

**CLAY COUNTY  
DISTRICT SCHOOL BOARD**

---

**Financial, Operational, and Federal Single  
Audit**

For the Fiscal Year Ended  
June 30, 2012



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

|  | <u>District No.</u> |
|--|---------------------|
| Janice Kerekes, Vice Chair from 11-22-11                       | 1                   |
| Carol Studdard, Vice Chair to 11-21-11,<br>Chair from 11-22-11 | 2                   |
| Charles E. Van Zant, Jr.                                       | 3                   |
| Frank Farrell, Chair to 11-21-11                               | 4                   |
| Lisa Graham  | 5                   |

Ben H. Wortham, Superintendent

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Sue Granger, and the audit was supervised by Randy R. Arend, CPA. For the information technology portion of this audit, the audit team leader was Earl M. Butler, CISA, CFE and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

CLAY COUNTY DISTRICT SCHOOL BOARD  
TABLE OF CONTENTS

PAGE  
NO.

EXECUTIVE SUMMARY..... i

INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS.....1

MANAGEMENT’S DISCUSSION AND ANALYSIS ..... 3

**BASIC FINANCIAL STATEMENTS**

    Statement of Net Assets .....10

    Statement of Activities..... 11

    Balance Sheet – Governmental Funds .....12

    Reconciliation of the Governmental Funds Balance Sheet  
    to the Statement of Net Assets.....14

    Statement of Revenues, Expenditures, and Changes in  
    Fund Balances – Governmental Funds ..... 16

    Reconciliation of the Governmental Funds Statement of  
    Revenues, Expenditures, and Changes in Fund Balances  
    to the Statement of Activities .....18

    Statement of Net Assets – Proprietary Fund.....19

    Statement of Revenues, Expenses, and Changes in Fund  
    Net Assets – Proprietary Fund..... 20

    Statement of Cash Flows – Proprietary Fund.....21

    Statement of Fiduciary Assets and Liabilities – Fiduciary Funds..... 22

    Notes to Financial Statements ..... 23

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

    Budgetary Comparison Schedule – General and Major Special Revenue Funds..... 48

    Schedule of Funding Progress – Other Postemployment Benefits Plan.....51

    Notes to Required Supplementary Information..... 52

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... 53**

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*..... 54**

**INDEPENDENT AUDITOR’S 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..... 56**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 58**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS .....71**

**EXHIBIT A MANAGEMENT’S RESPONSE ..... 72**

---

---

## EXECUTIVE SUMMARY

---

---

### Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies as summarized below. However, these significant deficiencies are not considered to be material weaknesses.

#### SIGNIFICANT DEFICIENCIES

Finding No. 1: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

Finding No. 2: Improvements were needed in the bank account reconciliation process.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

#### ADDITIONAL MATTERS

Finding No. 3: Controls over electronic funds transfers could be enhanced.

Finding No. 4: The District's controls over investments could be enhanced.

Finding No. 5: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 6: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 7: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 8: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 9: Payroll processing procedures could be enhanced to ensure that employee work time is appropriately documented and approved, accurately recorded, and not in conflict with other employment.

Finding No. 10: The District had not developed a written information technology (IT) security incident response plan.

Finding No. 11: Some inappropriate or unnecessary IT access privileges existed, indicating a need for an improved review of access privileges.

Finding No. 12: The District had not established written deactivation policies and procedures and did not timely deactivate the access privileges of a former employee.

Finding No. 13: The District's IT security controls related to user authentication, data loss prevention, and monitoring of system activity needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, Improving Teacher Quality, Race-to-the-Top, and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 1: The District's local fiscal effort for the Special Education program services decreased from the 2010-11 fiscal year to the 2011-12 fiscal year, resulting in a maintenance of effort shortfall of \$99,142.91.

Federal Awards Finding No. 2: The District prepaid for training services prior to receipt of the services and District records did not evidence that services paid for were received, resulting in \$7,500 of questioned costs for the Improving Teacher Quality program.

#### Audit Objectives and Scope

Our audit objectives were to determine whether the Clay County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 23 percent of the assets and 49 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based 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 reports 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, each major fund, and the aggregate remaining fund information for the Clay County District School Board as of June 30, 2012, 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.

As discussed in note 1 to the financial statements, the Clay County Education Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2011-12 fiscal year. This affects the comparability of the amounts reported for the 2010-11 fiscal year with the amounts reported for the 2011-12 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Clay County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
March 22, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Clay County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2012, by \$419,476,275.67 (net assets).
- In total, net assets decreased \$17,450,849.62, which represents a 4 percent decrease from the 2010-11 fiscal year.
- General revenues total \$261,677,396.10, or 94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$16,563,256.56, or 6 percent of all revenues.
- Expenses total \$295,691,502.28. Only \$16,563,256.56 of these expenses was offset by program specific charges, with the remainder paid from general revenues and net assets. Total expenses exceeded total revenues by \$17,450,849.62.
- The unassigned fund balance of the General Fund, which is available for general appropriation by the Board, totals \$8,837,299.73 at June 30, 2012, or 4 percent of total General Fund expenditures. The unassigned fund balance decreased by \$8,837,128.60 from the 2010-11 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$12,949,060.57. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$2,464,003.83.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### **Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of 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 governmental 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 District's financial health. 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.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support

services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

### **Fund Financial Statements**

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund 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 most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Federal Programs Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service – Other Debt Service Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General 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 government-wide 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 the school and student 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 agency funds to account for resources held for student 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.

**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, 2012, compared to net assets as of June 30, 2011:

|                              | <b>Net Assets, End of Year</b> |                          |
|------------------------------|--------------------------------|--------------------------|
|                              | Governmental<br>Activities     |                          |
|                              | 6-30-12                        | 6-30-11                  |
| Current and Other Assets     | \$ 47,274,980.26               | \$ 65,960,577.73         |
| Capital Assets               | 474,035,773.25                 | 480,869,033.50           |
| <b>Total Assets</b>          | <b>521,310,753.51</b>          | <b>546,829,611.23</b>    |
| Long-Term Liabilities        | 89,679,060.60                  | 94,760,876.79            |
| Other Liabilities            | 12,155,417.24                  | 15,141,609.15            |
| <b>Total Liabilities</b>     | <b>101,834,477.84</b>          | <b>109,902,485.94</b>    |
| Net Assets:                  |                                |                          |
| Invested in Capital Assets - |                                |                          |
| Net of Related Debt          | 407,085,773.25                 | 409,642,815.23           |
| Restricted                   | 15,108,849.05                  | 21,415,051.04            |
| Unrestricted (Deficit)       | (2,718,346.63)                 | 5,869,259.02             |
| <b>Total Net Assets</b>      | <b>\$ 419,476,275.67</b>       | <b>\$ 436,927,125.29</b> |

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

The restricted portion of the District’s net assets represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the District’s ongoing obligations to students, employees, and creditors. Under the long-term view provided by the government-wide statements, the District’s unrestricted net assets are negative in amount; however, the District has sufficient current assets to meet its current obligations.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

|  | <b>Operating Results for the Fiscal Year Ended</b> |                          |
|--|--|--------------------------|
|  | Governmental                                       |                          |
|  | Activities   |                          |
|  | 6-30-12  | 6-30-11                  |
| Program Revenues:  |  |                          |
| Charges for Services   | \$ 7,220,191.54                                    | \$ 7,051,540.24          |
| Operating Grants and Contributions                           | 7,864,895.39                                       | 15,719,324.13            |
| Capital Grants and Contributions                             | 1,478,169.63                                       | 5,916,022.29             |
| General Revenues:  |  |                          |
| Property Taxes, Levied for Operational Purposes              | 57,666,051.48                                      | 60,541,549.24            |
| Property Taxes, Levied for Capital Projects                  | 13,357,457.53                                      | 13,585,708.87            |
| Local Sales Taxes  | 1,562,024.26                                       | 1,522,002.06             |
| Grants and Contributions Not Restricted to Specific Programs | 186,688,306.55                                     | 206,846,939.44           |
| Unrestricted Investment Earnings                             | 282,346.00   | 208,732.36               |
| Miscellaneous  | 2,121,210.28                                       | 2,151,657.28             |
| <b>Total Revenues</b>  | <b>278,240,652.66</b>                              | <b>313,543,475.91</b>    |
| Functions/Program Expenses:                                  |  |                          |
| Instruction  | 170,665,908.56                                     | 182,215,046.03           |
| Pupil Personnel Services                                     | 13,097,725.58                                      | 14,022,422.66            |
| Instructional Media Services                                 | 3,881,022.75                                       | 4,958,662.50             |
| Instruction and Curriculum Development Services              | 5,213,920.19                                       | 5,269,733.25             |
| Instructional Staff Training Services                        | 2,032,853.15                                       | 2,527,945.51             |
| Instruction Related Technology                               | 1,841,609.78                                       | 1,891,977.58             |
| School Board   | 1,144,428.75                                       | 1,087,612.91             |
| General Administration                                       | 1,125,635.53                                       | 1,426,409.25             |
| School Administration  | 14,082,031.36                                      | 15,871,953.56            |
| Facilities Acquisition and Construction                      | 4,825,296.72                                       | 9,510,995.69             |
| Fiscal Services  | 290,314.59   | 603,684.92               |
| Food Services  | 14,022,802.05                                      | 14,175,543.92            |
| Central Services   | 3,238,317.54                                       | 3,239,218.60             |
| Pupil Transportation Services                                | 13,808,344.15                                      | 13,724,701.09            |
| Operation of Plant   | 20,311,232.29                                      | 20,341,794.94            |
| Maintenance of Plant   | 5,298,469.76                                       | 5,479,985.69             |
| Administrative Technology Services                           | 2,009,932.45                                       | 1,520,136.57             |
| Community Services   | 330,910.67   | 423,777.13               |
| Unallocated Interest on Long-Term Debt                       | 2,623,253.49                                       | 3,304,141.89             |
| Unallocated Depreciation Expense                             | 15,847,492.92                                      | 16,064,925.88            |
| <b>Total Functions/Program Expenses</b>                      | <b>295,691,502.28</b>                              | <b>317,660,669.57</b>    |
| <b>Decrease in Net Assets</b>                                | <b>\$ (17,450,849.62)</b>                          | <b>\$ (4,117,193.66)</b> |

The State's Florida Education Finance Program (FEFP) and local property taxes provide the majority of the District's revenue for current operations. These revenues are included in general revenues, which provide about 94 percent of total revenues, whereas program revenues provide only about 6 percent. The majority of program revenues (86 percent) are in the food services activity.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. Student enrollment decreased by 138 students, from 35,683 in the 2010-11 fiscal year to 35,545 in the 2011-12 fiscal year. In addition, the reduction in program revenue for pupil transportation services resulted mainly from student transportation funding being reclassified from program revenue to general revenue and treated as FEFP funding. The District's property tax revenues decreased by \$3,103,749.10 from the 2010-11 fiscal year primarily as a result of declining property values.

Grants and contributions not restricted to specific programs decreased by \$20,158,632.89 or 10 percent, and is specifically related to the decrease in Federal economic stimulus funding.

Capital grants and contributions revenue decreased by \$4,437,852.66 from the 2010-11 fiscal year primarily from a reduction in State Public Education Capital Outlay appropriations of \$2,062,385 and the reclassification of capital improvement impact fees from program revenue to general revenue.

Instruction expenses represent 57 and 58 percent of total governmental activities expenses for the 2010-11 and 2011-12 fiscal years, respectively. Overall, total expenses decreased \$21,969,167.29, or 7 percent from the 2010-11 fiscal year mainly because of decreases in salary and benefits expenses related, in part, to a decrease in expenses for retirement benefits as a result of a decrease in employer contribution rates.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$8,837,299.73, while the total fund balance is \$13,382,968.37. The unassigned fund balance represents 4 percent of total General Fund expenditures, while the total fund balance represents 6 percent of such expenditures. The unassigned fund balance decreased by \$8,837,128.60, while the total fund balance decreased by \$9,499,999.16 for the fiscal year. Total expenditures exceeded total revenues by \$12,949,060.57, net other financing sources totaled \$3,636,103.48, and inventories accounted for under the purchases method of inventory accounting decreased \$187,042.07, comprising a net decrease of \$9,499,999.16 in total fund balance.

Key factors of the net decrease are as follows:

- Revenues decreased by \$12,076,090.54, mainly from decreases in State revenues.
- Total expenditures increased by \$3,336,973.86, or 1 percent. The increase in General Fund expenditures was mainly for personnel previously funded by Federal economic stimulus programs in prior fiscal years.

The Special Revenue – Food Service Fund, which accounts for all food service activities, has revenues and expenditures of \$14,180,874.74 and \$14,418,288.65, respectively, and ended the fiscal year with a fund balance of \$4,352,487.31. The ending fund balance included \$94,697.64 of inventory and \$38,053.36 of Fund B Surplus Trust Fund investments representing nonspendable fund balance, while the remaining \$4,219,736.31 fund balance was restricted for food service operations. It should be noted that \$250,372.82 of fund balance has been encumbered for specific purposes.

The Special Revenue – Other Federal Programs Fund accounted for Federal grants administered through the State’s cash advance system. This fund accounted for revenues and expenditures of \$16,702,448.66 and \$17,778,293.51, respectively, with the funding mainly used for instruction activities.

The Special Revenue – Federal Economic Stimulus Programs Fund is used to account for the proceeds of the American Recovery and Reinvestment Act funds and Education Jobs Fund grants that are legally restricted for specified purposes. This fund had revenues and expenditures of \$1,195,889.38 and \$1,246,958.10, respectively. Revenues and expenditures declined substantially from the prior fiscal year because of the expiration of most Federal economic stimulus programs during the 2010-11 and 2011-12 fiscal years.

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, \$56,331.93 at June 30, 2012, which is restricted for the payment of debt service.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$6,039,448.01, which is restricted for the acquisition, construction, and maintenance of capital assets. Total fund balance decreased by \$1,959,659.16 in the current fiscal year. Expenditures were mainly for enhanced classrooms, the renovation of Orange Park High School, and the purchases of buses. Transfers out were to provide for debt service payments, to fund equipment purchases, to pay property insurance premiums, and to provide funding for certain expenditures of the District’s maintenance and facilities departments. It should be noted that \$2,875,846.78 of fund balance is encumbered for specific projects.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$4,965,402.48, or 2 percent. Similarly, final appropriations increased by \$7,924,144.69, or 3 percent from original budgeted amounts. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues were slightly more than final budgeted amounts, whereas actual expenditures were \$15,888,817.31, or 6 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$16,119,596.62.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District’s investment in capital assets (net of accumulated depreciation) for its governmental activities at June 30, 2012, is \$474,035,773.25. This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

The investment in capital assets decreased by a net amount of \$6,833,260.25, or 1 percent as compared to the June 30, 2011, balance. Major capital asset events during the current fiscal year included purchases of school buses and construction related to enhanced classrooms and renovations at Orange Park High School.

Additional information on the District’s capital assets can be found in notes 5 and 16 to the financial statements.

**Long-Term Debt**

At June 30, 2012, the District has total long-term debt outstanding of \$66,950,000, comprised of \$59,965,000 of certificates of participation, \$4,160,000 of State school bonds, and \$2,825,000 of District revenue bonds. During the fiscal year, long-term debt decreased by a net amount of \$4,276,218.27, or 6 percent from the June 30, 2011, balance.

Additional information on the District's long-term debt can be found in notes 6 through 9 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 information provided in the MD&A, other required supplementary information, the financial statements and notes thereto, 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.

