

EXHIBIT - A
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2005

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash	\$ 5,329,066.15	\$ 63,766.00
Investments	48,572,956.82	
Accounts Receivable	130,398.61	
Due from Other Agencies	4,639,014.94	
Due from Excess Insurance Carrier	85,447.90	
Capital Credits Receivable	2,559,863.44	
Inventories	1,678,445.94	
Capital Assets:		
Land	15,738,026.41	
Construction in Progress	2,034,369.98	
Improvements Other Than Buildings, Net	8,855,872.31	
Buildings and Fixed Equipment, Net	254,004,230.43	
Furniture, Fixtures, and Equipment, Net	13,667,747.16	690.00
Motor Vehicles, Net	6,066,357.10	
Audio Visual Materials and Computer Software, Net	1,240,811.27	
TOTAL ASSETS	<u>\$ 364,602,608.46</u>	<u>\$ 64,456.00</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 1,877,698.51	\$
Payroll Deductions and Withholdings	848,698.93	
Accounts Payable	1,628,726.83	
Construction Contracts Payable - Retainage	1,480,594.48	
Deferred Revenue	16,623.13	
Matured Certificates of Participation Payable	1,470,000.00	
Matured Interest Payable	1,148,260.36	
Estimated Liability for Arbitrage Rebate	56,066.04	
Noncurrent Liabilities:		
Portion Due Within One Year:		
Estimated Insurance Claims Payable	927,814.18	
Bonds Payable	645,000.00	
Certificates of Participation Payable	1,228,753.00	
Compensated Absences Payable	7,173,812.23	
Portion Due After One Year:		
Estimated Insurance Claims Payable	1,875,249.82	
Bonds Payable	10,355,000.00	
Certificates of Participation Payable	46,053,753.00	
Compensated Absences Payable	9,148,767.36	
Total Liabilities	<u>85,934,817.87</u>	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	243,324,908.66	
Restricted for:		
State Categorical Programs	4,739,978.46	
Debt Service	590,588.39	
Capital Projects	21,252,272.76	
Unrestricted	8,760,042.32	64,456.00
Total Net Assets	<u>278,667,790.59</u>	<u>64,456.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 364,602,608.46</u>	<u>\$ 64,456.00</u>

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

**EXHIBIT - B
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 119,780,627.04	\$ 641,604.50	\$	\$
Pupil Personnel Services	10,849,707.83			
Instructional Media Services	4,305,311.96			
Instruction and Curriculum Development Services	5,066,581.52			
Instructional Staff Training	2,245,247.53			
Board of Education	1,165,134.54			
General Administration	967,823.35			
School Administration	9,614,973.64			
Facilities Acquisition and Construction	3,311,452.63			9,673,313.57
Fiscal Services	534,176.00			
Food Services	8,496,263.72	4,521,655.01	4,104,874.14	
Central Services	4,664,236.73			
Pupil Transportation Services	10,728,144.98		6,709,726.00	
Operation of Plant	12,902,074.37			
Maintenance of Plant	4,223,338.98			1,200,000.00
Community Services	330,824.74			
Interest on Long-Term Debt	3,217,132.70			985,814.80
Unallocated Depreciation Expenses	9,354,483.98			
Total Primary Government	\$ 211,757,536.24	\$ 5,163,259.51	\$ 10,814,600.14	\$ 11,859,128.37
Component Unit				
Clay County Education Foundation, Inc.	\$ 72,570.00	\$ 0.00	\$ 69,246.00	\$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Local Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - July 1, 2004				
Net Assets - June 30, 2005				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (119,139,022.54)	\$
(10,849,707.83)	
(4,305,311.96)	
(5,066,581.52)	
(2,245,247.53)	
(1,165,134.54)	
(967,823.35)	
(9,614,973.64)	
6,361,860.94	
(534,176.00)	
130,265.43	
(4,664,236.73)	
(4,018,418.98)	
(12,902,074.37)	
(3,023,338.98)	
(330,824.74)	
(2,231,317.90)	
(9,354,483.98)	
<u>(183,920,548.22)</u>	
	<u>(3,324.00)</u>
40,329,443.37	
12,440,530.10	
1,620,192.98	
144,421,807.94	
1,592,019.62	646.00
1,789,696.27	
<u>202,203,690.28</u>	<u>646.00</u>
18,283,142.06	(2,678.00)
<u>260,384,648.53</u>	<u>67,134.00</u>
<u>\$ 278,667,790.59</u>	<u>\$ 64,456.00</u>

