REPORT NO. 2011-142
MARCH 2011

CLAY COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	District No.
Carol A. Vallencourt	1
Carol Y. Studdard	2
Charles E. Van Zant, Jr., Chair to 11-17-09	3
Frank J. Farrell, Vice Chair from 11-18-09	4
Lisa B. Graham, Vice Chair to 11-17-09, Chair from 11-18-09	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 was coordinated by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at 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; 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 10

- Statement of Net Assets 10
- Statement of Activities 12
- Balance Sheet – Governmental Funds 14
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 16
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 18
- Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
- Statement of Net Assets – Proprietary Fund 21
- Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund 22
- Statement of Cash Flows – Proprietary Fund 23
- Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 24
- Notes to Financial Statements 25

OTHER REQUIRED SUPPLEMENTARY INFORMATION

- Budgetary Comparison Schedule – General and Major Special Revenue Funds 48
- Schedule of Funding Progress – Other Postemployment Benefits Plan 50
- Notes to Required Supplementary Information 51

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 52

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 68

EXHIBIT A MANAGEMENT'S RESPONSE 69

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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. 1: Performance assessments of instructional personnel and school administrators were not based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 2: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 3: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Finding No. 4: Improvements were needed in controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 5: District records did not evidence that the District made the required notifications to parents of eligible students of the opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program.

Finding No. 6: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 7: The District needed to strengthen IT access controls.

Finding No. 8: The District's IT security controls related to user authentication 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; Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 1: Contrary to Federal regulations, the District did not properly allocate program income from its exclusive beverage contract to the food service program, resulting in $322,031 of questioned costs.

Federal Awards Finding No. 2: Contrary to Federal regulations, the District had excess net cash resources of $748,815.75 for its food service program at June 30, 2010.

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 our report No. 2010-143.**

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, 2010. 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*.

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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, the discretely presented component unit, 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, 2010, 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 12 percent of the assets and 27 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Clay County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Clay County District School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where

applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued 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** (pages 3 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 48 through 51) 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 *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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 2, 2011

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, 2010. 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 on pages 10 through 46.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2010, by $441,044,318.95 (net assets).
- In total, net assets increased $3,877,967.03, which represents a 1 percent increase over the 2008-09 fiscal year.
- General revenues total $280,645,704.87, or 91 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $26,599,749.18, or 9 percent of all revenues.
- Expenses total $303,367,487.02. Only $26,599,749.18 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by $3,877,967.03.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $12,299,378.20 at June 30, 2010, or 5 percent of total General Fund expenditures. The unreserved fund balance increased by $3,017,677.69 over the 2008-09 fiscal year.
- The District's investments in capital assets increased by a net amount of $28,959,778.27 or 6 percent, as compared to the June 30, 2009, balance.

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and

administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – This category includes the Clay County Education Foundation, Inc. (a direct support organization). Although a legally separate organization, this component unit is included because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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 – ARRA 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 and maintains annual budgets 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 governmental-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 call the school internal funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses its agency funds to account for resources held for 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, 2010, compared to net assets as of June 30, 2009:

Net Assets, End of Year

	Governmental Activities	
	6-30-10	6-30-09
Current and Other Assets	$ 64,251,873.53	$ 91,348,404.57
Capital Assets	488,285,389.37	459,325,611.10
Total Assets	552,537,262.90	550,674,015.67
Long-Term Liabilities	95,737,153.30	97,704,094.58
Other Liabilities	15,755,790.65	15,803,569.17
Total Liabilities	111,492,943.95	113,507,663.75
Net Assets:		
Invested in Capital Assets - Net of Related Debt	413,462,760.85	383,303,583.10
Restricted	22,408,905.38	49,799,525.97
Unrestricted	5,172,652.72	4,063,242.85
Total Net Assets	$ 441,044,318.95	$ 437,166,351.92

The largest portion of the District's net assets (94 percent) 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 (5 percent) represents resources that are subject to external restrictions on how they may be

used. The unrestricted net assets (1 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors. The District's restricted net assets and current and other assets decreased by $27,390,620.59 and $27,096,531.04, respectively, and capital assets increased by $28,959,778.27, mainly because of restricted capital outlay moneys comprised of cash and amounts due from other agencies available at June 30, 2009, that were used for construction of the new Oakleaf High School during the 2009-10 fiscal year.