**BASIC FINANCIAL STATEMENTS**

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2012**

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash and Cash Equivalents                       | \$ 37,363,814.28                   |
| Accounts Receivable                             | 162,378.70                         |
| Due from Other Agencies                         | 3,888,687.99                       |
| Due from Excess Insurance Carrier               | 39,800.20                          |
| Inventories                                     | 1,383,692.35                       |
| Investments                                     | 1,211,810.49                       |
| Capital Credits Receivable                      | 3,224,796.25                       |
| Capital Assets:                                 |                                    |
| Nondepreciable Capital Assets                   | 33,034,412.93                      |
| Depreciable Capital Assets, Net                 | 441,001,360.32                     |
| <b>TOTAL ASSETS</b>                             | <b>\$ 521,310,753.51</b>           |
| <b>LIABILITIES</b>                              |                                    |
| Salaries and Benefits Payable                   | \$ 4,597,154.68                    |
| Payroll Deductions and Withholdings             | 981,702.35                         |
| Accounts Payable                                | 3,058,726.67                       |
| Construction Contracts Payable                  | 72,567.54                          |
| Construction Contracts Payable - Retainage      | 225,090.59                         |
| Matured Bonds Payable                           | 2,410,000.00                       |
| Matured Interest Payable                        | 797,038.12                         |
| Deferred Revenue                                | 13,137.29                          |
| Long-Term Liabilities:                          |                                    |
| Portion Due Within One Year                     | 12,659,326.91                      |
| Portion Due After One Year                      | 77,019,733.69                      |
| <b>Total Liabilities</b>                        | <b>101,834,477.84</b>              |
| <b>NET ASSETS</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 407,085,773.25                     |
| Restricted for:                                 |                                    |
| State Required Carryover Programs               | 2,021,481.37                       |
| Debt Service                                    | 442,896.62                         |
| Capital Projects                                | 8,291,983.75                       |
| Food Service                                    | 4,352,487.31                       |
| Unrestricted                                    | (2,718,346.63)                     |
| <b>Total Net Assets</b>                         | <b>419,476,275.67</b>              |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$ 521,310,753.51</b>           |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

| Functions/Programs                              | Expenses                 | Program Revenues       |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets<br>Governmental Activities |
|---|--------------------------|------------------------|------------------------------------|----------------------------------|--|
|   |                          | Charges for Services   | Operating Grants and Contributions | Capital Grants and Contributions |  |
| <b>Governmental Activities:</b>                 |                          |                        |                                    |                                  |  |
| Instruction                                     | \$ 170,665,908.56        | \$ 518,139.51          | \$                                 | \$                               | \$ (170,147,769.05)  |
| Pupil Personnel Services                        | 13,097,725.58            |                        |                                    |                                  | (13,097,725.58)  |
| Instructional Media Services                    | 3,881,022.75             |                        |                                    |                                  | (3,881,022.75)   |
| Instruction and Curriculum Development Services | 5,213,920.19             |                        |                                    |                                  | (5,213,920.19)   |
| Instructional Staff Training Services           | 2,032,853.15             |                        |                                    |                                  | (2,032,853.15)   |
| Instruction Related Technology                  | 1,841,609.78             |                        |                                    |                                  | (1,841,609.78)   |
| School Board                                    | 1,144,428.75             |                        |                                    |                                  | (1,144,428.75)   |
| General Administration                          | 1,125,635.53             |                        |                                    |                                  | (1,125,635.53)   |
| School Administration                           | 14,082,031.36            |                        |                                    |                                  | (14,082,031.36)  |
| Facilities Acquisition and Construction         | 4,825,296.72             |                        |                                    | 494,780.83                       | (4,330,515.89)   |
| Fiscal Services                                 | 290,314.59               |                        |                                    |                                  | (290,314.59)   |
| Food Services                                   | 14,022,802.05            | 6,300,534.90           | 7,864,895.39                       |                                  | 142,628.24   |
| Central Services                                | 3,238,317.54             |                        |                                    |                                  | (3,238,317.54)   |
| Pupil Transportation Services                   | 13,808,344.15            |                        |                                    |                                  | (13,808,344.15)  |
| Operation of Plant                              | 20,311,232.29            |                        |                                    |                                  | (20,311,232.29)  |
| Maintenance of Plant                            | 5,298,469.76             |                        |                                    |                                  | (5,298,469.76)   |
| Administrative Technology Services              | 2,009,932.45             |                        |                                    |                                  | (2,009,932.45)   |
| Community Services                              | 330,910.67               | 401,517.13             |                                    |                                  | 70,606.46  |
| Unallocated Interest on Long-Term Debt          | 2,623,253.49             |                        |                                    | 983,388.80                       | (1,639,864.69)   |
| Unallocated Depreciation Expense*               | 15,847,492.92            |                        |                                    |                                  | (15,847,492.92)  |
| <b>Total Governmental Activities</b>            | <b>\$ 295,691,502.28</b> | <b>\$ 7,220,191.54</b> | <b>\$ 7,864,895.39</b>             | <b>\$ 1,478,169.63</b>           | <b>(279,128,245.72)</b>  |
| General Revenues:                               |                          |                        |                                    |                                  |  |
| Taxes:  |                          |                        |                                    |                                  |  |
|   |                          |                        |                                    |                                  | 57,666,051.48  |
|   |                          |                        |                                    |                                  | 13,357,457.53  |
|   |                          |                        |                                    |                                  | 1,562,024.26   |
|   |                          |                        |                                    |                                  | 186,688,306.55   |
|   |                          |                        |                                    |                                  | 282,346.00   |
|   |                          |                        |                                    |                                  | 2,121,210.28   |
| <b>Total General Revenues</b>                   |                          |                        |                                    |                                  | <b>261,677,396.10</b>  |
| <b>Change in Net Assets</b>                     |                          |                        |                                    |                                  | <b>(17,450,849.62)</b>   |
| Net Assets - Beginning                          |                          |                        |                                    |                                  | 436,927,125.29   |
| <b>Net Assets - Ending</b>                      |                          |                        |                                    |                                  | <b>\$ 419,476,275.67</b>   |

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

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2012**

|  | General<br>Fund         | Special<br>Revenue -<br>Food Service<br>Fund | Special<br>Revenue -<br>Other Federal<br>Programs Fund |
|--|-------------------------|--|--|
| <b>ASSETS</b>                              |                         |  |  |
| Cash and Cash Equivalents                  | \$ 13,249,040.41        | \$ 4,108,481.91                              | \$ 290,733.81  |
| Accounts Receivable                        | 65,651.97               |  |  |
| Due from Other Funds                       | 4,689,667.81            |  |  |
| Due from Other Agencies                    | 143,974.14              | 997,085.25                                   | 2,334,776.53   |
| Inventories                                | 1,288,994.71            | 94,697.64                                    |  |
| Investments                                | 490,320.82              | 38,053.36                                    | 9,780.51   |
| <b>TOTAL ASSETS</b>                        | <b>\$ 19,927,649.86</b> | <b>\$ 5,238,318.16</b>                       | <b>\$ 2,635,290.85</b>                                 |
| <b>LIABILITIES AND FUND BALANCES</b>       |                         |  |  |
| Liabilities:                               |                         |  |  |
| Salaries and Benefits Payable              | \$ 4,583,479.90         | \$ 2,189.71                                  | \$ 11,485.07   |
| Payroll Deductions and Withholdings        | 927,937.79              | 33,197.20                                    | 20,567.36  |
| Accounts Payable                           | 1,033,263.80            | 136,911.01                                   | 4,776.75   |
| Construction Contracts Payable             |                         |  |  |
| Construction Contracts Payable - Retainage |                         |  |  |
| Matured Bonds Payable                      |                         |  |  |
| Matured Interest Payable                   |                         |  |  |
| Due to Other Funds                         |                         | 713,532.93                                   | 2,585,324.38   |
| Deferred Revenues                          |                         |  | 13,137.29  |
| <b>Total Liabilities</b>                   | <b>6,544,681.49</b>     | <b>885,830.85</b>                            | <b>2,635,290.85</b>                                    |
| Fund Balances:                             |                         |  |  |
| Nonspendable:                              |                         |  |  |
| Inventory                                  | 1,288,994.71            | 94,697.64                                    |  |
| Fund B Surplus Funds Trust Fund            | 490,320.82              | 38,053.36                                    | 9,780.51   |
| Total Nonspendable Fund Balance            | 1,779,315.53            | 132,751.00                                   | 9,780.51   |
| Restricted for:                            |                         |  |  |
| State Required Carryover Programs          | 2,021,481.37            |  |  |
| Debt Service                               |                         |  |  |
| Capital Projects                           |                         |  |  |
| Food Services                              |                         | 4,219,736.31                                 |  |
| Total Restricted Fund Balance              | 2,021,481.37            | 4,219,736.31                                 |  |
| Assigned for:                              |                         |  |  |
| Repairs and Maintenance                    | 183,241.10              |  |  |
| Purchased Services                         | 167,688.72              |  |  |
| School Advisory Councils                   | 91,538.65               |  |  |
| Equipment Purchases                        | 86,280.41               |  |  |
| Vocational Childcare Program               | 82,386.69               |  |  |
| Other Purposes                             | 133,736.17              |  |  |
| Total Assigned Fund Balance                | 744,871.74              |  |  |
| Unassigned Fund Balance                    | 8,837,299.73            |  | (9,780.51)   |
| <b>Total Fund Balances</b>                 | <b>13,382,968.37</b>    | <b>4,352,487.31</b>                          |  |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 19,927,649.86</b> | <b>\$ 5,238,318.16</b>                       | <b>\$ 2,635,290.85</b>                                 |

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

| Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund | Debt<br>Service -<br>Other Debt<br>Service Fund | Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---|--|--------------------------------|--------------------------------|
| \$  | \$ 4,249,353.89                                 | \$ 6,769,060.67  | \$ 2,219,033.02                | \$ 30,885,703.71               |
|   |   |  | 72.86                          | 65,724.83                      |
| 67,588.63   |   | 6,749.01   | 338,514.43                     | 4,689,667.81                   |
|   | 274.89  | 256,231.68   | 344,416.39                     | 3,888,687.99                   |
|   |   |  |                                | 1,383,692.35                   |
| <u>67,588.63</u>  | <u>4,249,628.78</u>                             | <u>7,032,041.36</u>  | <u>2,902,036.70</u>            | <u>42,052,554.34</u>           |
| \$  | \$  | \$   | \$                             | \$ 4,597,154.68                |
| 38,311.93   | 59,828.78                                       | 414,430.00   | 1,102.00                       | 981,702.35                     |
|   |   | 72,567.54  |                                | 1,688,624.27                   |
|   | 2,410,000.00                                    | 225,090.59   |                                | 72,567.54                      |
|   | 797,038.12                                      |  |                                | 225,090.59                     |
| 29,276.70   | 926,429.95                                      | 280,505.22   | 261,834.27                     | 2,410,000.00                   |
|   |   |  |                                | 797,038.12                     |
|   |   |  |                                | 4,796,903.45                   |
| <u>67,588.63</u>  | <u>4,193,296.85</u>                             | <u>992,593.35</u>  | <u>262,936.27</u>              | <u>15,582,218.29</u>           |
|   |   |  |                                | 1,383,692.35                   |
|   | 274.89  | 256,231.68   | 220,498.52                     | 1,015,159.78                   |
|   | <u>274.89</u>                                   | <u>256,231.68</u>  | <u>220,498.52</u>              | <u>2,398,852.13</u>            |
|   |   |  |                                | 2,021,481.37                   |
|   | 56,057.04                                       |  | 378,852.49                     | 434,909.53                     |
|   |   | 5,783,216.33   | 2,039,749.42                   | 7,822,965.75                   |
|   |   |  |                                | 4,219,736.31                   |
|   | <u>56,057.04</u>                                | <u>5,783,216.33</u>  | <u>2,418,601.91</u>            | <u>14,499,092.96</u>           |
|   |   |  |                                | 183,241.10                     |
|   |   |  |                                | 167,688.72                     |
|   |   |  |                                | 91,538.65                      |
|   |   |  |                                | 86,280.41                      |
|   |   |  |                                | 82,386.69                      |
|   |   |  |                                | 133,736.17                     |
|   |   |  |                                | <u>744,871.74</u>              |
|   |   |  |                                | <u>8,827,519.22</u>            |
|   | 56,331.93                                       | 6,039,448.01   | 2,639,100.43                   | 26,470,336.05                  |
| <u>67,588.63</u>  | <u>4,249,628.78</u>                             | <u>7,032,041.36</u>  | <u>2,902,036.70</u>            | <u>42,052,554.34</u>           |

**CLAY COUNTY**  
**DISTRICT SCHOOL BOARD**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**Total Fund Balances - Governmental Funds** \$ 26,470,336.05

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. 474,035,773.25

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. 3,935,713.72

Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets. 3,224,796.25

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

|                                       |                  |  |
|---------------------------------------|------------------|--|
| Certificates of Participation Payable | \$ 59,965,000.00 |  |
| Bonds Payable                         | 6,985,000.00     |  |
| Compensated Absences Payable          | 20,294,393.60    |  |
| Other Postemployment Benefits Payable | 945,950.00       |  |
|                                       | (88,190,343.60)  |  |

**Total Net Assets - Governmental Activities** \$ 419,476,275.67

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012**

|   | General<br>Fund  | Special<br>Revenue -<br>Food Service<br>Fund | Special<br>Revenue -<br>Other Federal<br>Programs Fund |
|---|------------------|--|--|
| <b>Revenues</b>   |                  |  |  |
| Intergovernmental:  |                  |  |  |
| Federal Direct  | \$ 846,453.11    | \$   | \$ 365,589.57  |
| Federal Through State and Local   | 24,083.33        | 7,729,555.39                                 | 16,336,859.09  |
| State   | 165,135,319.19   | 135,340.00                                   |  |
| Local:  |                  |  |  |
| Property Taxes  | 57,666,051.48    |  |  |
| Local Sales Taxes   |                  |  |  |
| Impact Fees   |                  |  |  |
| Charges for Services - Food Service                                       |                  | 6,300,534.90                                 |  |
| Miscellaneous   | 2,602,597.64     | 15,444.45                                    |  |
| Total Local Revenues  | 60,268,649.12    | 6,315,979.35                                 |  |
| <b>Total Revenues</b>   | 226,274,504.75   | 14,180,874.74                                | 16,702,448.66  |
| <b>Expenditures</b>   |                  |  |  |
| Current - Education:  |                  |  |  |
| Instruction   | 157,967,732.93   |  | 12,684,675.39  |
| Pupil Personnel Services  | 11,975,693.40    |  | 1,130,091.34   |
| Instructional Media Services  | 3,884,439.38     |  |  |
| Instruction and Curriculum Development Services                           | 3,776,230.39     |  | 1,442,749.42   |
| Instructional Staff Training Services                                     | 639,867.33       |  | 1,393,768.41   |
| Instruction Related Technology  | 1,842,070.96     |  | 719.26   |
| School Board  | 1,026,944.30     |  |  |
| General Administration  | 749,409.58       |  | 376,570.34   |
| School Administration   | 14,084,113.51    |  | 12,118.92  |
| Facilities Acquisition and Construction                                   | 1,095,352.04     |  | 72,487.68  |
| Fiscal Services   | 290,584.36       |  |  |
| Food Services   | 74,244.73        | 13,957,072.75                                |  |
| Central Services  | 3,172,957.15     |  | 42,431.96  |
| Pupil Transportation Services   | 10,903,808.82    |  | 106,706.83   |
| Operation of Plant  | 19,342,734.33    |  |  |
| Maintenance of Plant  | 5,204,082.01     |  |  |
| Administrative Technology Services  | 1,722,835.01     |  |  |
| Community Services  | 331,159.53       |  |  |
| Fixed Capital Outlay:   |                  |  |  |
| Facilities Acquisition and Construction                                   | 118,494.31       |  | 86,088.63  |
| Other Capital Outlay  | 854,127.92       | 461,215.90                                   | 429,885.33   |
| Debt Service:   |                  |  |  |
| Principal   | 156,218.27       |  |  |
| Interest and Fiscal Charges   | 10,465.06        |  |  |
| <b>Total Expenditures</b>   | 239,223,565.32   | 14,418,288.65                                | 17,778,293.51  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b>                  | (12,949,060.57)  | (237,413.91)                                 | (1,075,844.85)   |
| <b>Other Financing Sources (Uses)</b>                                     |                  |  |  |
| Transfers In  | 3,477,701.22     |  |  |
| Refunding Certificates of Participation Issued                            |                  |  |  |
| Premium on Certificates of Participation Issued                           |                  |  |  |
| Refunding Bonds Issued  |                  |  |  |
| Premium on Refunding Bonds Issued   |                  |  |  |
| Payments to Refunded Certificates of Participation and Bond Escrow Agents |                  |  |  |
| Proceeds from Sale of Capital Assets                                      | 178,185.74       |  |  |
| Insurance Loss Recoveries   | 31,285.24        |  |  |
| Transfers Out   | (51,068.72)      |  | (152,158.22)   |
| <b>Total Other Financing Sources (Uses)</b>                               | 3,636,103.48     |  | (152,158.22)   |
| <b>Net Change in Fund Balances</b>  | (9,312,957.09)   | (237,413.91)                                 | (1,228,003.07)   |
| Fund Balances, Beginning  | 22,882,967.53    | 4,587,563.19                                 | 1,228,003.07   |
| Increase (Decrease) in Nonspendable Inventory                             | (187,042.07)     | 2,338.03                                     |  |
| <b>Fund Balances, Ending</b>  | \$ 13,382,968.37 | \$ 4,352,487.31                              | \$ 0.00  |