**EXHIBIT - C
CLAY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005**

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash	\$ 5,279,495.46	\$	\$
Investments	15,183,525.71	2,634,291.55	6,705,144.80
Accounts Receivable	30,178.20		
Due from Other Funds	1,645,198.80	486,328.71	
Due from Other Agencies	373,533.86		
Inventories	1,457,182.67		
TOTAL ASSETS	\$ 23,969,114.70	\$ 3,120,620.26	\$ 6,705,144.80
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,874,078.59	\$	\$
Payroll Deductions and Withholdings	843,773.93		
Accounts Payable	352,585.62		22.95
Construction Contracts Payable - Retainage			736,550.71
Due to Other Funds	191.33	492,130.60	
Deferred Revenue			
Matured Certificates of Participation Payable		1,470,000.00	
Matured Interest Payable		1,148,260.36	
Estimated Liability for Arbitrage Rebate			
Total Liabilities	3,070,629.47	3,110,390.96	736,573.66
Fund Balances:			
Reserved for State Categorical Programs	4,679,877.21		
Reserved for Encumbrances	2,180,439.86		4,764,948.99
Reserved for Inventories	1,457,182.67		
Reserved for Debt Service		10,229.30	
Unreserved:			
Designated, reported in General Fund:			
Designated for Special Programs	507,501.07		
Undesignated, reported in:			
General Fund	12,073,484.42		
Special Revenue Funds			
Capital Projects Funds			1,203,622.15
Total Fund Balances	20,898,485.23	10,229.30	5,968,571.14
TOTAL LIABILITIES AND FUND BALANCES	\$ 23,969,114.70	\$ 3,120,620.26	\$ 6,705,144.80

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

EXHIBIT - C

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
12,532,987.92	9,570.69	5,289,066.15
	5,999,886.17	43,055,836.15
	12,267.75	42,445.95
	191.33	2,131,718.84
2,815,497.64	1,449,983.44	4,639,014.94
	221,263.27	1,678,445.94
<u>\$ 15,348,485.56</u>	<u>\$ 7,693,162.65</u>	<u>\$ 56,836,527.97</u>
\$	\$	\$
	3,619.92	1,877,698.51
	4,925.00	848,698.93
	13,806.26	366,414.83
488,814.54	255,229.23	1,480,594.48
929,034.12	614,653.33	2,036,009.38
	16,623.13	16,623.13
		1,470,000.00
		1,148,260.36
56,066.04		56,066.04
<u>1,473,914.70</u>	<u>908,856.87</u>	<u>9,300,365.66</u>
2,623,276.27	1,812,150.33	4,679,877.21
	89,170.23	11,380,815.45
	580,359.09	1,546,352.90
		590,588.39
		507,501.07
		12,073,484.42
	3,942,144.92	3,942,144.92
11,251,294.59	360,481.21	12,815,397.95
<u>13,874,570.86</u>	<u>6,784,305.78</u>	<u>47,536,162.31</u>
<u>\$ 15,348,485.56</u>	<u>\$ 7,693,162.65</u>	<u>\$ 56,836,527.97</u>

**EXHIBIT - D
CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total Fund Balances - Governmental Funds	\$	47,536,162.31
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 governmental funds.		301,607,414.66
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 fund are included in governmental activities in the statement of net assets.		1,569,435.77
Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets.		2,559,863.44
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:		
Certificates of Participation Payable	\$ 47,282,506.00	
Bonds Payable	11,000,000.00	
Compensated Absences Payable	16,322,579.59	(74,605,085.59)
Total Net Assets - Governmental Activities	\$	<u>278,667,790.59</u>

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

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EXHIBIT - E
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2005

