's Annual Financial Report (AFR), which must be submitted to the Florida Department of Education by mid-September each year.

Although the District's accounts payable cutoff procedures appear sufficient for the vast majority of accounts payable, we observed that these procedures present a risk that a significant construction invoice might not be accrued.

We recommend that the District review its accounts payable cutoff procedures to include an annual review of construction contracts to ensure that construction completed on or before June 30 can be anticipated and accrued.

Investments

Per review of the District's Investment Policy we noted that it was in compliance with Florida Statute Chapter 218.415. However, the District's Investment Policy, as required by the Statute, did not specify the authorized securities dealers, issuers, and banks from whom the unit of local government may purchase securities. We recommend that the District update its Investment Policy to include this information.

As required by Florida Statute Chapter 218.415, Section X. Internal Controls of the District's Investment Policy it states that "the Assistant Superintendent of Business Affairs shall establish a system of internal controls which shall be in writing and made a part of the Board's operational procedures and subject to review during the Board's annual audit. The internal controls will be designated to prevent losses of funds which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the Board." During our audit, the District was unable to locate the identified written internal control procedures. We recommend that the District establish in writing the system of internal controls referenced in Section X. of the District's current internal control policy.

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MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Recommendations *(Continued)*

Compensated Absences

The District reports an estimate for compensated absences, which include earned paid time off made available to employees with vacation and sick leave, which will be taken or paid out in a future period. Due to the long-term nature of compensated absences, the liability is reported in the government-wide financial statements.

Subsequent to the submission of the Annual Financial Report to the Department of Education, it was discovered that the system generated report used to develop the estimate, errantly excluded accrued time for employees with less than ten years of service. After further review of the estimate methodology, the District increased the liability for compensated absences by \$3,280,829 in the government-wide financial statements. We recommend the District regularly review the methodology for developing the estimate of compensated absences to ensure the accurate computation of the estimate as well as ongoing reasonableness of the assumptions to ensure proper reporting in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

Bank Reconciliations

A key component of internal control over cash is the timely and complete reconciliation of bank statements to the transaction records of the District. During our examination of the June 30, 2011, Master Account bank reconciliation, it was noted that the amount of outstanding checks listed on the bank reconciliation did not agree with the outstanding check amounts from the payroll and accounts payable bank account statements, by \$76,445. The resulting difference in the reconciliation was from a prior year outstanding balance variance which was incorrectly rolled-forward to subsequent reconciliations. We recommend that all bank reconciliation variances be investigated and corrected on a timely basis.

Information Technology General Controls

During the June 30, 2011 fiscal year, the District's Chief Information Officer resigned, and the District hired its Director of Information Services. Ever since the Director was hired, the District has begun a process of assessing and making changes to its Information Technology (IT) policies and procedures, including some as they relate to IT General Controls. IT General Controls are intended to protect the security, availability, processing, integrity, confidentiality, and privacy of data and IT resources. Inadequate IT General Controls increase the risks that the District's data and IT resources could be compromised, increasing the risk that the District's data and IT resources may be subject to improper disclosure, modification, or destruction. During our review of the District's Information Technology department, we noted the following opportunities for the District to improve its IT General Controls:

- We recommend that the District consider periodically evaluating its policies and procedures against an established IT General Control framework, such as the IT Governance Institute's Control Objectives for IT (COBIT) and consider updating its policies and procedures to improve their alignment with such framework.

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

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Recommendations *(Concluded)*

Information Technology General Controls *(Concluded)*

- We recommend that the District consider forming an IT Steering Committee:
 - to assist with the above process;
 - to ensure that the District's strategic plans align with IT's plans and vice-versa; and
 - to ensure that the District's priorities with regard to IT are properly vetted by the proper stakeholders and IT management to assist in the prioritization of IT tasks.

- We recommend that the District consider assessing the physical and environmental controls at its current data center and consider establishing a secondary data center.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the District and management, and the Florida Auditor General, and is not intended to be and should not be used for anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesies that have been extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

February 14, 2012
Gainesville, Florida



Ben H. Wortham
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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BOARD MEMBERS:

Janice Kerekes
District 1
Carol Studdard
District 2
Charles Van Zant, Jr.
District 3
Frank Farrell
District 4
Lisa Graham
District 5

February 20, 2012

To: School Board of Clay County

In response to Clay County School District's Federal Awards Findings No.2011-1 regarding the excess of \$272,801.56 in net cash resources of the Food and Nutrition Services Department, I would like to share additional information regarding our fund balance. We recognize that the District's fund balance exceeded the three month expenditure limit on June 30, 2011. In the current fiscal year we have made efforts to decrease this fund balance excess.

Since June 30, 2011 we have expended \$332,911.01 in large equipment and serving lines. We also have utilized 32,519.70 for small equipment.

In addition to the equipment efforts, we have improved food quality and increased serving sizes of certain items. Fresh fruit is now offered for breakfast and lunch daily at every grade level. In conjunction with the Healthy, Hunger Free Kids Act of 2010 and the final rule and update to the nutrition standards in the National School Lunch and School Breakfast Program, even larger portions of fresh fruits and vegetables must be served. Starting in the 2012-2013 part of the reimbursable meal must contain ½ cup fruit or vegetable. This will be an additional cost to our program.

Our free and reduced percentages continue to increase. This has led to Federal reimbursements in larger amounts than in the past. Decreasing our fund balance is a time-consuming process as it requires cooperation and scheduling with other departments, vendors and installers. It will continue to take more time to reduce this balance to appropriate levels.

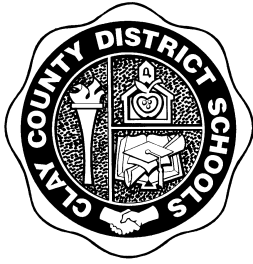
Please let me know if you have any questions or need additional information.