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

| Special Revenue -<br>Federal Economic<br>Stimulus Fund | Debt Service -<br>Other Debt<br>Service Fund | Capital Projects -<br>Local Capital<br>Improvement Fund | Other Governmental<br>Funds | Total Governmental<br>Funds |
|--|--|---|-----------------------------|-----------------------------|
| \$ 1,195,889.38  | \$   | \$  | \$                          | \$ 1,212,042.68             |
|  |  |   | 1,680,568.70                | 25,286,387.19               |
|  |  | 13,357,457.53   |                             | 166,951,227.89              |
|  |  |   | 1,562,024.26                | 71,023,509.01               |
|  |  |   | 2,878,768.88                | 1,562,024.26                |
|  | 842.58                                       | 30,427.53   | 8,229.91                    | 2,878,768.88                |
|  | 842.58                                       | 13,387,885.06   | 4,449,023.05                | 6,300,534.90                |
|  |  |   |                             | 2,657,542.11                |
|  |  |   |                             | 84,422,379.16               |
| <u>1,195,889.38</u>                                    | <u>842.58</u>                                | <u>13,387,885.06</u>                                    | <u>6,129,591.75</u>         | <u>277,872,036.92</u>       |
| 173,062.08   |  |   |                             | 170,825,470.40              |
| 4,180.09   |  |   |                             | 13,109,964.83               |
|  |  |   |                             | 3,884,439.38                |
| 500.00   |  |   |                             | 5,218,979.81                |
|  |  |   |                             | 2,034,135.74                |
| 245.84   |  |   |                             | 1,842,790.22                |
|  |  |   |                             | 1,026,944.30                |
|  |  |   |                             | 1,126,225.76                |
|  |  | 1,458,726.35  | 2,433,579.24                | 14,096,232.43               |
|  |  |   |                             | 5,060,145.31                |
|  |  |   |                             | 290,584.36                  |
|  |  |   |                             | 14,031,317.48               |
|  |  |   |                             | 3,215,389.11                |
|  |  |   |                             | 11,010,515.65               |
| 288,202.58   |  |   |                             | 19,342,734.33               |
|  |  |   |                             | 5,204,082.01                |
|  |  |   |                             | 2,011,037.59                |
|  |  |   |                             | 331,159.53                  |
|  |  | 7,156,476.64  | 931,123.56                  | 8,292,183.14                |
| 780,767.51   |  |   |                             | 2,525,996.66                |
|  | 2,410,000.00                                 |   | 840,000.00                  | 3,406,218.27                |
|  | 2,632,458.26                                 |   | 371,674.78                  | 3,014,598.10                |
| <u>1,246,958.10</u>                                    | <u>5,042,458.26</u>                          | <u>8,615,202.99</u>                                     | <u>4,576,377.58</u>         | <u>290,901,144.41</u>       |
| <u>(51,068.72)</u>                                     | <u>(5,041,615.68)</u>                        | <u>4,772,682.07</u>                                     | <u>1,553,214.17</u>         | <u>(13,029,107.49)</u>      |
| 51,068.72  | 5,523,089.54                                 |   |                             | 9,051,859.48                |
|  | 24,930,000.00                                |   |                             | 24,930,000.00               |
|  | 1,576,288.80                                 |   |                             | 1,576,288.80                |
|  |  |   | 1,160,000.00                | 1,160,000.00                |
|  |  |   | 125,725.30                  | 125,725.30                  |
|  | (26,988,268.54)                              |   | (1,282,400.95)              | (28,270,669.49)             |
|  |  | 97,547.50   |                             | 275,733.24                  |
|  |  |   |                             | 31,285.24                   |
|  |  | (6,829,888.73)  | (2,018,743.81)              | (9,051,859.48)              |
| <u>51,068.72</u>                                       | <u>5,041,109.80</u>                          | <u>(6,732,341.23)</u>                                   | <u>(2,015,419.46)</u>       | <u>(171,636.91)</u>         |
|  | (505.88)                                     | (1,959,659.16)  | (462,205.29)                | (13,200,744.40)             |
|  | 56,837.81                                    | 7,999,107.17  | 3,101,305.72                | 39,855,784.49               |
|  |  |   |                             | (184,704.04)                |
| <u>\$ 0.00</u>   | <u>\$ 56,331.93</u>                          | <u>\$ 6,039,448.01</u>                                  | <u>\$ 2,639,100.43</u>      | <u>\$ 26,470,336.05</u>     |

**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, 2012**

**Net Change in Fund Balances - Governmental Funds** \$ (13,200,744.40)

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. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.

|                             |                        |                |
|-----------------------------|------------------------|----------------|
| Capital Outlay Expenditures | \$ 10,818,179.80       |                |
| Depreciation Expense        | <u>(18,000,449.45)</u> | (7,182,269.65) |

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. 349,009.41

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 paid in the current fiscal year. 3,406,218.27

Issuing long-term debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. Refunding debt is an other financing use in the governmental funds, but decreases liabilities in the statement of net assets. This is the amount of long-term debt that was issued and refunded during the current fiscal year:

|   |                      |            |
|---|----------------------|------------|
| State Board of Education Refunding Bonds Issued | \$ (1,160,000.00)    |            |
| State Board of Education Bonds Defeased         | 1,285,000.00         |            |
| Refunding Certificates of Participation Issued  | (24,930,000.00)      |            |
| Certificates of Participation Defeased          | <u>25,675,000.00</u> | 870,000.00 |

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. This is the net increase in capital credits receivable in the current fiscal year:

|                       |                       |             |
|-----------------------|-----------------------|-------------|
| Current Year Accruals | \$ 3,224,796.25       |             |
| Prior Year Accruals   | <u>(3,297,725.65)</u> | (72,929.40) |

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. (184,704.04)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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 used in excess of the amount earned in the current fiscal year. 133,032.91

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year. 95,760.00

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of the internal service fund is reported with governmental activities. (1,664,222.72)

**Change in Net Assets - Governmental Activities** \$ (17,450,849.62)

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
June 30, 2012**

|  |           | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|--|-----------|---|
| <hr/>  |           |   |
| <b>ASSETS</b>                                      |           |   |
| Current Assets:                                    |           |   |
| Cash and Cash Equivalents                          | \$        | 6,478,110.57  |
| Due from Other Funds                               |           | 225,181.40  |
| Due from Excess Insurer                            |           | 39,800.20   |
|  |           | <hr/>   |
| <b>Total Current Assets</b>                        |           | 6,743,092.17  |
| Noncurrent Assets:                                 |           |   |
| Investments in SBA Fund B Surplus Funds Trust Fund |           | 72,732.84   |
|  |           | <hr/>   |
| <b>TOTAL ASSETS</b>                                | <b>\$</b> | <b>6,815,825.01</b>   |
| <hr/> <hr/>  |           |   |
| <b>LIABILITIES</b>                                 |           |   |
| Current Liabilities:                               |           |   |
| Accounts Payable                                   | \$        | 1,370,102.40  |
| Due to Other Funds                                 |           | 21,291.89   |
| Estimated Insurance Claims Payable                 |           | 571,667.33  |
|  |           | <hr/>   |
| <b>Total Current Liabilities</b>                   |           | 1,963,061.62  |
| Noncurrent Liabilities:                            |           |   |
| Estimated Insurance Claims Payable                 |           | 917,049.67  |
|  |           | <hr/>   |
| <b>Total Liabilities</b>                           |           | 2,880,111.29  |
| <hr/>  |           |   |
| <b>NET ASSETS</b>                                  |           |   |
| Unrestricted                                       |           | 3,935,713.72  |
|  |           | <hr/>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$</b> | <b>6,815,825.01</b>   |
| <hr/> <hr/>  |           |   |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2012**

|                                 |    | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|---------------------------------|----|---|
| <b>OPERATING REVENUES</b>       |    |   |
| Insurance Premiums              | \$ | 582,949.22  |
| <b>OPERATING EXPENSES</b>       |    |   |
| Insurance Claims                |    | 718,249.10  |
| Excess Insurance Premiums       |    | 1,396,623.06  |
| Purchased Services              |    | 151,875.00  |
| <b>Total Operating Expenses</b> |    | <u>2,266,747.16</u>   |
| <b>Operating Loss</b>           |    | <u>(1,683,797.94)</u>                                       |
| <b>NONOPERATING REVENUES</b>    |    |   |
| Investment Income               |    | <u>19,575.22</u>  |
| <b>Change in Net Assets</b>     |    | (1,664,222.72)  |
| Net Assets - Beginning          |    | <u>5,599,936.44</u>   |
| <b>Net Assets - Ending</b>      | \$ | <u><u>3,935,713.72</u></u>                                  |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2012**

|  | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|--|---|
|  |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |
| Cash Received from Board Funds   | \$ 582,949.22   |
| Cash Payments to Vendors for Goods and Services                                      | (1,969,466.42)  |
| Cash Payments for Insurance Claims   | (1,295,054.10)  |
|  | (2,681,571.30)  |
| <b>Net Cash Used by Operating Activities</b>   | (2,681,571.30)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |
| Interest Income  | 26,936.16   |
|  | 26,936.16   |
| <b>Net Decrease in Cash and Cash Equivalents</b>                                     | (2,654,635.14)  |
| Cash and Cash Equivalents, Beginning   | 9,132,745.71  |
|  | 9,132,745.71  |
| <b>Cash and Cash Equivalents, Ending</b>   | \$ 6,478,110.57   |
| <b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>    |   |
| Operating Loss   | \$ (1,683,797.94)   |
| Adjustments to Reconcile Operating Loss to Net Cash<br>Used by Operating Activities: |   |
| Changes in Assets and Liabilities:   |   |
| Increase in Due from Excess Insurer  | (1,883.68)  |
| Decrease in Due from Other Agencies  | 7,445.16  |
| Increase in Due from Other Funds   | (225,181.40)  |
| Decrease in Accounts Payable   | (25,352.74)   |
| Decrease in Due to Other Funds   | (175,995.70)  |
| Decrease in Estimated Insurance Claims Payable                                       | (576,805.00)  |
|  | (997,773.36)  |
| <b>Total Adjustments</b>   | (997,773.36)  |
| <b>Net Cash Used by Operating Activities</b>   | \$ (2,681,571.30)   |
| Noncash Activity: Decrease in Fair Value of Investments                              | \$ (7,360.94)   |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2012**

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>ASSETS</b>             |                         |
| Cash and Cash Equivalents | \$ 2,970,541.11         |
| <b>LIABILITIES</b>        |                         |
| Accounts Payable          | \$ 74,170.50            |
| Due to Other Funds        | 96,653.87               |
| Internal Accounts Payable | <u>2,799,716.74</u>     |
| <b>TOTAL LIABILITIES</b>  | <u>\$ 2,970,541.11</u>  |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Criteria for determining if other entities are potential component units that 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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the 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 unit is included within the District's reporting entity:

**Blended Component Unit.** The Clay School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note 6. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

**Discretely Presented Component Unit.** The Clay County Education Foundation, Inc., was reported as a discretely presented component unit in prior fiscal years; however, because the Foundation's activity has decreased relative to primary government operations, the Foundation is no longer considered significant to the District. As such, the Foundation no longer meets the criteria for inclusion as a component unit and is not reported in the District's financial statements for the 2011-12 fiscal year.

**Basis of Presentation:**

- **Government-wide Financial Statements** - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component unit.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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, except for interfund services provided and used.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the financial resources of the District’s food service program.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- 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 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 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.

Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and 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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 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, other postemployment 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 and producing and delivering goods 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 and excess coverage premiums, State assessments, and administrative expenses and fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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 the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, amounts placed in the

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

FEITF, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the 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 liquid balance within Florida PRIME.

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

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

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

**Capital Assets.** Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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 - 15 years           |

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

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is 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 for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

**State Revenue Sources.** Significant revenues from State sources for current operations include 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 the 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 five 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 the FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The State provides financial assistance to administer certain 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 educational programs. The Department generally requires that these 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 fund financial statements for the balance of categorical and earmarked educational program resources.

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

**District Property Taxes.** The 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 Board adopted the 2011 tax levy on September 15, 2011. 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 a lien on the property on January 1, and are 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.** On November 3, 1989, the voters of Clay County (County) approved a one cent local government infrastructure sales surtax authorized under Section 212.055(2), Florida Statutes, until December 31, 2019. 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 FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Educational Impact Fees.** The 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 fees are collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

**Federal Revenue Sources.** 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**

**Budgetary Information.** 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 Board meeting prior to the due date for the annual financial report.
- 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 appropriation.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**3. INVESTMENTS**

As of June 30, 2012, the District has the following investments and maturities:

| Investments  | Maturities        | Fair Value              |
|--|-------------------|-------------------------|
| SBA:   |                   |                         |
| Florida PRIME (1) (3)  | 38 Day Average    | \$ 20,706,614.85        |
| Fund B   | 5.73 Year Average | 1,087,820.36            |
| Debt Service Accounts  | 6 Months          | 123,990.13              |
| First American Treasury Obligations Money Market Mutual Fund (1) (2) | 52 Day Average    | 3,207,038.12            |
| FEITF (1)  | 46 Day Average    | 5,016,308.06            |
| Total Investments, Government  |                   | <u>\$ 30,141,771.52</u> |

Notes: (1) These investments are reported as cash equivalents for financial statement reporting purposes.

(2) Investments totaling \$3,207,038.12 were held under a trust agreement in connection with Certificates of Participation financing arrangements.

(3) Includes Fiduciary Fund investments of \$1,680,280.62.

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates, but generally requires shorter-term investment maturities that are matched with cash flow needs to avoid selling securities prior to maturity. The trust agreement in connection with certificates of participation financing arrangements does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The FEITF and the First American Treasury Obligations money market mutual fund are designed to maintain a \$1 per share net asset value and provide immediate liquidity to meet cash flow needs.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days, and the FEITF had a WAM of 46 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool; Security and Exchange Commission registered money market funds with the highest credit

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury; Federal agencies and instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.

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

As of June 30, 2012, the District's investments in Florida PRIME was rated AAAM by Standard & Poor's. Fund B is unrated.

As of June 30, 2012, the District's investment in the FEITF was rated AAAM by Standards & Poor's, and the District's investment in the First American Treasury Obligations money market mutual fund was rated AAAM by Standards & Poor's and Aaa by Moody's Investors Service.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District 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 fund are held by the safekeeping agent in the name of the District.