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 962,313.85	\$	\$
Federal Through State			
State	137,182,800.27		
Local	43,313,308.63	1,608.90	12,726,087.31
Total Revenues	181,458,422.75	1,608.90	12,726,087.31
Expenditures			
Current - Education:			
Instruction	111,083,339.82		
Pupil Personnel Services	9,800,420.55		
Instructional Media Services	4,176,461.90		
Instruction and Curriculum Development Services	3,983,435.15		
Instructional Staff Training	939,654.44		
Board of Education	1,026,966.15		
General Administration	535,223.01		
School Administration	9,580,289.63		
Facilities Acquisition and Construction	1,297,116.05		886,079.29
Fiscal Services	532,277.56		
Food Services	48,575.34		
Central Services	4,791,329.78		
Pupil Transportation Services	9,392,210.17		
Operation of Plant	12,754,317.24		
Maintenance of Plant	4,165,191.72		
Community Services	329,934.20		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	3,556,548.80		10,947,466.81
Other Capital Outlay	3,417,793.34		
Debt Service:			
Principal		1,470,000.00	
Interest and Fiscal Charges		2,309,530.38	
Total Expenditures	181,411,084.85	3,779,530.38	11,833,546.10
Excess (Deficiency) of Revenues Over Expenditures	47,337.90	(3,777,921.48)	892,541.21
Other Financing Sources (Uses)			
Transfers In	2,651,760.23	3,778,633.00	
Sale of Capital Assets	17,980.21		
Insurance Loss Recoveries	15,632.40		
Transfers Out			(3,592,304.29)
Total Other Financing Sources (Uses)	2,685,372.84	3,778,633.00	(3,592,304.29)
Net Change in Fund Balances	2,732,710.74	711.52	(2,699,763.08)
Fund Balances, July 1, 2004	18,011,444.87	9,517.78	8,668,334.22
Increase in Inventory Reserve	154,329.62		
Fund Balances, June 30, 2005	\$ 20,898,485.23	\$ 10,229.30	\$ 5,968,571.14

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

EXHIBIT - E

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	16,481,680.78	962,313.85
2,534,911.10	4,244,121.86	16,481,680.78
7,469,990.13	4,641,529.01	143,961,833.23
<u>10,004,901.23</u>	<u>25,367,331.65</u>	<u>68,152,523.98</u>
	7,984,789.91	119,068,129.73
	1,013,660.97	10,814,081.52
	115,418.96	4,291,880.86
	1,066,039.29	5,049,474.44
	1,301,517.47	2,241,171.91
		1,026,966.15
	431,033.66	966,256.67
272,967.56	852,161.62	9,580,289.63
		3,308,324.52
	8,462,053.15	532,277.56
		8,510,628.49
	90,941.66	4,791,329.78
		9,483,151.83
		12,754,317.24
		4,165,191.72
		329,934.20
16,160,823.23	2,586,724.45	33,251,563.29
	790,785.17	4,208,578.51
	610,000.00	2,080,000.00
	591,355.32	2,900,885.70
<u>16,433,790.79</u>	<u>25,896,481.63</u>	<u>239,354,433.75</u>
<u>(6,428,889.56)</u>	<u>(529,149.98)</u>	<u>(9,796,081.91)</u>
		6,430,393.23
		17,980.21
		15,632.40
<u>(1,608,088.94)</u>	<u>(1,230,000.00)</u>	<u>(6,430,393.23)</u>
<u>(1,608,088.94)</u>	<u>(1,230,000.00)</u>	<u>33,612.61</u>
(8,036,978.50)	(1,759,149.98)	(9,762,469.30)
21,911,549.36	8,515,536.76	57,116,382.99
	27,919.00	182,248.62
<u>\$ 13,874,570.86</u>	<u>\$ 6,784,305.78</u>	<u>\$ 47,536,162.31</u>

**EXHIBIT - F
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, 2005**

Net Change in Fund Balances - Governmental Funds \$ (9,762,469.30)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	26,823,921.37
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.	228,089.78
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. This is the amount of long-term debt that was repaid in the current period.	2,080,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current period.	(600,253.42)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities.	(482,806.04)
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.	130,658.05
The purchases method of inventory accounting is used in the governmental funds, while in the government-wide statements inventories are accounted for on the consumption method.	182,248.62
The deferred amount on refunding debt partially offsets the liability for certificates of participation in the statement of activities. This is the net decrease in the deferred amount on refunding debt during the current period.	(316,247.00)

Change in Net Assets - Governmental Activities \$ 18,283,142.06

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

**EXHIBIT - G
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

		Governmental Activities - Internal Service Fund
<hr/>		
ASSETS		
Current Assets:		
Cash	\$	40,000.00
Investments		5,517,120.67
Due from Excess Insurance Carrier		85,447.90
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TOTAL ASSETS	\$	5,642,568.57
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	1,262,312.00
Due to Other Funds		7,756.80
Estimated Insurance Claims Payable		927,814.18
		<hr/>
Total Current Liabilities		2,197,882.98
		<hr/>
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,875,249.82
		<hr/>
TOTAL LIABILITIES		4,073,132.80
		<hr/>
NET ASSETS		
Unrestricted		1,569,435.77
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	5,642,568.57
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The accompanying notes to financial statements are an integral part of this statement.