The District's net assets increased by $3,877,967.03 during the 2009-10 fiscal year. The increase represents the degree to which ongoing revenues have exceeded ongoing expenses. Details of the revenues and expenses comprising the increase are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	$ 6,784,659.96	$ 6,980,329.48
Operating Grants and Contributions	13,999,955.29	13,570,561.28
Capital Grants and Contributions	5,815,133.93	11,303,566.01
General Revenues:		
Property Taxes, Levied for Operational Purposes	63,506,283.12	63,107,983.42
Property Taxes, Levied for Capital Projects	15,309,430.53	18,726,334.94
Local Sales Taxes	1,532,152.06	1,581,710.31
Grants and Contributions Not Restricted to Specific Programs	197,347,963.03	188,995,702.34
Unrestricted Investment Earnings	782,975.86	252,324.40
Miscellaneous	2,166,900.27	1,653,785.27
Total Revenues	307,245,454.05	306,172,297.45
Functions/Program Expenses:		
Instruction	175,357,296.32	184,458,627.90
Pupil Personnel Services	14,249,289.83	15,116,312.45
Instructional Media Services	5,216,541.12	5,876,558.85
Instruction and Curriculum Development Services	5,009,594.60	5,405,420.21
Instructional Staff Training Services	2,611,479.98	2,954,135.04
Instruction Related Technology	1,086,387.60	1,198,106.67
School Board	1,133,057.70	1,232,256.95
General Administration	1,676,201.50	1,242,433.94
School Administration	15,174,592.49	15,104,075.65
Facilities Acquisition and Construction	6,706,728.56	7,911,524.48
Fiscal Services	757,076.32	729,987.76
Food Services	12,326,093.52	12,087,671.32
Central Services	3,357,225.62	3,888,916.61
Pupil Transportation Services	13,131,019.71	13,597,674.30
Operation of Plant	19,146,491.15	21,652,737.13
Maintenance of Plant	5,651,879.33	5,902,809.25
Administrative Technology Services	1,811,655.61	1,923,395.61
Community Services	410,710.56	376,314.92
Unallocated Interest on Long-Term Debt	3,861,244.59	3,862,512.58
Unallocated Depreciation Expense	14,692,920.91	12,720,396.12
Total Functions/Program Expenses	303,367,487.02	317,241,867.74
Increase (Decrease) in Net Assets	$ 3,877,967.03	$ (11,069,570.29)

The State's Florida Education Finance Program (FEFP), State educational program funding, and local property taxes provide the majority of the District's revenues for current operations. These revenues are included in general revenues, which provide about 91 percent of total revenues, whereas program revenues provide only about 9 percent.

The majority of program revenues (92 percent) are in the facilities acquisition and construction, food services, and pupil transportation services activities.

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 the local property tax base and various other factors. Student enrollment increased by 77 students, from 35,844 in the 2008-09 fiscal year to 35,921 in the 2009-10 fiscal year. The District's property tax revenues decreased by $3,018,604.71 from the 2008-09 fiscal year, primarily as a result of declining property values. Grants and contributions not restricted to specific programs increased by $8,352,260.69, mainly because of new funding received from Federal American Recovery and Reinvestment Act (ARRA) Economic Stimulus grants totaling $17,514,281.40, and partially offset by a decrease in the combined State FEFP and educational program funding.

Capital grants and contributions revenue decreased by $5,488,432.08, or 49 percent, mainly because of a reduction in State Public Education Capital Outlay appropriations. These appropriations are received from the State for the acquisition, construction, and maintenance of educational facilities.