**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 County Electric Cooperative, Inc. (Cooperative), is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2011-12 fiscal year, the District received \$72,929.40 related to portions of capital credits earned from the 1988 through 2010 fiscal year. At June 30, 2012, the accumulated credits to the District's accounts were \$3,224,796.25.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**5. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

|  | Beginning<br>Balance     | Additions              | Deletions              | Ending<br>Balance        |
|--|--------------------------|------------------------|------------------------|--------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                     |                          |                        |                        |                          |
| Capital Assets Not Being Depreciated:              |                          |                        |                        |                          |
| Land   | \$ 29,929,713.81         | \$                     | \$                     | \$ 29,929,713.81         |
| Construction in Progress                           | 1,604,806.58             | 7,722,254.40           | 6,222,361.86           | 3,104,699.12             |
| <b>Total Capital Assets Not Being Depreciated</b>  | <b>31,534,520.39</b>     | <b>7,722,254.40</b>    | <b>6,222,361.86</b>    | <b>33,034,412.93</b>     |
| Capital Assets Being Depreciated:                  |                          |                        |                        |                          |
| Improvements Other Than Buildings                  | 24,118,788.69            | 452,526.40             |                        | 24,571,315.09            |
| Buildings and Fixed Equipment                      | 514,682,158.46           | 5,769,835.46           |                        | 520,451,993.92           |
| Furniture, Fixtures, and Equipment                 | 33,174,875.67            | 1,372,773.56           | 2,694,565.60           | 31,853,083.63            |
| Motor Vehicles                                     | 25,090,695.21            | 1,246,970.76           | 2,125,293.57           | 24,212,372.40            |
| Property Under Capital Lease                       | 481,289.25               |                        | 481,289.25             |                          |
| Audio Visual Materials and<br>Computer Software    | 3,541,768.04             | 1,306,479.73           | 1,065,173.68           | 3,783,074.09             |
| <b>Total Capital Assets Being Depreciated</b>      | <b>601,089,575.32</b>    | <b>10,148,585.91</b>   | <b>6,366,322.10</b>    | <b>604,871,839.13</b>    |
| Less Accumulated Depreciation for:                 |                          |                        |                        |                          |
| Improvements Other Than Buildings                  | 14,267,246.35            | 964,751.55             |                        | 15,231,997.90            |
| Buildings and Fixed Equipment                      | 104,576,832.52           | 10,427,538.09          |                        | 115,004,370.61           |
| Furniture, Fixtures, and Equipment                 | 19,206,674.16            | 3,920,056.98           | 2,694,565.60           | 20,432,165.54            |
| Motor Vehicles                                     | 10,533,394.52            | 2,152,956.53           | 2,125,293.57           | 10,561,057.48            |
| Property Under Capital Lease (1)                   | 192,514.10               | 96,257.85              | 288,771.95             |                          |
| Audio Visual Materials and<br>Computer Software    | 2,978,400.56             | 727,660.40             | 1,065,173.68           | 2,640,887.28             |
| <b>Total Accumulated Depreciation</b>              | <b>151,755,062.21</b>    | <b>18,289,221.40</b>   | <b>6,173,804.80</b>    | <b>163,870,478.81</b>    |
| <b>Total Capital Assets Being Depreciated, Net</b> | <b>449,334,513.11</b>    | <b>(8,140,635.49)</b>  | <b>192,517.30</b>      | <b>441,001,360.32</b>    |
| <b>Governmental Activities Capital Assets, Net</b> | <b>\$ 480,869,033.50</b> | <b>\$ (418,381.09)</b> | <b>\$ 6,414,879.16</b> | <b>\$ 474,035,773.25</b> |

Note: (1) During the 2011-12 fiscal year, property under capital lease was paid off and the asset and related accumulated depreciation were reclassified as audio visual materials and computer software. As a result, capital asset additions exceed fixed capital outlay expenditures on the statement of revenues, expenditures, and changes in fund balances by \$481,289.25, and additions to accumulated depreciation expense on the statement of activities by \$288,771.95.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Depreciation expense was charged to functions as follows:

| Function  | Amount                  |
|---|-------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                              |                         |
| Pupil Transportation Services                               | \$ 2,152,956.53         |
| Unallocated   | 15,847,492.92           |
| <b>Total Depreciation Expense - Governmental Activities</b> | <b>\$ 18,000,449.45</b> |

**6. CERTIFICATES OF PARTICIPATION**

Certificates of participation outstanding at June 30, 2012, are as follows:

| Series                                     | Amount<br>Outstanding | Interest<br>Rates<br>(Percent) | Lease<br>Term<br>Maturity | Original<br>Amount |
|--|-----------------------|--------------------------------|---------------------------|--------------------|
| Series 2004, Refunding                     | \$ 4,990,000          | 3.125 - 3.625                  | 2017                      | \$ 9,900,000       |
| Series 2005A                               | 14,695,000            | 3.5 - 4.5                      | 2027                      | 16,430,000         |
| Series 2005B, Refunding                    | 15,350,000            | 4.0 - 5.0                      | 2025                      | 18,545,000         |
| Series 2012, Refunding                     | 24,930,000            | 2.0 - 5.0                      | 2028                      | 24,930,000         |
| <b>Total Certificates of Participation</b> | <b>\$ 59,965,000</b>  |                                |                           |                    |

The District entered into a master financing arrangement on May 15, 1997, which arrangement was characterized as a lease-purchase agreement, with the Clay County School Board Leasing Corporation (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 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 Agreement for the benefit of the securers of the certificates for remaining term of the ground leases.

A summary of the lease terms is as follows:

| Certificates            | Lease Term                                    |
|-------------------------|---|
| Series 2004A, Refunding | Earlier of date paid in full or June 30, 2017 |
| Series 2005A            | Earlier of date paid in full or June 30, 2027 |
| Series 2005B, Refunding | Earlier of date paid in full or June 30, 2025 |
| Series 2012, Refunding  | Earlier of date paid in full or June 30, 2028 |

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The District properties included in the ground leases under this arrangement include:

| <u>Certificates</u>     | <u>Description of Properties</u>                        |
|-------------------------|---|
| Series 2004A, Refunding | Ridgeview High School.                                  |
| Series 2005A            | Fleming Island High School.                             |
| Series 2005B, Refunding | Oakleaf Junior High School.                             |
| Series 2012, Refunding  | Lake Asbury Junior High School and 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 15<sup>th</sup> day of the month preceding the payment dates. The following is a schedule by years of future minimum lease payments under the leases 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>                |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 2013                                | \$ 5,421,232.99                | \$ 2,910,000.00                | \$ 2,511,232.99                |
| 2014                                | 5,427,445.02                   | 3,020,000.00                   | 2,407,445.02                   |
| 2015                                | 5,423,995.02                   | 3,120,000.00                   | 2,303,995.02                   |
| 2016                                | 5,422,820.02                   | 3,235,000.00                   | 2,187,820.02                   |
| 2017                                | 5,419,295.02                   | 3,365,000.00                   | 2,054,295.02                   |
| 2018-2022                           | 26,917,850.02                  | 18,940,000.00                  | 7,977,850.02                   |
| 2023-2027                           | 26,903,275.00                  | 23,425,000.00                  | 3,478,275.00                   |
| 2028                                | 2,028,000.00                   | 1,950,000.00                   | 78,000.00                      |
| <b>Total Minimum Lease Payments</b> | <b><u>\$ 82,963,913.09</u></b> | <b><u>\$ 59,965,000.00</u></b> | <b><u>\$ 22,998,913.09</u></b> |

**7. BONDS PAYABLE**

Bonds payable at June 30, 2012, are as follows:

| <u>Bond Type</u>               | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates<br/>(Percent)</u> | <u>Annual<br/>Maturity<br/>To</u> |
|--------------------------------|-------------------------------|---|-----------------------------------|
| <b>State School Bonds:</b>     |                               |   |                                   |
| Series 2005A, Refunding        | \$ 2,240,000                  | 5.0                                     | 2017                              |
| Series 2005B, Refunding        | 515,000                       | 5.0                                     | 2018                              |
| Series 2009A, Refunding        | 245,000                       | 4.0 - 5.0                               | 2019                              |
| Series 2011A, Refunding        | 1,160,000                     | 3.0 - 5.0                               | 2023                              |
| <b>District Revenue Bonds:</b> |                               |   |                                   |
| Series 2010A, Refunding        | 2,825,000                     | 2.0 - 5.0                               | 2032                              |
| <b>Total Bonds Payable</b>     | <b><u>\$ 6,985,000</u></b>    |   |                                   |

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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 provides 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 were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2011)), and Chapter 65-1164, Laws of Florida. The annual distribution is remitted by the Florida Department of Financial Services to the District and the Board has established a sinking fund as required by the bond resolution.

The District has pledged a combined total of \$4,354,798.78 of future pari-mutuel tax revenues in connection with the Series 2010A, District Revenue Bonds, described above. During the 2011-12 fiscal year, the District recognized sales tax revenues totaling \$223,250, and expended \$220,137.50 (99 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on May 1, 2032. Approximately 98 percent of this revenue stream has been pledged in connection with the debt service on the revenue bonds until all such bonds outstanding have been redeemed.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

| Fiscal Year<br>Ending<br>June 30    | Total                  | Principal              | Interest               |
|-------------------------------------|------------------------|------------------------|------------------------|
| <b>State School Bonds:</b>          |                        |                        |                        |
| 2013                                | \$ 942,308.57          | \$ 740,000.00          | \$ 202,308.57          |
| 2014                                | 963,700.00             | 795,000.00             | 168,700.00             |
| 2015                                | 928,950.00             | 800,000.00             | 128,950.00             |
| 2016                                | 758,950.00             | 670,000.00             | 88,950.00              |
| 2017                                | 725,450.00             | 670,000.00             | 55,450.00              |
| 2018-2022                           | 476,750.00             | 425,000.00             | 51,750.00              |
| 2023                                | 61,800.00              | 60,000.00              | 1,800.00               |
| <b>Total State School Bonds</b>     | <b>4,857,908.57</b>    | <b>4,160,000.00</b>    | <b>697,908.57</b>      |
| <b>District Revenue Bonds:</b>      |                        |                        |                        |
| 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                                | 218,055.00             | 110,000.00             | 108,055.00             |
| 2018-2022                           | 1,088,043.76           | 610,000.00             | 478,043.76             |
| 2023-2027                           | 1,089,255.02           | 750,000.00             | 339,255.02             |
| 2028-2032                           | 1,089,925.00           | 945,000.00             | 144,925.00             |
| <b>Total District Revenue Bonds</b> | <b>4,354,798.78</b>    | <b>2,825,000.00</b>    | <b>1,529,798.78</b>    |
| <b>Total</b>                        | <b>\$ 9,212,707.35</b> | <b>\$ 6,985,000.00</b> | <b>\$ 2,227,707.35</b> |

**8. DEFEASED DEBT**

On January 5, 2012, the Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2011A, to advance-refund callable portions of the District’s State School Bonds, Series 2002B and Series 2003A. The District’s portion of the refunding bonds issued, totaling \$1,160,000, were to advance-refund the \$805,000 principal amount of the District’s State School Bonds, Series 2002B, that mature on or after January 1, 2015, and \$480,000 principal amount of the District’s State School Bonds, Series 2003A, that mature on or after January 1, 2023. The District’s pro rata share of net proceeds was placed in an irrevocable trust to provide for future debt service payments. As a result, \$1,285,000 of the State School Bonds, Series 2002B and Series 2003A, are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The refunding bonds were issued to reduce the total debt service payments over the next 11 years by approximately \$150,800.

On June 29, 2012, the Leasing Corporation issued \$24,930,000 in Refunding Certificates of Participation, Series 2012, with an average interest rate of 4.07 percent, to advance-refund a portion of the District’s Certificates of Participation, Series 2003, and Certificates of Participation, Series 2008. The refunding certificates were issued to advance-refund the \$25,675,000 principal amount of the Series 2003 and Series 2008 certificates that mature on or after July 1, 2025, and July 1, 2028, respectively. The net proceeds of \$26,988,268.54 (after payment of \$444,149.26 in underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for future debt service payments on the Series 2003 and Series 2008 certificates. As a result, \$25,675,000 of the Series 2003 and Series 2008 certificates liability has been removed from the government-wide financial statements.

The Certificates of Participation, Series 2012, were issued to reduce the District’s total debt service payments over the next 16 years by \$1,835,688.03 and to obtain an economic gain of \$1,371,602.25.

**9. CHANGES IN LONG-TERM LIABILITIES**

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

| Description                           | Beginning<br>Balance    | Additions               | Deductions              | Ending<br>Balance       | Due In<br>One Year      |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>        |                         |                         |                         |                         |                         |
| Certificates of Participation Payable | \$ 63,120,000.00        | \$ 24,930,000.00        | \$ 28,085,000.00        | \$ 59,965,000.00        | \$ 2,910,000.00         |
| Obligation Under Capital Lease        | 156,218.27              |                         | 156,218.27              |                         |                         |
| Bonds Payable                         | 7,950,000.00            | 1,160,000.00            | 2,125,000.00            | 6,985,000.00            | 840,000.00              |
| Estimated Insurance Claims Payable    | 2,065,522.00            | 718,249.10              | 1,295,054.10            | 1,488,717.00            | 571,667.33              |
| Compensated Absences Payable          | 20,427,426.51           | 8,204,626.67            | 8,337,659.58            | 20,294,393.60           | 8,337,659.58            |
| Other Postemployment Benefits Payable | 1,041,710.00            | 1,239,977.00            | 1,335,737.00            | 945,950.00              |                         |
| <b>Total Governmental Activities</b>  | <b>\$ 94,760,876.78</b> | <b>\$ 36,252,852.77</b> | <b>\$ 41,334,668.95</b> | <b>\$ 89,679,060.60</b> | <b>\$ 12,659,326.91</b> |

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**10. 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:                    |                 |                 |
| General                   | \$ 4,689,667.81 | \$              |
| Special Revenue:          |                 |                 |
| Food Service              |                 | 713,532.93      |
| Other Federal Programs    |                 | 2,585,324.38    |
| Federal Economic Stimulus |                 | 29,276.70       |
| Debt Service:             |                 |                 |
| Other Debt Service        |                 | 926,429.95      |
| Capital Projects:         |                 |                 |
| Local Capital Improvement |                 | 280,505.22      |
| Nonmajor Governmental     |                 | 261,834.27      |
| Internal Service          | 225,181.40      | 21,291.89       |
| Agency Fund               |                 | 96,653.87       |
|                           |                 |                 |
| Total                     | \$ 4,914,849.21 | \$ 4,914,849.21 |

The outstanding interfund balances result mainly from expenditure and reimbursement timing differences between funds. The interfund amounts represent temporary loans 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:                    |                 |                 |
| General                   | \$ 3,477,701.22 | \$ 51,068.72    |
| Special Revenue Fund:     |                 |                 |
| Other Federal Programs    |                 | 152,158.22      |
| Federal Economic Stimulus | 51,068.72       |                 |
| Debt Service:             |                 |                 |
| Other Debt Service        | 5,523,089.54    |                 |
| Capital Projects:         |                 |                 |
| Local Capital Improvement |                 | 6,829,888.73    |
| Nonmajor Governmental     |                 | 2,018,743.81    |
|                           |                 |                 |
| Total                     | \$ 9,051,859.48 | \$ 9,051,859.48 |

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects - Local Capital Improvement Fund were to provide for debt service payments in the Debt Service – Other Debt Service Fund, and to fund equipment purchases, property insurance premiums, and certain facilities and maintenance expenditures of the District’s General Fund. The transfers out of the nonmajor governmental funds were to provide for debt service payments from educational impact fees reported in the nonmajor Capital Projects – Other Capital Projects Fund to the Debt Service – Other Debt Service Fund.