**EXHIBIT - H
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Insurance Premiums	\$ 2,472,182.75
OPERATING EXPENSES	
Insurance Claims	1,514,604.24
Excess Insurance Premiums	1,282,538.37
State Assessments	119,013.20
Administrative Expenses	70,034.00
Purchased Services	58,765.00
Total Operating Expenses	<u>3,044,954.81</u>
Operating Loss	<u>(572,772.06)</u>
NONOPERATING REVENUES	
Interest Income	<u>89,966.02</u>
Net Income	(482,806.04)
Total Net Assets, July 1, 2004	<u>2,052,241.81</u>
Total Net Assets, June 30, 2005	<u>\$ 1,569,435.77</u>

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

**EXHIBIT - I
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds	\$ 2,472,182.75
Cash Payments to Vendors for Goods and Services	(1,517,722.02)
Cash Payments for Insurance Claims	(1,138,952.24)
	(184,491.51)
Net Cash Used by Operating Activities	(184,491.51)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(2,645,607.81)
Proceeds from Sale of Investments	2,760,133.30
Interest Income	89,966.02
	204,491.51
Net Cash Provided by Investing Activities	204,491.51
Net Increase in Cash	20,000.00
Cash at Beginning of Year	20,000.00
	20,000.00
Cash at End of Year	\$ 40,000.00
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (572,772.06)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Increase in Due from Excess Insurance Carrier	(85,447.90)
Increase in Accounts Payable	98,606.69
Decrease in Due to Other Funds	(530.24)
Increase in Estimated Insurance Claims Payable	375,652.00
	388,280.55
Total Adjustments	388,280.55
Net Cash Used by Operating Activities	\$ (184,491.51)

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

EXHIBIT - J
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2005

		<u>Agency Funds</u>
ASSETS		
Cash	\$	821,235.72
Investments		<u>1,540,586.36</u>
TOTAL ASSETS	\$	<u>2,361,822.08</u>
LIABILITIES		
Accounts Payable	\$	59,257.53
Due to Other Funds		87,952.66
Internal Accounts Payable		<u>2,214,611.89</u>
TOTAL LIABILITIES	\$	<u>2,361,822.08</u>

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

EXHIBIT – K
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 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 Note 7. 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, Exhibits A and B, include the financial data of the Clay County Education Foundation, Inc. (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 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, 2005. A copy of the separate financial statements for the Foundation is filed with the District.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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.
- 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 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.
- Capital Projects - Other Capital Projects Fund - to account mainly for the financial resources received from certificates of participation proceeds, local sales taxes, local impact fees, and other miscellaneous sources, to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service 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 moneys 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 the fiduciary funds 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

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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.

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, 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 the Governmental Accounting Standards Board. 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. The principal operating expenses include insurance claims, insurance premiums for excess insurance, 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.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows for the Internal Service Fund considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

Investments made locally are reported at fair value and consist of amounts placed in a money market mutual fund and a Federal Home Loan Bank Bond. Investments for the discretely presented component unit consist of moneys placed in certificates of deposit.

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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 surplus commodities, the costs of inventories are recorded as expenditures when purchased rather than used and reported purchased inventories are equally offset by a fund balance reserve.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$500. 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 and, as a result, \$36,655 of stated land values, \$270,980 of stated improvements other than buildings, and \$3,218,313 of stated building values are based on these appraised values.

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.

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➤ **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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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 (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 reserved in the governmental funds financial statements for the unencumbered 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 also received a Classrooms for Kids allocation under the Class Size Reduction Lottery Capital Outlay Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2004 tax levy on September 9, 2004. 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.

➤ **Federal Revenue Sources**

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

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.

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- 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.

3. INVESTMENTS

As of June 30, 2005, the District had the following investments and maturities:

Investments	Maturities	Fair Value
Money Market Mutual Fund (2) State Board of Administration:	47 Day Average	\$ 2,629,607.45
Local Government Surplus Funds Trust Fund (1)(2) Federal Home Loan Bank Bond (2) State Board of Administration:	54 Day Average November 10, 2005	46,260,409.01 1,000,000.00
Debt Service Accounts	6 Months	<u>223,526.72</u>
Total Investments, Primary Government		<u>\$ 50,113,543.18</u>

Notes: (1) Includes Fiduciary Fund investments of \$1,540,586.36.

(2) At June 30, 2005, investments totaling \$4,475,174.30 were held under a trust agreement in connection with Certificates of Participation financing arrangements as follows: \$845,566.85 invested in State Board of Administration Local Government Surplus Funds Trust Fund; \$2,629,607.45 invested in the money market mutual fund; and \$1,000,000 invested in the Federal Home Loan Bank Bond. (See Note 7.)