Instruction expenses represent 58 percent of total governmental expenses both for the 2008-09 and 2009-10 fiscal years. Overall, total expenses decreased $13,874,380.72 or 4 percent from the 2008-09 fiscal year, mainly because of staff reductions and related salaries and benefits expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is $12,299,378.20, while the total fund balance is $16,879,727.00. The unreserved fund balance represents 5 percent of total General Fund expenditures, while the total fund balance represents 7 percent of such expenditures. The unreserved fund balance increased by $3,017,677.69, while the total fund balance increased by $1,967,384.29 during the fiscal year. Key factors in this change are as follows:

- Revenues decreased $9,276,994.44, mainly from decreases in State revenues.
- Expenditures decreased $27,674,291.65, or 10 percent. The decrease in General Fund expenditures was mainly due to a decrease in salaries and benefits expenditures and was partially offset by a corresponding increase in expenditures of Federal stimulus funding in the Special Revenue – ARRA Economic Stimulus Fund.
- Total expenditures exceeded total revenues by $1,463,449.83, net other financing sources totaled $3,620,784.72, and inventories accounted for under the purchases method of inventory accounting decreased $189,950.60, comprising the net increase of $1,967,384.29 in total fund balance.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for ARRA Federal funding. Because grant revenues are not recognized until expenditures are incurred, this fund does not maintain a fund balance. For the 2009-10 fiscal year, revenues and expenditures totaled $17,514,281.40 each, including $13,138,516.02 in State Fiscal Stabilization Fund grants used for instruction-related services. As noted above, these expenditures partially offset the decrease in General Fund expenditures of $27,674,291.65.

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, $52,454.46 at June 30, 2010, which is reserved for the payment of debt service.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $12,915,338.42, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $5,051,099.66 has been encumbered for specific projects. Total fund balance decreased by $4,292,670.41 in the current fiscal year. Expenditures were mainly for the construction of the new Oakleaf High School, purchases of new school buses, and various maintenance and renovation projects. Transfers out were to provide for debt service payments, to fund equipment purchases, and to provide funding for certain expenditures of the District's maintenance and facilities departments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of $4,401,073.72. Similarly, final appropriations increased by $5,077,555.01 from the original budgeted amounts. These budget revisions represent about a 2 percent change from the respective original budget and were necessary to adjust planned revenues and expenditures based on actual resources and resource needs.

Actual revenues were slightly more than final budgeted amounts, whereas actual expenditures were $8,694,843.39, or 4 percent, less than final budget amounts. Since actual expenditures were well within budgetary estimates, unexpended appropriations were available to increase fund balance. Accordingly, the actual ending fund balance exceeded the final amended fund balance by $9,607,925.51.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2010, was $488,285,389.37. This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

The investment in capital assets increased by a net amount of $28,959,778.27, or 6 percent, as compared to the June 30, 2009, balance. The major capital asset event during the current fiscal year was construction of the new Oakleaf High School.

Additional information on the District's capital assets can be found in Notes 5 and 16, respectively, to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total capital long-term debt outstanding of $74,822,628.52, which was used to fund the construction and acquisition of capital assets. This amount is comprised of: $65,790,000 of certificates of participation; $5,730,000 of State school bonds; $3,000,000 of District revenue bonds; and $302,628.52 of obligation under a capital lease. During the fiscal year, the District's capital asset-related long-term debt decreased by $1,199,399.48, or 2 percent from the June 30, 2009, 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, financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Clay County District School Board, 900 Walnut Street, Green Cove Springs, Florida 32043.