#### **11. FUND BALANCE REPORTING**

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

➤ **Nonspendable**

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

➤ **Restricted**

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

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ **Assigned**

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

➤ **Unassigned**

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**12. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

| <u>Source</u>   | <u>Amount</u>                   |
|---|---------------------------------|
| Florida Education Finance Program                           | \$ 122,594,989.00               |
| Categorical Educational Program - Class Size Reduction      | 38,859,846.00                   |
| School Recognition  | 2,027,496.00                    |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 1,390,249.74                    |
| Workforce Development Program                               | 886,001.00                      |
| Voluntary Prekindergarten Program                           | 412,006.51                      |
| Food Service Supplement                                     | 135,340.00                      |
| Discretionary Lottery Funds                                 | 115,785.00                      |
| Miscellaneous   | 529,514.64                      |
|   | <hr/>                           |
| Total   | <u><u>\$ 166,951,227.89</u></u> |

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

**13. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

| <u>GENERAL FUND</u>              | <u>Millages</u>     | <u>Taxes Levied</u>         |
|----------------------------------|---------------------|-----------------------------|
| Nonvoted School Tax:             |                     |                             |
| Required Local Effort            | 5.479               | \$ 50,530,345               |
| Basic Discretionary Local Effort | 0.748               | 6,898,466                   |
| Critical Operating Needs         | 0.250               | 2,305,637                   |
|                                  |                     |                             |
| <u>CAPITAL PROJECTS FUNDS</u>    |                     |                             |
| Local Capital Improvements       | 1.500               | 13,833,823                  |
|                                  |                     |                             |
| Total                            | <u><u>7.977</u></u> | <u><u>\$ 73,568,271</u></u> |

**14. FLORIDA RETIREMENT SYSTEM**

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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 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 Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

| Class   | Percent of Gross Salary |                 |
|---|-------------------------|-----------------|
|   | Employee                | Employer<br>(A) |
| Florida Retirement System, Regular  | 3.00                    | 4.91            |
| Florida Retirement System, Elected County Officers  | 3.00                    | 11.14           |
| Deferred Retirement Option Program - Applicable to<br>Members from All of the Above Classes | 0.00                    | 4.42            |
| Florida Retirement System, Reemployed Retiree   | (B)                     | (B)             |

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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 ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$15,673,599.01, \$17,235,938.23, and \$11,642,097.12, respectively, which were equal to the required contributions for each fiscal year.

There were 809 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$2,155,547.47, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**Plan Description.** The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, 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 OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 165 retirees received other postemployment benefits. The District provided required contributions of \$1,335,737 toward the annual OPEB cost, net of retiree contributions totaling \$1,070,801, which represents 0.9 percent of covered payroll.

**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 Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

| <u>Description</u>                                      | <u>Amount</u>            |
|---|--------------------------|
| Normal Cost (service cost for one year)                 | \$ 866,328               |
| Amortization of Unfunded Actuarial<br>Accrued Liability | 321,666                  |
| Interest on Normal Cost and Amortization                | <u>47,520</u>            |
| Annual Required Contribution                            | 1,235,514                |
| Interest on Net OPEB Obligation                         | 41,668                   |
| Adjustment to Annual Required Contribution              | <u>(37,205)</u>          |
| Annual OPEB Cost (Expense)                              | 1,239,977                |
| Contribution Toward the OPEB Cost                       | <u>(1,335,737)</u>       |
| Decrease in Net OPEB Obligation                         | (95,760)                 |
| Net OPEB Obligation, Beginning of Year                  | <u>1,041,710</u>         |
| Net OPEB Obligation, End of Year                        | <u><u>\$ 945,950</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

| <u>Fiscal Year</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------|-----------------------------|---|--------------------------------|
| 2009-10            | \$ 777,965                  | 127.3%  | \$ 510,011                     |
| 2010-11            | 1,171,535                   | 54.6%   | 1,041,710                      |
| 2011-12            | 1,239,977                   | 107.8%  | 945,950                        |

**Funded Status and Funding Progress.** As of July 1, 2010, the most recent valuation date, 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 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$123,782,275, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.5 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District’s OPEB actuarial valuation as of July 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the District’s 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, a general price inflation rate of 2.5 percent per year, and an annual healthcare cost trend rate of 10.5 percent initially for the 2010-11 fiscal year, reduced to an ultimate rate of 5.5 percent for the fiscal year ending June 30, 2018. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 25 years.

**16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

The following is a schedule of encumbrances at June 30, 2012:

| <b>Major Funds</b>   |                                      |   |   |   |                                   |                                |
|----------------------|--------------------------------------|---|---|---|-----------------------------------|--------------------------------|
| General              | Special<br>Revenue -<br>Food Service | Special<br>Revenue -<br>Other Federal<br>Programs | Special<br>Revenue -<br>Federal<br>Economic<br>Stimulus | Capital<br>Projects -<br>Local Capital<br>Improvement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <u>\$ 786,473.12</u> | <u>\$ 250,372.82</u>                 | <u>\$ 259,862.62</u>                              | <u>\$ 361,183.68</u>                                    | <u>\$ 2,875,846.78</u>                                | <u>\$ 54,324.24</u>               | <u>\$ 4,588,063.26</u>         |

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**Construction Contracts.** Encumbrances include the following major construction contract commitments at fiscal year-end:

| Project   | Contract<br>Amount        | Completed<br>to Date      | Balance<br>Committed    |
|---|---------------------------|---------------------------|-------------------------|
| Orange Park High School - West Campus Renovation: |                           |                           |                         |
| Architect   | \$ 274,864.66             | \$ 255,979.60             | \$ 18,885.06            |
| Contractor  | 2,616,221.76              | 1,859,318.57              | 756,903.19              |
| Direct Purchases                                  | 1,153,355.89              | 989,400.95                | 163,954.94              |
| <br>Total   | <br><u>\$4,044,442.31</u> | <br><u>\$3,104,699.12</u> | <br><u>\$939,743.19</u> |

**17. 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, and general liability, and property loss coverage is 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.

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

A liability in the amount of \$1,488,717 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2012.

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

| Fiscal Year | Beginning-of-<br>Fiscal-Year<br>Liability | Current-Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal<br>Year-End |
|-------------|---|---|--------------------|----------------------------------|
| 2010-11     | \$ 2,400,107.00                           | \$ 558,120.31   | \$ (892,705.31)    | \$ 2,065,522.00                  |
| 2011-12     | 2,065,522.00                              | 718,249.10  | (1,295,054.10)     | 1,488,717.00                     |

---

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Health and hospitalization coverage and other coverage deemed necessary by the Board were provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2012**

|  | General Fund            |                          |                         |  |
|--|-------------------------|--------------------------|-------------------------|--|
|  | Original Budget         | Final Budget             | Actual                  | Variance with Final Budget - Positive (Negative) |
| <b>Revenues</b>  |                         |                          |                         |  |
| Intergovernmental:                                       |                         |                          |                         |  |
| Federal Direct   | \$ 920,000.00           | \$ 920,000.00            | \$ 846,453.11           | \$ (73,546.89)                                   |
| Federal Through State                                    | 24,083.33               | 24,083.33                | 24,083.33               |  |
| State  | 170,146,039.00          | 164,954,451.97           | 165,135,319.19          | 180,867.22                                       |
| Local:   |                         |                          |                         |  |
| Property Taxes   | 57,318,567.00           | 57,318,567.00            | 57,666,051.48           | 347,484.48                                       |
| Charges for Services - Food Service                      |                         |                          |                         |  |
| Miscellaneous  | 2,533,957.00            | 2,760,141.55             | 2,602,597.64            | (157,543.91)                                     |
| Total Local Revenues                                     | 59,852,524.00           | 60,078,708.55            | 60,268,649.12           | 189,940.57                                       |
| <b>Total Revenues</b>                                    | <b>230,942,646.33</b>   | <b>225,977,243.85</b>    | <b>226,274,504.75</b>   | <b>297,260.90</b>                                |
| Current - Education:                                     |                         |                          |                         |  |
| Instruction  | 160,104,474.27          | 166,488,734.54           | 157,967,732.93          | 8,521,001.61                                     |
| Pupil Personnel Services                                 | 12,444,708.36           | 12,661,439.79            | 11,975,693.40           | 685,746.39                                       |
| Instructional Media Services                             | 3,992,164.46            | 4,046,967.62             | 3,884,439.38            | 162,528.24                                       |
| Instruction and Curriculum Development Services          | 3,977,081.15            | 4,249,519.42             | 3,776,230.39            | 473,289.03                                       |
| Instructional Staff Training Services                    | 896,980.02              | 725,994.52               | 639,867.33              | 86,127.19  |
| Instruction Related Technology                           | 2,060,487.79            | 2,005,946.48             | 1,842,070.96            | 163,875.52                                       |
| School Board   | 2,450,994.11            | 1,764,839.61             | 1,026,944.30            | 737,895.31                                       |
| General Administration                                   | 882,196.92              | 801,396.33               | 749,409.58              | 51,986.75  |
| School Administration                                    | 13,050,872.56           | 14,513,438.16            | 14,084,113.51           | 429,324.65                                       |
| Facilities Acquisition and Construction                  | 2,041,302.13            | 1,577,522.14             | 1,095,352.04            | 482,170.10                                       |
| Fiscal Services  | 757,004.96              | 757,004.36               | 290,584.36              | 466,420.00                                       |
| Food Services  |                         | 76,032.24                | 74,244.73               | 1,787.51   |
| Central Services   | 3,316,565.36            | 3,407,193.34             | 3,172,957.15            | 234,236.19                                       |
| Pupil Transportation Services                            | 11,768,611.73           | 12,326,933.10            | 10,903,808.82           | 1,423,124.28                                     |
| Operation of Plant                                       | 20,162,984.65           | 20,171,495.16            | 19,342,734.33           | 828,760.83                                       |
| Maintenance of Plant                                     | 5,368,551.72            | 5,419,927.62             | 5,204,082.01            | 215,845.61                                       |
| Administrative Technology Services                       | 1,736,521.79            | 1,878,970.39             | 1,722,835.01            | 156,135.38                                       |
| Community Services                                       | 414,600.00              | 508,521.31               | 331,159.53              | 177,361.78                                       |
| Fixed Capital Outlay:                                    |                         |                          |                         |  |
| Facilities Acquisition and Construction                  | 102,766.00              | 194,116.87               | 118,494.31              | 75,622.56  |
| Other Capital Outlay                                     | 1,399,908.30            | 1,369,706.30             | 854,127.92              | 515,578.38                                       |
| Debt Service:  |                         |                          |                         |  |
| Principal  | 259,461.66              | 156,218.27               | 156,218.27              |  |
| Interest and Fiscal Charges                              |                         | 10,465.06                | 10,465.06               |  |
| <b>Total Expenditures</b>                                | <b>247,188,237.94</b>   | <b>255,112,382.63</b>    | <b>239,223,565.32</b>   | <b>15,888,817.31</b>                             |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(16,245,591.61)</b>  | <b>(29,135,138.78)</b>   | <b>(12,949,060.57)</b>  | <b>16,186,078.21</b>                             |
| <b>Other Financing Sources (Uses)</b>                    |                         |                          |                         |  |
| Transfers In   | 3,325,543.00            | 3,325,543.00             | 3,477,701.22            | 152,158.22                                       |
| Proceeds from Sale of Capital Assets                     | 30,000.00               | 150,000.00               | 178,185.74              | 28,185.74  |
| Insurance Loss Recoveries                                | 40,000.00               | 40,000.00                | 31,285.24               | (8,714.76)                                       |
| Transfers Out  |                         |                          | (51,068.72)             | (51,068.72)                                      |
| <b>Total Other Financing Sources (Uses)</b>              | <b>3,395,543.00</b>     | <b>3,515,543.00</b>      | <b>3,636,103.48</b>     | <b>120,560.48</b>                                |
| <b>Net Change in Fund Balances</b>                       | <b>(12,850,048.61)</b>  | <b>(25,619,595.78)</b>   | <b>(9,312,957.09)</b>   | <b>16,306,638.69</b>                             |
| Fund Balances, Beginning                                 | 22,882,967.53           | 22,882,967.53            | 22,882,967.53           |  |
| Increase (Decrease) in Inventory                         |                         |                          | (187,042.07)            | (187,042.07)                                     |
| <b>Fund Balances, Ending</b>                             | <b>\$ 10,032,918.92</b> | <b>\$ (2,736,628.25)</b> | <b>\$ 13,382,968.37</b> | <b>\$ 16,119,596.62</b>                          |

| Special Revenue - Food Service Fund |                 |                 |  | Special Revenue - Other Federal Programs Fund |                 |                |  |
|-------------------------------------|-----------------|-----------------|--|---|-----------------|----------------|--|
| Original Budget                     | Final Budget    | Actual          | Variance with Final Budget - Positive (Negative) | Original Budget                               | Final Budget    | Actual         | Variance with Final Budget - Positive (Negative) |
| \$ 6,947,647.00                     | \$ 6,947,647.00 | \$ 7,729,555.39 | \$ 781,908.39                                    | \$ 21,852,916.11                              | \$ 1,058,280.00 | \$ 365,589.57  | \$ (692,690.43)                                  |
| 137,000.00                          | 137,000.00      | 135,340.00      | (1,660.00)                                       | 246.60  | 20,458,491.59   | 16,336,859.09  | (4,121,632.50)                                   |
| 7,848,750.00                        | 7,848,750.00    | 6,300,534.90    | (1,548,215.10)                                   |   |                 |                |  |
| 6,500.00                            | 6,500.00        | 15,444.45       | 8,944.45   |   |                 |                |  |
| 7,855,250.00                        | 7,855,250.00    | 6,315,979.35    | (1,539,270.65)                                   |   |                 |                |  |
| 14,939,897.00                       | 14,939,897.00   | 14,180,874.74   | (759,022.26)                                     | 21,853,162.71                                 | 21,516,771.59   | 16,702,448.66  | (4,814,322.93)                                   |
|                                     |                 |                 |  | 16,279,698.78                                 | 15,105,658.08   | 12,684,675.39  | 2,420,982.69                                     |
|                                     |                 |                 |  | 1,316,675.98                                  | 1,332,393.64    | 1,130,091.34   | 202,302.30                                       |
|                                     |                 |                 |  | 1,316,730.10                                  | 1,583,014.96    | 1,442,749.42   | 140,265.54                                       |
|                                     |                 |                 |  | 1,485,312.08                                  | 1,887,168.10    | 1,393,768.41   | 493,399.69                                       |
|                                     |                 |                 |  | 719.26  | 719.26          | 719.26         |  |
|                                     |                 |                 |  | 398,248.29                                    | 391,372.20      | 376,570.34     | 14,801.86  |
|                                     |                 |                 |  | 4,137.90                                      | 14,378.05       | 12,118.92      | 2,259.13   |
|                                     |                 |                 |  | 70,570.00                                     | 73,154.00       | 72,487.68      | 666.32   |
| 14,771,947.67                       | 14,326,516.07   | 13,957,072.75   | 369,443.32                                       |   | 45,148.00       | 42,431.96      | 2,716.04   |
|                                     |                 |                 |  | 230,111.46                                    | 125,158.70      | 106,706.83     | 18,451.87  |
|                                     |                 |                 |  | 3,746.54                                      | 299.00          |                | 299.00   |
| 601,487.93                          | 627,207.45      | 461,215.90      | 165,991.55                                       | 411,654.23                                    | 175,983.78      | 86,088.63      | 89,895.15  |
|                                     |                 |                 |  |   | 820,926.68      | 429,885.33     | 391,041.35                                       |
| 15,373,435.60                       | 14,953,723.52   | 14,418,288.65   | 535,434.87                                       | 21,517,604.62                                 | 21,555,374.45   | 17,778,293.51  | 3,777,080.94                                     |
| (433,538.60)                        | (13,826.52)     | (237,413.91)    | (223,587.39)                                     | 335,558.09                                    | (38,602.86)     | (1,075,844.85) | (1,037,241.99)                                   |
|                                     |                 |                 |  |   |                 | (152,158.22)   | (152,158.22)                                     |
|                                     |                 |                 |  |   |                 | (152,158.22)   | (152,158.22)                                     |
| (433,538.60)                        | (13,826.52)     | (237,413.91)    | (223,587.39)                                     | 335,558.09                                    | (38,602.86)     | (1,228,003.07) | (1,189,400.21)                                   |
| 4,587,563.19                        | 4,587,563.19    | 4,587,563.19    |  | 1,228,003.07                                  | 1,228,003.07    | 1,228,003.07   |  |
|                                     |                 | 2,338.03        | 2,338.03   |   |                 |                |  |
| \$ 4,154,024.59                     | \$ 4,573,736.67 | \$ 4,352,487.31 | \$ (221,249.36)                                  | 1,563,561.16                                  | \$ 1,189,400.21 | \$ 0.00        | \$ (1,189,400.21)                                |