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. 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.

Credit Risk

- The District's investment policy limits investments to the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury; Federal agencies, and instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.
- The District's investments in the State Board of Administration 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 State Board of Administration for managing credit risk for this account.
- As of June 30, 2005, the District's investments in the Local Government Surplus Funds Trust Fund investment pool and the Debt Service Accounts were unrated.

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- The District's investments in the Money Market Mutual Fund and the Federal Home Loan Bank Bond were rated AAA by Standard & Poor's and Aaa by Moody's Investor Services.

Custodial Credit Risk

- The District's investment policy requires that all securities purchased and collateral obtained be held by a third-party custodial institution and be properly designated as an asset of the School Board.
- The District's investments in Money Market Mutual Fund of \$2,629,607.45 and in Federal Home Loan Bank Bond of \$1,000,000 are held by the safekeeping agent in the name of the District.

4. DUE FROM OTHER AGENCIES

The following is a schedule of the amounts due from other agencies:

<u>Fund/Source</u>	<u>Amount</u>
Major Funds:	
General:	
Florida Department of Education:	
Excellent Teaching Program	\$ 317,587.20
Full Service Schools	9,744.20
United States Department of Defense:	
Navy JROTC	46,202.46
Capital Projects - Other Capital Projects:	
Florida Department of Education:	
Classrooms for Kids	2,414,715.30
Clay County Board of County Commissioners:	
Impact Fees	383,976.83
Florida Department of Revenue:	
Gas Tax Refunds	16,805.51
Nonmajor Governmental Funds:	
Special Revenue - Food Service:	
Florida Department of Education:	
National School Lunch Program	319,213.00
Special Revenue - Other:	
Florida Department of Education:	
Federal Distributive Aid Cash Advance	437,577.82
Other Agencies	10,944.40
Capital Projects - Capital Outlay and Debt Service (CO&DS):	
Florida Department of Education:	
State CO&DS	251,258.13
Capital Projects - Public Education Capital Outlay (PECO):	
Florida Department of Education:	
State PECO Appropriations	<u>430,990.09</u>
 Total	 <u><u>\$ 4,639,014.94</u></u>

The amounts due from other agencies in the Capital Projects Funds for Classrooms for Kids and Public Education Capital Outlay State Appropriations are for the long-term capital projects and may not be entirely collected within one year.

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5. 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 2004-05 fiscal year, the District received \$62,400.85 related to portions of capital credits earned from the 1984 through 2003 fiscal years. At June 30, 2005, the accumulated credits to the District's accounts are \$2,559,863.44.

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

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	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 15,508,025.66	\$ 230,000.75	\$	\$ 15,738,026.41
Construction in Progress	7,167,728.61	32,514,363.25	37,647,721.88	2,034,369.98
Total Capital Assets Not Being Depreciated	22,675,754.27	32,744,364.00	37,647,721.88	17,772,396.39
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	17,111,265.24	989,650.83		18,100,916.07
Buildings and Fixed Equipment	275,383,976.23	36,658,071.05		312,042,047.28
Furniture, Fixtures, and Equipment	28,824,480.89	4,052,263.13	2,619,665.80	30,257,078.22
Motor Vehicles	13,955,047.65	425,399.88	739,201.59	13,641,245.94
Audio Visual Materials and Computer Software	2,592,412.58	466,204.57	56,279.72	3,002,337.43
Total Capital Assets Being Depreciated	337,867,182.59	42,591,589.46	3,415,147.11	377,043,624.94
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	8,560,593.15	684,450.61		9,245,043.76
Buildings and Fixed Equipment	53,011,339.43	5,026,477.42		58,037,816.85
Furniture, Fixtures, and Equipment	15,914,677.16	3,294,319.70	2,619,665.80	16,589,331.06
Motor Vehicles	7,032,353.98	1,281,736.45	739,201.59	7,574,888.84
Audio Visual Materials and Computer Software	1,468,569.63	349,236.25	56,279.72	1,761,526.16
Total Accumulated Depreciation	85,987,533.35	10,636,220.43	3,415,147.11	93,208,606.67
Total Capital Assets Being Depreciated, Net	251,879,649.24	31,955,369.03		283,835,018.27
Governmental Activities Capital Assets, Net	\$ 274,555,403.51	\$ 64,699,733.03	\$ 37,647,721.88	\$ 301,607,414.66

Depreciation expenses were charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,281,736.45
Unallocated	9,354,483.98
Total Depreciation Expenses - Governmental Activities	\$10,636,220.43