BASIC FINANCIAL STATEMENTS

CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government	Component Unit
	Governmental Activities	
ASSETS		
Cash and Cash Equivalents	$ 56,323,147.53	$ 51,624.00
Investments	1,705,354.19	
Accounts Receivable	70,930.78	5,000.00
Funds Held by Others		2,681.00
Due from Other Agencies	1,096,571.36	
Due from Excess Insurance Carrier	233,592.96	
Inventories	1,711,608.97	
Capital Credits Receivable	3,110,667.74	
Capital Assets:		
Nondepreciable Capital Assets	30,027,188.81	
Depreciable Capital Assets, Net	458,258,200.56	
TOTAL ASSETS	$ 552,537,262.90	$ 59,305.00
LIABILITIES		
Salaries and Benefits Payable	$ 5,452,279.79	$
Payroll Deductions and Withholdings	1,136,364.60	
Accounts Payable	2,518,690.72	
Construction Contracts Payable	511,919.73	
Construction Contracts Payable - Retainage	2,062,278.53	
Scholarships Payable		7,681.00
Deferred Revenue	35,667.39	
Matured Certificates of Participation Payable	2,570,000.00	
Matured Interest Payable	1,468,589.89	
Long-Term Liabilities:		
Portion Due Within One Year	13,872,713.25	
Portion Due After One Year	81,864,440.05	
Total Liabilities	111,492,943.95	7,681.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	413,462,760.85	
Restricted for:		
State Required Carryover Programs	2,128,296.58	
Debt Service	470,038.45	
Capital Projects	15,241,603.07	
Food Service	4,568,967.28	
Other Purposes		3,975.00
Unrestricted	5,172,652.72	47,649.00
Total Net Assets	441,044,318.95	51,624.00
TOTAL LIABILITIES AND NET ASSETS	$ 552,537,262.90	$ 59,305.00

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 ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 175,357,296.32	$ 507,948.37	$	$
Pupil Personnel Services	14,249,289.83			
Instructional Media Services	5,216,541.12			
Instruction and Curriculum Development Services	5,009,594.60			
Instructional Staff Training Services	2,611,479.98			
Instruction Related Technology	1,086,387.60			
Board of Education	1,133,057.70			
General Administration	1,676,201.50			
School Administration	15,174,592.49			
Facilities Acquisition and Construction	6,706,728.56			4,119,777.19
Fiscal Services	757,076.32			
Food Services	12,326,093.52	6,276,711.59	7,092,300.29	
Central Services	3,357,225.62			
Pupil Transportation Services	13,131,019.71		6,907,655.00	
Operation of Plant	19,146,491.15			
Maintenance of Plant	5,651,879.33			724,455.00
Administrative Technology Services	1,811,655.61			
Community Services	410,710.56			
Unallocated Interest on Long-Term Debt	3,861,244.59			970,901.74
Unallocated Depreciation Expense*	14,692,920.91			
Total Primary Government	$ 303,367,487.02	$ 6,784,659.96	$ 13,999,955.29	$ 5,815,133.93
Component Unit				
Clay County Education Foundation, Inc.	$ 81,842.00	$ 0.00	$ 90,013.00	$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Local Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

* 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.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental Activities	Unit
$ (174,849,347.95)	$
(14,249,289.83)	
(5,216,541.12)	
(5,009,594.60)	
(2,611,479.98)	
(1,086,387.60)	
(1,133,057.70)	
(1,676,201.50)	
(15,174,592.49)	
(2,586,951.37)	
(757,076.32)	
1,042,918.36	
(3,357,225.62)	
(6,223,364.71)	
(19,146,491.15)	
(4,927,424.33)	
(1,811,655.61)	
(410,710.56)	
(2,890,342.85)	
(14,692,920.91)	
(276,767,737.84)	
	8,171.00
63,506,283.12	
15,309,430.53	
1,532,152.06	
197,347,963.03	
782,975.86	431.00
2,166,900.27	
280,645,704.87	431.00
3,877,967.03	8,602.00
437,166,351.92	43,022.00
$ 441,044,318.95	$ 51,624.00