CLAY COUNTY  
 DISTRICT SCHOOL BOARD  
 REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
 GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)  
 For the Fiscal Year Ended June 30, 2012

|  | Special Revenue - Federal Economic Stimulus Fund |                     |                     |   |
|--|--|---------------------|---------------------|---|
|  | Original<br>Budget                               | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>  |  |                     |                     |   |
| Intergovernmental:                                       |  |                     |                     |   |
| Federal Direct   | \$   | \$                  | \$                  | \$  |
| Federal Through State                                    | 1,269,296.86                                     | 1,626,442.06        | 1,195,889.38        | (430,552.68)  |
| State  |  |                     |                     |   |
| Local:   |  |                     |                     |   |
| Property Taxes   |  |                     |                     |   |
| Charges for Services - Food Service                      |  |                     |                     |   |
| Miscellaneous  |  |                     |                     |   |
| Total Local Revenues                                     |  |                     |                     |   |
| <b>Total Revenues</b>                                    | <u>1,269,296.86</u>                              | <u>1,626,442.06</u> | <u>1,195,889.38</u> | <u>(430,552.68)</u>                                       |
| Current - Education:                                     |  |                     |                     |   |
| Instruction  | 34,988.89  | 177,051.76          | 173,062.08          | 3,989.68  |
| Pupil Personnel Services                                 | 3,911.96   | 4,180.09            | 4,180.09            |   |
| Instructional Media Services                             |  |                     |                     |   |
| Instruction and Curriculum Development Services          | 96,748.69  | 11,585.57           |                     | 11,585.57   |
| Instructional Staff Training Services                    | 26,767.00  | 27,067.31           | 500.00              | 26,567.31   |
| Instruction Related Technology                           | 5,252.66   | 27,226.44           |                     | 27,226.44   |
| School Board   |  |                     |                     |   |
| General Administration                                   | 211.41   | 245.84              | 245.84              |   |
| School Administration                                    |  |                     |                     |   |
| Facilities Acquisition and Construction                  |  |                     |                     |   |
| Fiscal Services  |  |                     |                     |   |
| Food Services  |  |                     |                     |   |
| Central Services   | 670,094.91                                       | 259,000.00          |                     | 259,000.00  |
| Pupil Transportation Services                            |  |                     |                     |   |
| Operation of Plant                                       |  |                     |                     |   |
| Maintenance of Plant                                     |  |                     |                     |   |
| Administrative Technology Services                       | 431,321.34                                       | 390,386.26          | 288,202.58          | 102,183.68  |
| Community Services                                       |  |                     |                     |   |
| Fixed Capital Outlay:                                    |  |                     |                     |   |
| Facilities Acquisition and Construction                  |  |                     |                     |   |
| Other Capital Outlay                                     |  | 780,767.51          | 780,767.51          |   |
| Debt Service:  |  |                     |                     |   |
| Principal  |  |                     |                     |   |
| Interest and Fiscal Charges                              |  |                     |                     |   |
| <b>Total Expenditures</b>                                | <u>1,269,296.86</u>                              | <u>1,677,510.78</u> | <u>1,246,958.10</u> | <u>430,552.68</u>   |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> |  | <u>(51,068.72)</u>  | <u>(51,068.72)</u>  |   |
| <b>Other Financing Sources (Uses)</b>                    |  |                     |                     |   |
| Transfers In   |  |                     | 51,068.72           | (51,068.72)   |
| Proceeds from Sale of Capital Assets                     |  |                     |                     |   |
| Insurance Loss Recoveries                                |  |                     |                     |   |
| Transfers Out  |  |                     |                     |   |
| <b>Total Other Financing Sources (Uses)</b>              |  |                     | <u>51,068.72</u>    | <u>(51,068.72)</u>  |
| <b>Net Change in Fund Balances</b>                       |  |                     |                     |   |
| Fund Balances, Beginning                                 |  |                     |                     |   |
| Increase (Decrease) in Inventory Reserve                 |  |                     |                     |   |
| <b>Fund Balances, Ending</b>                             | <u>\$ 0.00</u>                                   | <u>\$ 0.00</u>      | <u>\$ 0.00</u>      | <u>\$ 0.00</u>  |

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL)<br>(1) | Unfunded<br>AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|--------------------------------|------------------------------|--|------------------------|--------------|-----------------|---|
|                                | (A)                          | (B)  | (B-A)                  | (A/B)        | (C)             | [(B-A)/C]                                     |
| July 1, 2007                   | \$ 0                         | \$ 5,529,370                                   | \$ 5,529,370           | 0.0%         | \$ 118,363,122  | 4.7%  |
| July 1, 2008                   | 0                            | 6,793,061                                      | 6,793,061              | 0.0%         | 130,241,610     | 5.2%  |
| July 1, 2010                   | 0                            | 8,050,153                                      | 8,050,153              | 0.0%         | 123,782,275     | 6.5%  |

Note 1: The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

**2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

The July 1, 2010, unfunded actuarial accrued liability of \$8,050,153 was significantly higher than the July 1, 2008, liability of \$6,793,061 as a result of changes in cost and liability as discussed below:

- The number of active and retired participants increased.
- Future medical trend has been changed to reflect current conditions.
- Decrements were updated to reflect current retirement and termination rates used by the Florida Retirement System.
- Mortality was updated to a generational table.
- Participation was changed due the elimination of the premium supplement.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title   | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) |
|--|---|-------------------------------|----------------------------|
| <b>United States Department of Agriculture:</b>  |   |                               |                            |
| Indirect:  |   |                               |                            |
| Child Nutrition Cluster:   |   |                               |                            |
| Florida Department of Education:   |   |                               |                            |
| School Breakfast Program   | 10.553  | 321                           | \$ 579,513.97              |
| National School Lunch Program  | 10.555  | 300                           | 2,526,535.94               |
| Summer Food Service Program for Children   | 10.559  | 323                           | 22,870.81                  |
| Florida Department of Agriculture and Consumer Services:                                       |   |                               |                            |
| School Breakfast Program   | 10.553  | 321                           | 757,142.23                 |
| National School Lunch Program  | 10.555(2)(A)                                  | 300                           | 3,816,573.73               |
| Summer Food Service Program for Children   | 10.559  | 323                           | 26,918.71                  |
| <b>Total United States Department of Agriculture</b>   |   |                               | <b>7,729,555.39</b>        |
| <b>United States Department of Labor:</b>  |   |                               |                            |
| Indirect:  |   |                               |                            |
| First Coast Workforce Development, Inc.:   |   |                               |                            |
| WIA Youth Activities   | 17.259  | FCWD 2012-05                  | 61,949.45                  |
| <b>United States General Services Administration:</b>  |   |                               |                            |
| Indirect:  |   |                               |                            |
| Florida Department of Management Services:   |   |                               |                            |
| Donation of Federal Surplus Personal Property  | 39.003(2)(B)                                  | None                          | 2,643.29                   |
| <b>United States Department of Education:</b>  |   |                               |                            |
| Direct:  |   |                               |                            |
| Impact Aid   | 84.041  | None                          | 564,284.64                 |
| Indirect:  |   |                               |                            |
| Special Education Cluster:   |   |                               |                            |
| Florida Department of Education:   |   |                               |                            |
| Special Education - Grants to States   | 84.027  | 262, 263                      | 8,577,907.74               |
| Special Education - Preschool Grants   | 84.173  | 267                           | 333,249.12                 |
| ARRA - Special Education - Grants to States, Recovery Act                                      | 84.391  | 263                           | 18,529.74                  |
| University of South Florida:   |   |                               |                            |
| Special Education - Grant to States  | 84.027  | 1725104600                    | 5,477.50                   |
| Washington County District School Board:   |   |                               |                            |
| Special Education - Grants to States   | 84.027  | 7623005                       | 13,978.79                  |
| Duval County District School Board:  |   |                               |                            |
| Special Education - Grants to States   | 84.027  | 48346                         | 677.98                     |
| <b>Total Special Education Cluster</b>   |   |                               | <b>8,949,820.87</b>        |
| Education for Homeless Children and Youth Cluster:   |   |                               |                            |
| Florida Department of Education:   |   |                               |                            |
| Education for Homeless Children and Youth  | 84.196  | 127                           | 86,545.95                  |
| ARRA - Education for Homeless Children and Youth, Recovery Act                                 | 84.387  | 127                           | 5,298.37                   |
| <b>Total Education for Homeless and Youth Cluster</b>  |   |                               | <b>91,844.32</b>           |
| Florida Department of Education:   |   |                               |                            |
| Adult Education - Basic Grants to States   | 84.002  | 191                           | 287,921.80                 |
| Title I Grants to Local Educational Agencies   | 84.010  | 212, 222, 226, 228            | 3,902,375.93               |
| Career and Technical Education - Basic Grants to States  | 84.048  | 161                           | 231,417.47                 |
| Education Technology State Grants  | 84.318  | 122                           | 5,722.60                   |
| English Language Acquisition Grants  | 84.365  | 102                           | 59,797.76                  |
| Improving Teacher Quality State Grants   | 84.367  | 224                           | 790,972.01                 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395  | RL 111, RD211                 | 1,061,998.27               |
| Education Jobs Fund  | 84.410  | 541                           | 110,063.00                 |
| Putnam County District School Board:   |   |                               |                            |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395  | 71212                         | 239.16                     |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act              | 84.397  | 87211                         | 4,900.00                   |
| <b>Total Indirect</b>  |   |                               | <b>15,497,073.19</b>       |
| <b>Total United States Department of Education</b>   |   |                               | <b>16,061,357.83</b>       |
| <b>United States Department of Health and Human Services:</b>                                  |   |                               |                            |
| Indirect:  |   |                               |                            |
| First Coast Workforce Development, Inc.:   |   |                               |                            |
| Temporary Assistance for Needy Families  | 93.558  | FCWD 2012-05                  | 61,949.45                  |
| <b>United States Department of Defense:</b>  |   |                               |                            |
| Direct:  |   |                               |                            |
| Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools           | 12.556  | N/A                           | 365,589.57                 |
| Navy Junior Reserve Officers Training Corps  | None  | N/A                           | 364,620.71                 |
| <b>Total United States Department of Defense</b>   |   |                               | <b>730,210.28</b>          |
| <b>Total Expenditures of Federal Awards</b>  |   |                               | <b>\$ 24,647,665.69</b>    |

Notes: (1) 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 basis financial statements have been reported.

(2) Noncash Assistance

(A) National School Lunch Program - Includes \$618,500 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 23.3 percent of the original acquisition costs of donated Federal surplus personal property obtained during the fiscal year.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes 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 as described in our report on the Clay County District School Board's financial statements. 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 opinions 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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 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. However, we identified certain deficiencies in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 and 2, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
March 22, 2013



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR’S 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

### Compliance

We have audited the Clay County District School Board’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District’s major Federal programs for the fiscal year ended June 30, 2012. The District’s major Federal programs are identified in the **SUMMARY OF AUDITOR’S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District 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 of 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 fiscal year ended June 30, 2012. 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 **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

## Internal Control Over Compliance

District management 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 the requirements that could have a direct and material effect on a major Federal program to determine 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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 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 Federal Awards Finding Nos. 1 and 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 described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on the response.

## Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA

March 22, 2013

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391 - ARRA); Improving Teacher Quality State Grants (CFDA No. 84.367); ARRA - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA); and Education Jobs Fund (CFDA No. 84.410)

Dollar threshold used to distinguish between Type A and Type B programs: \$739,429

Auditee qualified as low-risk auditee? No

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCIES**

**Finding No. 1: Financial Reporting**

Our review of the District’s 2011-12 fiscal year annual financial report, as submitted to the Florida Department of Education and presented for audit, indicated that enhancements in financial reporting procedures could be made. For example:

- The Governmental Accounting Standards Board (GASB) has established accounting and financial reporting standards that clarify definitions for governmental fund types and establish criteria for classifying fund balances into specifically defined classifications. One of the classifications, restricted fund balance, represents resources on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Another classification, assigned fund balance, represents resources that are constrained by the Board’s intent or a Board-authorized body or official for specific purposes.

The District inadvertently reported certain unexpended State and local grants and projects that could only be used for specified purposes as assigned fund balance rather than restricted fund balance in the General Fund. As a result, the District understated the General Fund restricted fund balance by \$1.2 million and overstated assigned fund balance by the same amount. Also, this error resulted in the understatement of restricted net assets by \$1.2 million and overstatement of unrestricted net assets by the same amount on the government-wide financial statements.

- The District did not properly identify and record the May 2012 Federal food service reimbursement request at year-end, resulting in understatements of due from other agencies and Federal-through-State revenue by \$883,204.26 each in the Special Revenue – Food Service Fund. Also, this error resulted in the understatement of Child Nutrition Cluster (major Federal program) expenditures by the same amount on the Schedule of Expenditures of Federal Awards (SEFA). In addition, District personnel did not timely detect the oversight as the moneys were received in the 2012-13 fiscal year.

Misreporting account balances and transactions may cause financial statement users to incorrectly assess the District’s financial position and related financial information.

We extended our audit procedures to determine the adjustments necessary to properly report amounts on the District’s financial statements and SEFA, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

**Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions, and expenditure amounts on the SEFA, are properly reported.**

---



---

**Finding No. 2: Bank Account Reconciliations**


---



---

Effective internal controls require that reconciliations of bank account balances to the general ledger be performed on a timely, routine basis. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources. At June 30, 2012, District records indicated cash balances of \$4.97 million in the District's operating bank accounts. During the 2011-12 fiscal year, the District maintained 10 bank accounts, including a master bank account and accounts payable and payroll clearing accounts. An accountant in the Budget and Accounting Department was responsible for preparing bank account reconciliations and the supervising accountant was responsible for reviewing and approving the reconciliations; however, controls over bank account reconciliations needed improvement.

District personnel did not always accurately perform bank account reconciliations of its master bank account. For example, the June 2012 master bank account reconciliation as presented for audit contained several errors, the largest of which was an understatement of outstanding checks by \$45,270. Subsequent to our inquiries, District personnel re-performed the 2011-12 fiscal year bank reconciliations and determined that the June 2012 general ledger cash balance exceeded the bank cash balance as of February 13, 2013, by an unidentified difference of \$93,319.25.

While our extended audit procedures disclosed the cash account balances were materially correct and properly classified on the financial statements, our extended audit procedures cannot substitute for management's responsibility to implement controls over cash accounts. In response to our inquiries, District personnel indicated they would revise procedures to ensure that all reconciling items are properly supported. Without properly completed and reviewed bank account reconciliations, errors or fraud could occur without timely detection. A similar finding was noted in the previous audit report.

---



---

**Recommendation: The District should enhance its procedures to ensure accurate reconciliations of bank accounts to the general ledger, prompt resolution of differences noted during the reconciliation process, and thorough supervisory review of the reconciliations.**

---



---



---



---

**ADDITIONAL MATTERS**

---



---



---



---

**Finding No. 3: Electronic Funds Transfers**


---



---

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains manual signatures of employees authorized to initiate EFTs. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

During the 2011-12 fiscal year, the District regularly used EFTs to make electronic disbursements for its insurance programs, debt service payments, and direct deposit of employee pay and other payroll related activity, such as

annuity, flexible benefits, and union dues. According to District records, cash and cash equivalents and investments totaling \$38,575,624.77 were available for electronic transfer at June 30, 2012. The Board established an EFT agreement with its primary local bank that identified the Assistant Superintendent for Business Affairs, the Director of Accounting, or the Accounting Assistant as authorized to initiate transfers, and initiators and authorizers of EFTs were different employees for an appropriate separation of duties.

While the District used informal processes to control the electronic transmission of funds, including the use of an encrypted user authentication service and independent reviews of EFT transactions and related records to control and monitor EFTs, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes. Although our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of written policies and procedures increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes.