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2005, are as follows:

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Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1997 (Partially Refunded)	\$ 1,245,000	5.05 - 5.50	2007	\$ 13,680,000
Series 2000	21,560,000	5 - 6	2025	24,980,000
Series 2003	15,495,000	3.875 - 5.000	2025	15,495,000
Series 2004, Refunding	<u>9,615,000</u>	2.000 - 3.625	2017	9,900,000
Subtotal	47,915,000			
Less: Deferred Amount on Refunding Debt (1)	<u>(632,494)</u>			
Total Certificates of Participation	<u>\$ 47,282,506</u>			

Note (1): The Deferred Amount on Refunding Debt represents the unamortized difference between the reacquisition price and the net carrying amount of refunded debt.

The District entered into a master financing arrangement on May 15, 1997, that was characterized as a 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 properties 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 properties 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 are as follows:

Certificates	Lease Term
Series 1997	Earlier of date paid in full or June 30, 2017
Series 2000	Earlier of date paid in full or June 30, 2025
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

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

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<u>Certificates</u>	<u>Description of Properties</u>
Series 1997 and 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.
Series 2000	Construction of a new senior high school in the Fleming Island area.
Series 2003	Construction of a new junior high school in the Lake Asbury area.

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>
2006	\$ 3,772,755.00	\$ 1,545,000.00	\$ 2,227,755.00
2007	3,774,702.50	1,620,000.00	2,154,702.50
2008	3,767,712.50	1,690,000.00	2,077,712.50
2009	3,772,097.50	1,755,000.00	2,017,097.50
2010	3,771,447.50	1,820,000.00	1,951,447.50
2011-2015	18,849,568.80	10,330,000.00	8,519,568.80
2016-2020	18,670,893.78	12,885,000.00	5,785,893.78
2021-2025	18,561,968.76	16,270,000.00	2,291,968.76
Subtotal	74,941,146.34	47,915,000.00	27,026,146.34
Less: Deferred Amount on Refunding Debt	<u>(632,494.00)</u>	<u>(632,494.00)</u>	
Total Minimum Lease Payments	<u>\$ 74,308,652.34</u>	<u>\$ 47,282,506.00</u>	<u>\$ 27,026,146.34</u>

8. DEFEASED DEBT

In the prior year, Certificates of Participation, Series 1997, were partially defeased by placing the proceeds of the Series 2004, Refunding Certificates, in an irrevocable trust to provide for all future debt service payments on the \$8,565,000 principal amount of Series 1997 Certificates that mature on or after July 1, 2008. Accordingly, the trust account assets and the liability for the defeased Series 1997 Certificates are not included in the District's financial statements. On June 30, 2005, Series 1997 Certificates, totaling \$8,565,000 outstanding, are considered defeased.

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CLAY COUNTY
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9. BONDS PAYABLE

Bonds payable at June 30, 2005, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1997-A	\$ 4,760,000	4.8 - 6.0	2017
Series 1998-A	915,000	4.5 - 5.5	2018
Series 1999-A	460,000	4.00 - 4.75	2019
Series 2002-B	2,225,000	3.375 - 5.375	2015
Series 2003-A	675,000	3 - 5	2023
District Revenue Bonds:			
Series 1995	<u>1,965,000</u>	5.400 - 5.875	2020
Total Bonds Payable	<u>\$ 11,000,000</u>		

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 1971-A, 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.

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2006	\$ 1,004,820.00	\$ 560,000.00	\$ 444,820.00
2007	1,003,945.00	590,000.00	413,945.00
2008	1,006,920.00	625,000.00	381,920.00
2009	1,003,307.50	650,000.00	353,307.50
2010	1,005,090.00	680,000.00	325,090.00
2011-2015	5,029,891.25	3,945,000.00	1,084,891.25
2016-2020	2,007,087.50	1,805,000.00	202,087.50
2021-2023	195,656.25	180,000.00	15,656.25
Total State School Bonds	12,256,717.50	9,035,000.00	3,221,717.50
District Revenue Bonds:			
2006	198,928.75	85,000.00	113,928.75
2007	199,338.75	90,000.00	109,338.75
2008	199,388.75	95,000.00	104,388.75
2009	199,068.75	100,000.00	99,068.75
2010	198,443.75	105,000.00	93,443.75
2011-2015	1,006,893.75	640,000.00	366,893.75
2016-2020	1,005,687.50	850,000.00	155,687.50
Total District Revenue Bonds	3,007,750.00	1,965,000.00	1,042,750.00
Total	\$ 15,264,467.50	\$ 11,000,000.00	\$ 4,264,467.50