CLAY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund
ASSETS			
Cash and Cash Equivalents	$ 22,902,457.59	$ 1,644.26	$ 4,091,044.35
Investments			
Accounts Receivable	49,676.68		
Due from Other Funds	2,772,118.40		
Due from Other Agencies	232,944.20	258,139.29	
Inventories	1,600,274.98		
TOTAL ASSETS	$ 27,557,471.85	$ 259,783.55	$ 4,091,044.35
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 5,413,142.71	$ 35,366.09	$
Payroll Deductions and Withholdings	1,109,325.89	23,063.80	
Accounts Payable	994,472.97	874.84	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	3,160,803.28	200,478.82	
Deferred Revenue			
Matured Certificates of Participation Payable			2,570,000.00
Matured Interest Payable			1,468,589.89
Total Liabilities	10,677,744.85	259,783.55	4,038,589.89
Fund Balances:			
Reserved for State Required Carryover Programs	2,128,296.58		
Reserved for Encumbrances	851,777.24		
Reserved for Inventories	1,600,274.98		
Reserved for Debt Service			52,454.46
Unreserved:			
Designated for Special Programs	418,338.16		
Undesignated, Reported in:			
General Fund	11,881,040.04		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	16,879,727.00		52,454.46
TOTAL LIABILITIES AND FUND BALANCES	$ 27,557,471.85	$ 259,783.55	$ 4,091,044.35

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 13,609,857.42	$ 10,500,251.24	$ 51,105,254.86
423,187.09	1,010,810.48	1,433,997.57
		49,676.68
166,504.61	23.25	2,938,646.26
9,702.51	595,785.36	1,096,571.36
	111,333.99	1,711,608.97
$ 14,209,251.63	$ 12,218,204.32	$ 58,335,755.70
$	$ 3,770.99	$ 5,452,279.79
	3,974.91	1,136,364.60
	120,204.11	1,115,551.92
17,940.75	493,978.98	511,919.73
1,275,972.46	786,306.07	2,062,278.53
	2,498,030.63	5,859,312.73
	35,667.39	35,667.39
		2,570,000.00
		1,468,589.89
1,293,913.21	3,941,933.08	20,211,964.58
		2,128,296.58
5,051,099.66	2,032,532.38	7,935,409.28
	81,922.12	1,682,197.10
	417,583.99	470,038.45
		418,338.16
		11,881,040.04
	5,450,500.48	5,450,500.48
7,864,238.76	293,732.27	8,157,971.03
12,915,338.42	8,276,271.24	38,123,791.12
$ 14,209,251.63	$ 12,218,204.32	$ 58,335,755.70

CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Governmental Funds		$ 38,123,791.12
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		488,285,389.37
Internal service funds are used by management to charge the costs of certain activities such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		4,861,517.02
Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets.		3,110,667.74
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long term liabilities at year-end consist of:		
Bonds Payable	$ 8,730,000.00	
Certificates of Participation Payable	65,790,000.00	
Obligation Under Capital Lease	302,628.52	
Compensated Absences Payable	18,004,406.78	
Other Postemployment Benefits Payable	510,011.00	(93,337,046.30)
Total Net Assets - Governmental Activities		$ 441,044,318.95