---

**Recommendation: The Board should adopt written policies and procedures related to EFTs, including the use of electronic signatures.**

---



---

#### **Finding No. 4: Investment Policy**

---

As of June 30, 2012, the District reported investments, including those reported as cash and cash equivalents, of \$30,141,772, comprised of \$20,706,616 invested in the State Board of Administration Florida PRIME, \$5,016,308 in the Florida Education Investment Trust Fund, \$3,207,038 invested in money market funds, and \$1,211,810 in other State Board of Administration accounts. The District's investment policy required the Assistant Superintendent for Business Affairs to "establish a written system of internal controls as part of the Board's operational procedures and subject to review during the Board's annual audit." However, the written system of internal controls over investments had not been established and the policy did not specify the authorized securities dealers, issuers, and banks from which securities may be purchased. In response to our inquiry, District personnel indicated that the District was in the process of updating its investment policy. Specifying the authorized securities dealers, issuers, and banks from which securities may be purchased and establishing Board-approved internal controls over investments would provide additional assurance that investments are consistent with the Board's intent. A similar finding was noted in the previous audit report.

---

**Recommendation: The District should establish the written system of internal controls over investments and revise its investment policy to specify the authorized securities dealers, issuers, and banks from which securities may be purchased.**

---



---

#### **Finding No. 5: Budget Transparency**

---

It is important that the District provide easy access to its budget and related information as this promotes responsible spending and more citizen involvement, and demonstrates accountability for District resources. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

In September 2012, the Board approved the 2012-13 fiscal year official budget, which provides millage levies, estimated revenues detailed by Federal, State, and local sources, and estimated expenditures detailed by fund type,

function (the purpose of an expenditure), and object (what was purchased or the service obtained), and posted the official budget on its Web site. However, contrary to Section 1011.035(2), Florida Statutes, as of January 2013 the District had not posted the 2011-12 fiscal year proposed, tentative, or official budgets or 2012-13 fiscal year proposed and tentative budgets.

District personnel indicated they would update the Web site to include all necessary budgets. Without the required budgetary transparency, the ability to analyze the budget, monitor its implementation, and evaluate its outcomes may be limited.

---



---

**Recommendation: The District should enhance its procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.**

---



---

### **Finding No. 6: Facilities Management**

The District's facilities department is responsible for managing construction and renovation projects. During the 2011-12 fiscal year, the facilities department employed 6 full-time employees and the department's operating cost was \$680,000. Also, during this fiscal year, the District had expenditures totaling \$8.1 million for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 15, 2011, the District planned to spend an additional \$12.6 million on construction and renovation projects over the next four fiscal years. At June 30, 2012, the historical cost of the District's educational and ancillary facilities was \$548 million and, as shown in the Florida Department of Education's (FDOE) Florida Inventory of School Houses data, the average age of its permanent facilities and relocatable facilities was 23 and 37 years, respectively.

The maintenance department is responsible for ensuring facilities are safe and suitable for their intended use. The maintenance department performed heating, ventilating, and air conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2011-12 fiscal year, this department employed 75 employees and the department's operating cost was \$5.2 million.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establishing documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals are achieved and accountability for facilities and maintenance department employees. While our review of facilities management procedures indicated that procedures were generally adequate, we noted the following procedural enhancements could be made:

- **Construction Planning.** School districts benefit from long-range facilities construction planning activities that include consideration of stakeholder input, including District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders. A committee comprised of such individuals may help the District with facility construction decisions based on actual or anticipated commercial or residential expansion efforts and population demographics.

The District communicates information regarding long-range planning and the status of the facilities program through Board-approved educational plant surveys, which are completed every five years and FDOE-required Five-Year Facilities and Work Plans, which are updated each year. In addition, stakeholders are involved in the development of long range priorities through the planning process, interlocal agreements with affected

municipalities, and mandatory public hearings. However, the District has not established formal committees to consider stakeholder input, comprised of District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders, with the responsibility of developing long-range construction priorities. The use of a long-range facilities construction planning committee may help the District establish facility planning opportunities and cost savings not considered by the District's current process.

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine for each major construction project or significant maintenance-related job which would be most cost-effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** The District's facilities and maintenance department has established short-term and long-term goals; however, these goals did not address accountability for these departments. For example, the goals for these departments included such objectives as maintaining safe, comfortable, and healthy facilities for students, staff, and the community; efficiently utilizing available funds, materials, and manpower to correct facility discrepancies; and completing all tasks on the Five-Year Facilities Work Plan. Also, the maintenance department has a goal to complete, on average, greater than 85 percent of the monthly maintenance work order requests received.

To further identify efficiency or cost-effective outcomes, the District could set goals such as completing construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because an aspect of a project did not initially meet building code requirements, and to compare project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goal could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance departments are operating as cost-effectively and efficiently as possible.

---

**Recommendation:** The District should consider establishing a long-range facilities planning committee comprised of various stakeholders to periodically meet and assist the District in identifying long-range construction needs. Also, the District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should develop additional goals and objectives for the facilities and maintenance departments to identify efficiency or cost-effectiveness outcomes for department personnel.

---

#### **Finding No. 7: Adult General Education Classes**

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with FDOE instructional hours reporting procedures.

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. Instructional contact hours for on-campus labs must be within the constraints of reasonable attendance hours, which should be the number of hours they are reasonably expected to attend.

For the 2011-12 fiscal year, the District reported to the FDOE 178,064 adult general education instructional contact hours for 1,616 students enrolled in 455 classes. To determine whether the hours were properly reported, we tested 7,871 hours for 40 students enrolled in 60 classes. Our tests disclosed that the District misreported hours for 39 students (several with misreported hours caused by multiple errors) in 53 classes, resulting in 5,339 hours overreported, as follows:

- For 17 students, the District reported scheduled hours that occurred based upon incorrect student enrollment and exit dates, resulting in 147 overreported hours.
- For 15 students enrolled in on-campus labs, the District reported more hours than the students were reasonably expected to attend, based on inquiry with District personnel, resulting in the students being overreported by 3,400 hours.
- Because 10 students were not enrolled in the requisite 12 hour minimum, the District overreported the students by 268 hours.
- For 5 students, the District identified incorrect withdrawal dates, resulting in 1,524 overreported hours.

In response to our inquiries, District personnel indicated that the discrepancies in hours reported to the FDOE resulted from programming errors in their student information system and that the District subsequently implemented a new student information system to improve the accuracy of data reporting.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly. Similar findings were noted in our report Nos. 2010-143 and 2011-142.

---

**Recommendation: The District should enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.**

---



---

### **Finding No. 8: Compensation and Salary Schedules**

---

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The District's 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the contracted workday, such as supplements for athletic coaches, department chairpersons, and club sponsors. Also, the salary schedule and union contract evidenced consideration of critical shortage areas by providing additional compensation for teachers assigned to certain exceptional student education (ESE) positions. Further, District personnel indicated that this additional compensation included consideration of school demographics and level of job performance difficulties for the ESE positions. However, District records did not evidence the basis for identifying the ESE positions as critical shortage areas. To document this process, records could evidence the number of applicants, personnel turnover rates, or other factors demonstrating the difficulty of hiring and retaining instructional personnel.

District personnel indicated that they intend to make salary schedule revisions to comply with the differentiated pay requirements after more significant concerns are addressed with the union. Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-142.

---

**Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.**

---



---

**Finding No. 9: Payroll Processing – Time Records**

---

The District had agreements with 18 supplemental educational service (SES) providers that employed 100 District teachers, and the District paid the SES providers \$609,940 for the tutorial services. For District teachers that provided SES tutorial services during the District's established workday, District personnel indicated that the teachers were required to work extra time to compensate for time used to provide tutorial services.

District records supporting two payments totaling \$82,879 to one SES provider disclosed that 27 teachers had start times for tutoring services that occurred from 5 to 20 minutes within the respective school's established workday. However, District records did not evidence that those teachers worked extra time to compensate for the tutorial services provided. Without such records, the risk is increased that overpayments may occur and not be timely detected.

---

**Recommendation: The District should enhance its payroll processing procedures to ensure that all employee work time is appropriately documented and not in conflict with other employment.**

---



---

**Finding No. 10: Information Technology – Security Incident Response Plan**

---

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for a team trained in incident response, and notification to affected parties.

District personnel indicated that they were in the process of developing a security incident response plan; however, as of October 2012, the District did not have a fully documented plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or information technology (IT) resources, the lack of a written security incident response plan may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources.

---

---

**Recommendation:** The District should continue its efforts to develop and implement a written security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

---

---

---

---

**Finding No. 11: Information Technology – Access Privileges**

---

---

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job duties.

The District performed annual reviews of application access for employees assigned at the District school sites. However, the District had not performed a review of access privileges for employees assigned to the District's administrative departments. Also, our tests of selected access privileges to the finance and human resources (HR) applications and supporting operating system disclosed access privileges that were unnecessary or permitted employees to perform incompatible duties. Specifically:

- One service account had domain administrator privileges that were no longer used by the District for application administration. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. Also, inactive service accounts may not have appropriate user network authentication controls in effect or be monitored for use, increasing the risk of compromise and unauthorized network hardware, software, or configuration changes. In response to our inquiry, the District deactivated the account on August 31, 2012.
- A technical specialist with responsibilities related to the help desk and site-based user support had special operating system authority to view, change, or delete any system object. Because the special authority essentially gives the user access to all system functions, it should be limited to only those employees with operating system administrator responsibilities.
- A database specialist, a supervisor of operations, and a programmer analyst had special operating system authority to run system services tools, including communication trace functions. Because this special authority provides the ability to view data transmissions such as user identifiers and unencrypted passwords, the special authority should be limited to employees with responsibilities for system security administration.
- A system operator had special operating system authority to change system communication configurations, including Internet connection settings. The ability to configure and change system communication configurations is more appropriate for those employees who are assigned system or network administration responsibilities.

The District's network allows access to certain critical application systems and confidential or sensitive information stored within documents and files. In addition, the special authorities described above granted in the operating system supported the District's business application, including finance and HR records. To compensate, in part, for

the above deficiencies, the District had certain controls, such as independently verified supporting voucher documentation and monitoring of department budgets. However, the existence of the inappropriate or unnecessary network and operating access privileges indicated a need for an improved District review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2010-143 and 2011-142.

---

**Recommendation: The District should improve its review of employee access privileges and deactivate any unnecessary or inappropriate access privileges detected.**

---



---

**Finding No. 12: Information Technology – Timely Deactivation of Access Privileges**

---

Effective management of IT access privileges includes the timely deactivation of employee IT access privileges when an employee is reassigned or terminated. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

District personnel indicated that school principals and district administrators typically e-mail or submit access request forms to the Information Services Department for deactivation of employee access privileges when duties are reassigned. Also, the HR Department provided a computer-generated listing of terminated employees to the security administrators in the Information Services Department each week to identify employees whose access privileges needed to be deactivated. However, these procedures did not provide for timely deactivation as former employees' access could remain active up to seven days after employment termination. Further, the District had not developed written policies and procedures to timely deactivate reassigned or terminated employee access privileges. Our review also disclosed a former employee whose access privileges remained active for 138 days after employment termination. When the access privileges of reassigned or former employees are not timely deactivated, the risk is increased that the access privileges may be misused by the former employees or others.

---

**Recommendation: The District should improve its access deactivation procedures to ensure that security administrators are promptly notified of employment reassignments or terminations and access privileges of former employees are timely deactivated. Such procedures should include development of written policies and procedures to document management's expectations for timely deactivating these privileges.**

---



---

**Finding No. 13: Information Technology – Security Controls – Use Authentication, Data Loss Prevention, and Monitoring of System Activity**

---

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication, data loss prevention, and monitoring of system activity that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, data loss prevention, and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication were noted in our report Nos. 2010-143 and 2011-142.

**Recommendation:** The District should improve security controls related to user authentication, data loss prevention, and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Special Education Cluster (CFDA Nos. 84.027 and 84.173)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** \$99,142.91

**Matching, Level of Effort, and Earmarking – Maintenance of Effort.** Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of local funds or the combined State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year. Allowances for decreases in maintenance of effort may be made for certain reasons such as departure of special education personnel; a decrease in the enrollment of students with disabilities; and the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

We reviewed the District’s State and local revenues and expenditures for special (exceptional student) education, in total and average per capita, and noted that the District’s required expenditure effort decreased from the 2010-11 fiscal year to the 2011-12 fiscal year in total and average per capita. Using the most favorable calculation measure (in total, aggregate analysis based on Florida Department of Education calculation methodology), we determined that the District’s local fiscal effort for exceptional student education decreased from the 2010-11 fiscal year to the 2011-12 fiscal year, resulting in a maintenance of effort shortfall of \$99,142.91 as shown in the table below:

| <b>Exceptional Student Education (ESE) Aggregate Analysis</b> | <b>Fiscal Year</b>           |                         |
|---|------------------------------|-------------------------|
|   | <b>2011-12</b>               | <b>2010-11</b>          |
| Total General Fund ESE Expenditures                           | \$ 33,795,655.45             | \$ 35,021,982.90        |
| Other Unrestricted ESE Expenditures:                          |                              |                         |
| Unrestricted Medicaid Reimbursement Funds                     | 1,209,106.23                 | 966,015.72              |
| Less: Total State Effort from Below (1)                       | <u>(15,836,062.36)</u>       | <u>(16,720,156.39)</u>  |
| Required Local Effort   | 19,168,699.32                | <u>\$ 19,267,842.23</u> |
| Less Required Local Effort from 2010-11 Fiscal Year           | <u>(19,267,842.23)</u>       |                         |
| <b>Maintenance of Effort Shortfall</b>                        | <b><u>\$ (99,142.91)</u></b> |                         |
| <b>Note (1): Total State Effort Calculation</b>               |                              |                         |
| State ESE Guaranteed Allocation                               | \$ 11,776,862.00             | \$ 12,266,121.00        |
| State ESE Weighted Funding                                    | <u>4,059,200.36</u>          | <u>4,454,035.39</u>     |
| Total State ESE Effort Provided                               | <u>\$ 15,836,062.36</u>      | <u>\$ 16,720,156.39</u> |

Source: District Expenditure and FDOE Funding Records

The deficiency in maintenance of effort, totaling \$99,142.91, represents questioned costs subject to disallowance by the grantor.

---

---

**Recommendation:** The District should document to the grantor (FDOE) its compliance with Federal maintenance of effort requirements or restore \$99,142.91 to the Special Education programs.

---

---

**Federal Awards Finding No. 2:**  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Improving Teacher Quality State Grants (No. 84.367)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** \$7,500

**Allowable Costs/Cost Principles and Procurement.** United States Office of Management and Budget Circular A-87 provides that costs must be necessary and reasonable for the proper and efficient performance and administration of Federal awards and be adequately documented. For the 2011-12 fiscal year, the District reported Improving Teacher Quality Program expenditures totaling \$790,972 and we tested expenditures totaling \$282,258 to determine whether the charges were appropriate.

Our tests of expenditures included \$15,000 that was prepaid for ten days of educational data analysis training services at a cost of \$1,500 per day, although the service agreement provided for the training days to be paid as delivered. In response to our initial inquiries, District personnel were unable to provide documentation that the training days were received. Subsequently, the District obtained a list of training activities provided by the vendor showing various meetings attended, accounting for five days of training and six days of on-line consulting, some of which were group consulting with other school districts. As the contract did not indicate the dates, manner, and type of training to be provided, District records did not evidence the basis upon which the District determined that the on-line consulting services would suffice for training. In these circumstances, Improving Teacher Quality Program expenditures totaling \$7,500 represent questioned costs subject to disallowance by the grantor.

---

---

**Recommendation:** The District should enhance its procedures to ensure that services are received prior to payment. In addition, the District should document the allowability of the \$7,500 of question costs to the grantor (FDOE) or restore this amount to the Improving Teacher Quality Program.