10. CHANGES IN LONG-TERM LIABILITIES

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

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Description	Balance 6-30-04	Additions	Deductions	Balance 6-30-05	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 49,385,000.00	\$	\$ 1,470,000.00	\$ 47,915,000.00	\$ 1,545,000.00
Less Deferred Amount on Refunding Debt	(948,741.00)		(316,247.00)	(632,494.00)	(316,247.00)
Net Certificates of Participation Payable	48,436,259.00		1,153,753.00	47,282,506.00	1,228,753.00
Bonds Payable	11,610,000.00		610,000.00	11,000,000.00	645,000.00
Estimated Insurance Claims Payable	2,427,412.00	1,515,840.61	1,140,188.61	2,803,064.00	927,814.18
Compensated Absences Payable	15,722,326.17	7,774,065.65	7,173,812.23	16,322,579.59	7,173,812.23
Total Governmental Activities	<u>\$ 78,195,997.17</u>	<u>\$ 9,289,906.26</u>	<u>\$ 10,077,753.84</u>	<u>\$ 77,408,149.59</u>	<u>\$ 9,975,379.41</u>

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund.

11. ESTIMATED LIABILITY FOR ARBITRAGE REBATE

The District has determined its compliance with Federal arbitrage regulations and has an estimated liability for arbitrage rebate of \$56,066.04 as of June 30, 2005.

12. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2005.

Pursuant to provisions of Section 1006.40(6), Florida Statutes, the District is authorized to issue purchase orders for instructional material in anticipation of the subsequent year's legislative appropriations. Because revenues for these appropriations are not available at fiscal year-end, a reserve for encumbrances is not shown for these outstanding purchase orders. However, purchase orders outstanding in the General Fund for these instructional materials total \$2,708,463.95 at June 30, 2005.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 1,645,198.80	\$ 191.33
Debt Service:		
Other Debt Service	486,328.71	492,130.60
Capital Projects:		
Other Capital Projects		929,034.12
Nonmajor Governmental Funds	191.33	614,653.33
Internal Service Funds		7,756.80
Agency Funds		87,952.66
Total	\$2,131,718.84	\$2,131,718.84

Interfund balances generally arise due to expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$2,651,760.23	\$
Debt Service:		
Other Debt Service	3,778,633.00	
Capital Projects:		
Local Capital Improvement		3,592,304.29
Other Capital Projects		1,608,088.94
Nonmajor Governmental Funds		1,230,000.00
Total	\$6,430,393.23	\$6,430,393.23

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, and to provide funding for certain expenditures of the District's facilities, maintenance, and technology departments.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2004-05 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 108,951,467.00
Categorical Educational Programs:	
Class Size Reduction	11,415,160.00
Transportation	6,709,726.00
Instructional Materials	3,021,211.50
School Recognition	1,739,093.00
Discretionary Lottery Funds	1,714,138.00
Other	2,576,082.80
Gross Receipts Tax (Public Education Capital Outlay)	2,656,042.00
Classrooms for Kids	2,352,146.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,260,222.00
Workforce Development Program	659,962.00
Child Mental Health Services	127,286.46
District Effort Recognition	111,601.00
Food Service Supplement	100,510.00
Miscellaneous	567,185.47
	<u>567,185.47</u>
Total	<u>\$ 143,961,833.23</u>

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

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2004 tax roll for the 2004-05 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.723	\$ 36,857,805
Basic Discretionary Local Effort	0.510	3,284,550
Supplemental Discretionary Local Effort	0.250	1,610,074
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	12,880,589
Total	<u>8.483</u>	<u>\$ 54,633,018</u>

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

16. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions 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. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2004-05 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Elected County Officers	0.00	15.23
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
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 0.08 percent for administrative costs of the Public Employee Optional Retirement Program.

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

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NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2003, June 30, 2004, and June 30, 2005, totaled \$6,392,983.63, \$8,849,401.99, and \$9,176,155.16, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. 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 Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2005, totaled \$686,621.51.

Pension Reporting. 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.

17. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
New Coppergate Elementary School:			
Architect	\$ 563,500.00	\$ 394,450.00	\$ 169,050.00
New K-8 Oakleaf School:			
Architect	870,000.00	261,000.00	609,000.00
Construction Manager	150,000.00	15,000.00	135,000.00
Clay Hill Elementary - Classroom Additions:			
Architect	78,602.78	76,244.70	2,358.08
General Contractor	1,053,397.09	816,264.94	237,132.15
Direct Materials	508,459.52	318,702.60	189,756.92
Total	\$ 3,223,959.39	\$ 1,881,662.24	\$ 1,342,297.15

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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.