Sincerely,

A handwritten signature in blue ink that reads "Susan Glover".

Susan Glover

cc: Dr. George Copeland



Ben H. Wortham
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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District 5

February 14, 2012

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

Dear School Board Members:

I am submitting a written statement of explanation concerning Federal Awards Finding No. 2011-2. Please accept the following written response.

In accordance with the project award notification from the Florida Department of Education, the last date for incurring expenditures is June 30, 2012 for the Education Jobs Fund (CFDA No. 84.410) Federal program. Because the Federal program period will not end until June 30, 2012, the District was able to take action during December 2011 to restore the questioned costs of \$51,068.72 to the Federal program.

The District will enhance its monitoring procedures to ensure that indirect costs are charged in compliance with Federal Regulations. Indirect costs will only be charged when eligible.

Respectfully Submitted,

Sonya Findley

Sonya Findley, CPA
Director of Finance



SCHOOL DISTRICT OF CLAY COUNTY

PURCHASING, ACCOUNTS PAYABLE

And Materials Management

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Ben H. Wortham
Superintendent of Schools

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District 5

February 17, 2012

SUBJECT: Audit Recommendations

School Board of Clay County,

Currently all contractors are notified at the beginning of May to have invoices for June sent to Accounts Payable for payment processing prior to June 30. Procedures will be reviewed in regards to construction work completed on or before June 30th.

Sincerely,

A handwritten signature in blue ink that reads "Nancy G. Racine". The signature is fluid and cursive.

Nancy G. Racine
Director of Purchasing, Accounts Payable & Materials Management



Ben H. Wortham
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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February 14, 2012

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

Re: The School District of Clay County's written response to the Management Letter Comments for the Fiscal Year Ended June 30, 2011.

Dear School Board Members:

Please accept the following written statements of explanation concerning the Management Letter Comments and our corrective actions.

Investments

The School District of Clay County is in the process of establishing written policies and procedures to document management's system of internal controls over investment activity by the District. Once fully drafted, the written policies will clearly identify internal controls designed to prevent losses, which might arise from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees of the District.

Section 218.415(9), Florida Statutes, provides that local government investment policies should specify the authorized securities dealers, issuers, and banks from whom the unit of local government may purchase securities. The School District of Clay County will revise its current Investment Policy to include the information required by Statutes.

Compensated Absences

The District will enhance its methodology for developing the estimate of compensated absences. Future computation of the estimate will be more closely monitored to ensure accurate reporting of the long-term liability in the government-wide financial statements in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

Bank Reconciliations

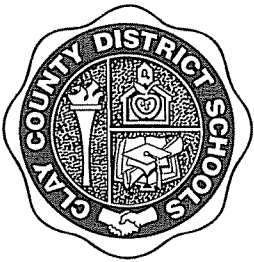
The District recognizes its responsibility to accurately and timely complete reconciliations of bank statements to the transaction records of the District. Ongoing commitment is pledged to investigate and correct all bank reconciliation variances on a timely basis.

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



Ben H. Wortham
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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February 24, 2012

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

Re: The School District of Clay County's written response to the Management Letter Comments for the Fiscal year Ended June 30, 2011.

The following recommendations were made as a result of the 2011-12 internal audit. Each finding has a corresponding response with an explanation of planned activities.

Information Technology General Controls

During the June 30, 2011 fiscal year, the District's Chief Information Officer resigned, and the District hired its Director of Information Services. Ever since the Director was hired, the District has begun a process of assessing and making changes to its Information Technology (IT) policies and procedures, including some as they relate to IT General Controls. IT General Controls are intended to protect the security, availability, processing, integrity, confidentiality, and privacy of data and IT resources. Inadequate IT General Controls increase the risks that the District's data and IT resources could be compromised, increasing the risk that the District's data and IT resources may be subject to improper disclosure, modification, or destruction. During our review of the District's Information Technology department, we noted the following opportunities for the District to improve its IT General Controls:

- We recommend that the District consider periodically evaluating its policies and procedures against an established IT General Control framework, such as the IT Governance Institute's Control Objectives for IT (COBIT) and consider updating its policies and procedures to improve their alignment with such framework.*

Response: In Progress

Information Services is reviewing current policies and protocols using the guidelines and frameworks established or recommended such as the Control Objectives for Information and related Technology (COBIT), Agency Guidelines established by the State of Florida's Agency for Enterprise Information Technology, the U.S. Department of Commerce's National Institute of Standards and Technology, and the Consortium for School Networking (CoSN).

- *We recommend that the District consider forming an IT Steering Committee:*
 - *to assist with the above process;*
 - *to ensure that the District's strategic plans align with IT's plans and vice-versa; and*
 - *to ensure that the District's priorities with regard to IT are properly vetted by the proper stakeholders and IT management to assist in the prioritization of IT tasks.*

Response: In Progress

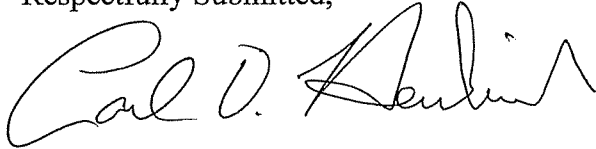
Information Services is exploring options with the Superintendent's Senior Staff members of possibilities, protocols, and implications of establishing a District Technology Advisory Council.

- *We recommend that the District consider assessing the physical and environmental controls at its current data center and consider establishing a secondary data center.*

Response: Recommendation

IS will secure an outside consult to conduct an audit of the physical and environmental controls of the District's primary and secondary data center facilities according to industry standards.

Respectfully Submitted,



Carl D. Hendrick
Director of Information Services