---

---

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in the previous audit reports. The following table provides information on recurring District audit findings:

| Current Fiscal Year Finding Numbers | Financial and Federal Single Audit                   | Financial, Operational, and Federal Single Audits    |  |
|-------------------------------------|--|--|--|
|                                     | 2010-11 Fiscal Year Audit Report and Finding Numbers | 2009-10 Fiscal Year Audit Report and Finding Numbers | 2008-09 Fiscal Year Audit Report and Finding Numbers |
| 2                                   | CPA Firm Finding                                     | NA   | NA   |
| 4                                   | CPA Firm Finding                                     | NA   | NA   |
| 7                                   | NA   | Audit Report No. 2011-142, Finding No. 4             | Audit Report No. 2010-143, Finding No. 2             |
| 8                                   | NA   | Audit Report No. 2011-142, Finding No. 2             | NA   |
| 11                                  | NA   | Audit Report No. 2011-142, Finding No. 7             | Audit Report No. 2010-143, Finding No. 3             |
| 13                                  | NA   | Audit Report No. 2011-142, Finding No. 8             | Audit Report No. 2010-143, Finding No. 4             |

NA – Not Applicable

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

| Audit Report No.<br>and Federal<br>Awards Finding No.                                      | Program/ Area  | Brief Description   | Status    | Comments  |
|--|--|---|-----------|---|
| 2011-142<br>(2)<br>June 30, 2011, Audit Report<br>Purvis, Gray, and Company, LLC<br>2011-1 | Child Nutrition Cluster<br>(CFDA Nos. 10.553, 10.555,<br>and 10.559) - Special Tests<br>and Provisions | Contrary to Federal regulations, the District's<br>food service program had excess net cash<br>resources of \$748,815.75 and \$272,801.56 at<br>June 30, 2010, and June 30, 2011, respectively. | Corrected |   |
| June 30, 2011, Audit Report<br>Purvis, Gray, and Company, LLC<br>2011-2                    | Education Jobs Fund (CFDA<br>No. 84.410) - Allowable<br>Costs/Cost Principles                          | Contrary to Federal regulations, the District<br>charged indirect costs to the program, resulting<br>in questioned costs of \$51,068.72.  | Corrected | District restored questioned costs<br>in December 2011. |

EXHIBIT A  
MANAGEMENT'S RESPONSE



Charlie Van Zant  
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street  
Green Cove Springs, Florida 32043

Telephones:  
904/284-6500 (GCS) 904/272-8100 (OP)  
1-888-663-2529 (KH)  
FAX 904/284-6535 TDD 904/284-6584

BOARD MEMBERS

- Janice Kerekes  
*District 1*
- Carol Studdard  
*District 2*
- Tina Bullock  
*District 3*
- Johanna McKimmon  
*District 4*
- Lisa Graham  
*District 5*

March 14, 2013

Mr. David W. Martin, CPA  
Auditor General  
Room 476A Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Re: Clay County District School Board's written response to the Preliminary and Tentative Audit Findings for the Fiscal Year Ended June 30, 2012.

Dear Auditor General Martin:

Pursuant to the List of Preliminary and Tentative Audit Findings and Recommendations for the Clay County District School Board for the Fiscal Year ended June 30, 2012, please accept the following written response as requested. In accordance with your directions we are submitting a written statement of explanation concerning all of the findings and our actual or proposed corrective actions.

**Finding No. 1: Financial Reporting**

Ongoing commitment is pledged by the Clay County Food and Nutrition Services Department to ensure that financial statement account balances, transactions, and expenditure amounts on the SEFA, are properly reported. Monthly revenue to include Federal Reimbursement is being closely monitored. Federal Reimbursement for each month will be accurately recorded and included in our Year End Report.

The District will enhance its methodology for determining fund balance classifications. Future identification of fund balance amounts as either nonspendable, restricted, committed, assigned, or unassigned will be more closely monitored to ensure accurate reporting in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

**Finding No. 2: Bank Account Reconciliations**

We acknowledge that reconciliations of bank account balances to the general ledger are a key component of internal controls over cash. Such reconciliations permit prompt detection and correction of unrecorded and improperly recorded cash transactions. Regretfully, with the position turnover in the Finance Department and the numerous bank errors resulting from the conversion of our bank accounts from Wachovia Bank to Wells Fargo Bank during the 2011/2012 fiscal year, we did not identify, investigate, and correct bank reconciliation variances in a timely fashion. Subsequent to audit fieldwork, new procedures have been implemented to ensure accurate reconciliations of bank account balances to the general ledger. Presently, all bank reconciliation variances have been detected and corrections have been made, if necessary. The new procedures, now in place, have eliminated errors and have brought prompt resolution of differences noted during the reconciliation process.

**Finding No. 3: Electronic Funds Transfers**

The District will adopt written policies and procedures prescribing the accounting and control procedures of EFTs, including the use of electronic signatures.

**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

Page 2  
Audit Response  
March 14, 2013

**Finding No. 4: Investment Policy**

The District will establish a written system of internal controls over investments and revise its investment policy. Subsequent to audit fieldwork, during the February 21, 2013, Clay County School Board meeting, the Board approved for the District to contract for financial advisory services. In discussions, District personnel have addressed with the Financial Advisor the need for the Advisor to give assistance in drafting the written system of internal controls over investments and give assistance in revising the investment policy to specify the authorized securities dealers, issuers, and banks from which securities may be purchased.

**Finding No. 5: Budget Transparency**

The District is developing procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on the district website.

**Finding No. 6: Facilities Management**

While there is no statutory or other requirement that mandates any of the three actions in the recommendation to this finding, I will discuss them with the appropriate department Directors, the Superintendent, and School Board should any new policies be needed.

**Finding No. 7: Adult General Education Classes**

Clay County does not dispute the findings. Processes and procedures have been developed by Adult and Community Education staff to monitor the data on a daily basis. The district has purchased a new student information system (Focus) which will ensure the data will be transmitted to D.O.E. correctly.

**Finding No. 8: Compensation and Salary Schedules**

The School District of Clay County intends to collectively bargain and establish a policy to establish a documented process to identify instructional personnel entitled to differentiated pay for all aspects of 1012.22(1)(c)4.b., Florida Statutes when bargaining begins in spring 2013 and should be in place by July 1, 2013.

**Finding No. 9: Payroll Processing-Time Records**

Each school develops a process for allowing teachers to flex their normal work hours to accommodate tutoring schedules to insure students are properly supervised before and after school. The district will develop consistent procedures for flexible scheduling of tutoring to ensure that all employees work time is properly documented and not in conflict with other employment.

**Finding No. 10: Information Technology – Security Incident Response Plan**

The District is developing Security Incident Plan and is in the process of piloting the documentation and protocol of the procedure.

**Finding No. 11: Information Technology – Access Privileges**

The District is currently reviewing employee access privileges and the methodology for deactivation or deletion of inappropriate access. Current protocol is being analyzed to determine appropriate modifications to the employee privileges process.

**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

Page 3  
Audit Response  
March 14, 2013

**Finding No. 12: Information Technology – Timely Deactivation of Access Privileges**

The District is currently reviewing its deactivation process and its role in providing access to ensure that former employees are deactivated in a timely manner. Current protocol is being analyzed to determine appropriate modifications to the deactivation process.

**Finding No. 13: Information Technology – Security Controls – Use Authentication, Data Loss Prevention, and Monitoring of System Activity**

The District had developed criteria for a Data Loss Prevention component to be included in enhancing its email services function. These criteria will be utilized in judging available offerings as we continue the development of our Data Loss Prevention protocol.

Additional security issues regarding security controls have been noted and the district will take appropriate action without disclosing the specifics of correction as to avoid compromising District and IT resources.

**Federal Awards Finding No. 1:**

Please consider the additional information in determining whether Clay County met the Maintenance of Effort (MOE) requirements for the 2011-12 fiscal year.

First, the MOE calculation should include more than function 5200 expenditures to capture the total cost of special education. Per the "Red Book," function 5200 is to be used to account for instruction: "Instruction includes the activities dealing directly with the teaching of pupils, or the interaction between teacher and pupils" (p. 4-15). There are many costs incurred by Clay County in functions 6100 and 6300, including direct nursing services for our disabled students (nurses assigned individually or to specific classes) and ESE program specialists who work directly with teachers, parents, and schools to assist in designing instruction and creating behavioral programs. As a further illustration of this, the district ESE department (cost center 9005) is not charged to function 5200, since the job of the ESE Director, Staffing and Curriculum Specialist and others is not to directly teach ESE pupils. Inarguably, the ESE department is certainly part of the total cost of special education services. Including the 9005 cost center would add an additional \$1,622,625.18 to the district's expenditures for special education services.

As previously indicated, Clay County designates the overwhelming majority of Medicaid funds for special education purposes. While some expenditures attributed to 5200 were permitted to be used in this calculation, other expenses were incurred for ESE students. The attached spreadsheet clearly identifies \$237,708.31 of expenditures from Medicaid funds for ESE students.

These expenditures include retrofitting classrooms for students with autism and other disabilities: adding restrooms, kitchens, flooring and needed electrical work. Making these modifications is necessary to provide the curriculum and programming needed for these students with disabilities.

Additionally, a specialized, accessible playground and a shade structure were added to school campuses serving large populations of students with disabilities. These improvements are a significant expense. However, providing equity in access for all students makes this a necessary expense and one that should be attributable to the overall expenses for special education in the district.

Finally, students with disabilities participate in community based instruction. Students are placed into jobs in the community giving them real-world experiences and job training. These programs are an integral part of the transition of students from school to work, and required under their Individual Education Plan and IDEA. Students are supervised by school staff and transported to and from the job site. The 2011-12 fiscal year saw the purchase of three vans, including one that is wheelchair accessible, for area high schools. These vans are a necessary special education expense and are not used for other purposes.

**EXHIBIT A (CONTINUED)  
MANAGEMENT'S RESPONSE**

Page 4  
Audit Response  
March 14, 2013

These additional items for consideration demonstrate that the Clay County School District did not use funds provided under IDEA, Part B to reduce the level of state and local expenditures for the education of students with disabilities below the level of the preceding fiscal year. The District will provide the additional information to the FDOE for clarification and ultimate resolution of this finding.

**Federal Awards Finding No. 2:**

The School District of Clay County recognizes its responsibility to maintain strong internal control procedures over accounts payable to prevent and detect invalid payments. The District continues to work diligently to ensure all payments for services are legitimate and made after services have been rendered.

Your review identified that \$15,000 of training services were paid before rendered. Following the release of the VAM calculator, a Performance Matters program that converts the teacher, school and district Value-Added score to a performance designation, a purchase order was written for training on the use of the VAM calculator and how to interpret and apply the outcome as required by the FLDOE to each teacher and principal annual evaluation.

It was expected that the state VAM file that Performance Matters would use in the training would be available around the time their purchase order was approved and the training would begin immediately. This in fact did not occur and the state delayed the release of the VAM scores thus delaying training. These circumstances allowed this one payment to slip through what otherwise are a good internal control structure.

Training including face-to-face session, online conferences and webinars did and continue to take place as VAM data is received each year and Performance Matters has been instrumental in the use of the VAM scores to meet the requirements of Race to the Top and SB 736.

We will continue our efforts to maintain strong controls over accounts payable to prevent and detect invalid payments.

This response is being submitted electronically in Word and PDF format as requested.

Sincerely,



Charlie Van Zant  
Superintendent of Schools

**EXHIBIT B  
DISTRICT'S ATTACHMENT TO  
MANAGEMENT'S RESPONSE**

| Check Date | Cost Cntr | Function | Project | Amount       | Check No. |                                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
|------------|-----------|----------|---------|--------------|-----------|------------------------------------|---|--|--|--|--|--|--|--|--|--|--|--|--|--|
| 10/27/11   | 9005      | 7400     | 4200    | 2,584.00     | 168773    | CORE CONSTRUCTION CO.              | Labor and Materials to build Restroom for ESE Classroom at LSJH Room 708 (Autism Unit)  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11/10/11   | 9005      | 7400     | 4200    | 500.00       | 169213    | CORE CONSTRUCTION CO.              | Labor and Materials to build Restroom for ESE Classroom at LSJH Room 708 (Autism Unit)  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/22/11    | 9005      | 7400     | 4200    | 8,980.00     | 167344    | FLEMING ISLAND HOME & KITCHEN INC. | Kitchen Cabinets w/Counter Tops for Programs at BLC (Room 44 IND Unit), LSJH (Room 707, 708 Autistic Units), WEC (Room 61 Autistic Unit), TES (Room 67 Autistic Unit)                                   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 9,160.00     | 166832    | FLEMING ISLAND HOME & KITCHEN INC. | Kitchen Cabinets w/Counter Tops for Programs at BLC (Room 44 IND Unit), LSJH (Room 707, 708 Autistic Units), WEC (Room 61 Autistic Unit), TES (Room 67 Autistic Unit)                                   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 1,872.36     | 166962    | TEAL TILE & CARPET                 | Flooring for Ese Programs at BLC (Room 44, IND Unit), LJH (Room 708, 707, autistic classroom), WEC (Room 61, autistic unit), LES (Room 45, EBD, EH), TES (Room 67, autistic), and AES (Room 901, Pre-K) |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 1,784.08     | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 784.98       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 404.43       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 403.32       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 270.68       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 186.93       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 136.90       | 166962    | TEAL TILE & CARPET                 |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 15,740.00    | 166967    | T & M ELECTRIC INC.                | Furnish and install receptacle outlets and connect appliances at BLC (room 44, IND Unit), AES (Room 901, Pre-K) WEC (Room 61, autistic unit), TES (Room 67, autistic unit)                              |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10/13/11   | 9005      | 7400     | 4200    | 8,200.00     | 168133    | PARKS ELECTRIC SERVICE, INC.       | Furnish and install receptacle outlets and connect appliances at LJH (room 708, 707, Autistic Unit)   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 8/25/11    | 9005      | 7400     | 4200    | 8,544.00     | 166612    | WRIGHT PLUMBING, INC.              | Connect sewer, water and appliances for ESE Kitchens at WEC (Room #61, autistic unit), TES (Room #67, autistic unit), LES (Room #45, EBD and EH units), and BLC (Room #44, IND Unit)                    |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/22/11    | 9005      | 7400     | 4200    | 5,162.00     | 167563    | WRIGHT PLUMBING, INC.              |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9/8/11     | 9005      | 7400     | 4200    | 3,026.00     | 166990    | WRIGHT PLUMBING, INC.              |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10/13/11   | 9005      | 7400     | 4200    | 1,283.00     | 168237    | WRIGHT PLUMBING, INC.              |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11/30/11   | 9005      | 7900     | 4200    | 40,983.00    | 169775    | ALAN JAY CHEVROLET CADILLAC        | Wheelchair Accessible Van for CBI at CHS  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1/26/12    | 9005      | 7900     | 4200    | 41,614.00    | 171355    | MAROONE DODGE PEMBROKE PINES       | Vans for Oakleaf and Ridgeview CBI programs. Principals pledge to only use these vehicles to transport ESE students.  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3/8/12     | 9005      | 7400     | 4200    | 3,650.00     | 172731    | SHADE AMERICA, INC.                | Shade structure over sandbox at SLE for ESE units. There will be some incidental use, but this is allowed by IDEA.  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1/26/12    | 9005      | 7403     | 4210    | 15,510.00    | 171104    | BLISS PRODUCTS & SERVICES          | Playground equipment and installation at TBE. There will be some incidental use, but this is allowed by IDEA.   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1/26/12    | 9005      | 7403     | 4210    | 50,115.63    | 171104    | BLISS PRODUCTS & SERVICES          | Equipment for ESE students.   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1/26/12    | 9005      | 7403     | 4210    | 50,115.63    | 171104    | BLISS PRODUCTS & SERVICES          | Playground equipment and installation at TBE.   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3/8/12     | 9005      | 7403     | 4210    | 11,234.00    | 172543    | BLISS PRODUCTS & SERVICES          | There will be some incidental use, but this is allowed by IDEA  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3/8/12     | 9005      | 7403     | 4210    | 3,600.00     | 172543    | BLISS PRODUCTS & SERVICES          |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3/8/12     | 9005      | 7403     | 4210    | 1,979.00     | 172543    | BLISS PRODUCTS & SERVICES          |   |  |  |  |  |  |  |  |  |  |  |  |  |  |
|            |           |          |         | \$237,708.31 |           |                                    |   |  |  |  |  |  |  |  |  |  |  |  |  |  |