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 occurrence for automobile liability, general liability, and property loss coverages. The District's liability for workers' compensation is limited from \$125,000 to \$500,000 per occurrence, depending on the year of occurrence.

A liability in the amount of \$2,803,064 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2005.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2003-04	\$2,745,242.00	\$ 724,749.74	\$(1,042,579.74)	\$ 2,427,412.00
2004-05	2,427,412.00	1,514,604.24	(1,138,952.24)	2,803,064.00

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.

19. SUBSEQUENT EVENTS

On September 28, 2005, the District entered into a lease-purchase arrangement with the Clay School Board Leasing Corporation whereby the District secured financing of \$34,975,000 through the issuance of Certificates of Participation, Series 2005A and Series 2005B. The Series 2005A Certificates, totaling

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

\$16,430,000, with interest rates ranging from 3 percent to 4.5 percent, will be used for construction of the new K-8 Oakleaf School. The Series 2005B Certificates, totaling \$18,545,000, with interest rates ranging from 3 percent to 5 percent, were used to advance refund a portion of the District's outstanding Certificates of Participation, Series 2000.

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CLAY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct				
State	\$ 835,000.00	\$ 835,000.00	\$ 962,313.85	\$ 127,313.85
Local	135,584,735.81	137,366,762.81	137,182,800.27	(183,962.54)
	42,190,682.59	42,444,362.59	43,313,308.63	868,946.04
Total Revenues	178,610,418.40	180,646,125.40	181,458,422.75	812,297.35
Expenditures				
Current - Education:				
Instruction	120,963,956.57	116,553,887.38	111,083,339.82	5,470,547.56
Pupil Personnel Services	9,490,236.69	9,882,540.41	9,800,420.55	82,119.86
Instructional Media Services	4,086,176.33	4,248,647.50	4,176,461.90	72,185.60
Instruction and Curriculum Development Services	3,910,420.95	4,035,182.80	3,983,435.15	51,747.65
Instructional Staff Training	1,245,060.81	1,331,948.30	939,654.44	392,293.86
Board of Education	1,362,354.72	1,510,577.01	1,026,966.15	483,610.86
General Administration	617,915.27	543,638.44	535,223.01	8,415.43
School Administration	9,289,557.95	9,581,977.39	9,580,289.63	1,687.76
Facilities Acquisition and Construction	1,822,275.42	2,369,578.21	1,297,116.05	1,072,462.16
Fiscal Services	524,738.73	538,186.34	532,277.56	5,908.78
Food Services		48,575.34	48,575.34	
Central Services	4,690,335.77	5,096,443.23	4,791,329.78	305,113.45
Pupil Transportation Services	9,006,124.39	9,516,724.41	9,392,210.17	124,514.24
Operation of Plant	13,454,517.90	13,586,688.26	12,754,317.24	832,371.02
Maintenance of Plant	4,219,239.43	4,260,429.40	4,165,191.72	95,237.68
Community Services	450,917.15	390,770.31	329,934.20	60,836.11
Fixed Capital Outlay:				
Facilities Acquisition and Construction	1,153,556.15	3,628,058.47	3,556,548.80	71,509.67
Other Capital Outlay	2,681,223.49	3,438,110.42	3,417,793.34	20,317.08
Total Expenditures	188,968,607.72	190,561,963.62	181,411,084.85	9,150,878.77
Excess (Deficiency) of Revenues Over Expenditures	(10,358,189.32)	(9,915,838.22)	47,337.90	9,963,176.12
Other Financing Sources				
Operating Transfers In	2,190,948.00	2,644,448.00	2,651,760.23	7,312.23
Sale of Capital Assets	50,000.00	50,000.00	17,980.21	(32,019.79)
Insurance Loss Recoveries	25,000.00	25,000.00	15,632.40	(9,367.60)
Total Other Financing Sources	2,265,948.00	2,719,448.00	2,685,372.84	(34,075.16)
Net Change in Fund Balance	(8,092,241.32)	(7,196,390.22)	2,732,710.74	9,929,100.96
Fund Balance, July 1, 2004	18,011,444.87	18,011,444.87	18,011,444.87	
Decrease in Inventory Reserve			154,329.62	154,329.62
Fund Balance, June 30, 2005	\$ 9,919,203.55	\$ 10,815,054.65	\$ 20,898,485.23	\$ 10,083,430.58