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, 2010

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 800,398.14	$ 68,103.75	$
Federal Through State and Local	38,300.00	17,446,177.65	
State	171,157,354.66		
Local:			
Property Taxes	63,506,283.12		
Local Sales Taxes			
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	2,714,682.58		4,334.88
Total Revenues	238,217,018.50	17,514,281.40	4,334.88
Expenditures			
Current - Education:			
Instruction	157,034,261.06	10,868,168.14	
Pupil Personnel Services	10,661,573.91	2,676,095.36	
Instructional Media Services	2,597,907.91	2,623,333.39	
Instruction and Curriculum Development Services	3,669,431.79	38,536.38	
Instructional Staff Training Services	628,470.11	630,573.20	
Instruction Related Technology	1,057,259.21	29,056.00	
Board of Education	1,195,998.75		
General Administration	852,855.85	500,074.38	
School Administration	15,183,109.35	6,647.19	
Facilities Acquisition and Construction	1,484,871.29	2,000.00	
Fiscal Services	757,803.70		
Food Services	54,144.74		
Central Services	3,247,963.58		
Pupil Transportation Services	11,087,969.76	5,111.80	
Operation of Plant	19,677,783.37		
Maintenance of Plant	5,635,232.79		
Administrative Technology Services	1,812,706.06		
Community Services	411,022.98		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	380,599.95	6,795.00	
Other Capital Outlay	2,070,841.44	127,890.56	
Debt Service:			
Principal	178,660.73		2,570,000.00
Interest and Fiscal Charges			2,956,591.63
Total Expenditures	239,680,468.33	17,514,281.40	5,526,591.63
Excess (Deficiency) of Revenues Over Expenditures	(1,463,449.83)		(5,522,256.75)
Other Financing Sources (Uses)			
Transfers In	3,101,284.30		5,528,629.75
Issuance of Bonds and Refunding Bonds			
Premium on Issuance of Refunding Bonds			
Discount on Issuance of Bonds and Refunding Bonds			
Inception of Capital Lease	481,289.25		
Proceeds from Sale of Capital Assets	25,688.00		
Insurance Loss Recoveries	40,980.68		
Payment to Refunded Bonds Escrow Agent			
Transfers Out	(28,457.51)		(4,338.24)
Total Other Financing Sources (Uses)	3,620,784.72		5,524,291.51
Net Change in Fund Balances	2,157,334.89		2,034.76
Fund Balances, Beginning	14,912,342.71		50,419.70
Increase (Decrease) in Inventory Reserve	(189,950.60)		
Fund Balances, Ending	$ 16,879,727.00	$ 0.00	$ 52,454.46

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$ 123,400.00	$ 991,901.89
	20,845,013.66	38,329,491.31
	2,548,821.85	173,706,176.51
15,309,430.53		78,815,713.65
	1,532,152.06	1,532,152.06
	3,669,348.68	3,669,348.68
	6,276,711.59	6,276,711.59
241,321.32	481,987.11	3,442,325.89
15,550,751.85	35,477,434.95	306,763,821.58
	9,021,803.67	176,924,232.87
	925,025.90	14,262,695.17
	70.28	5,221,311.58
	1,306,531.27	5,014,499.44
	1,354,370.36	2,613,413.67
	799.00	1,087,114.21
		1,195,998.75
	324,079.27	1,677,009.50
		15,189,756.54
2,808,097.30	2,412,816.11	6,707,784.70
		757,803.70
	12,278,076.67	12,332,221.41
	42,581.60	3,290,545.18
	75,344.53	11,168,426.09
		19,677,783.37
		5,635,232.79
		1,812,706.06
		411,022.98
10,338,410.49	31,881,855.09	42,607,660.53
	781,118.04	2,979,850.04
	675,000.00	3,423,660.73
	488,062.93	3,444,654.56
13,146,507.79	61,567,534.72	337,435,383.87
2,404,244.06	(26,090,099.77)	(30,671,562.29)
	32,795.75	8,662,709.80
	3,340,000.00	3,340,000.00
	33,487.90	33,487.90
	(34,983.40)	(34,983.40)
		481,289.25
55,195.00		80,883.00
		40,980.68
	(2,012,122.53)	(2,012,122.53)
(6,752,109.47)	(1,877,804.58)	(8,662,709.80)
(6,696,914.47)	(518,626.86)	1,929,534.90
(4,292,670.41)	(26,608,726.63)	(28,742,027.39)
17,208,008.83	34,884,419.02	67,055,190.26
	578.85	(189,371.75)
$ 12,915,338.42	$ 8,276,271.24	$ 38,123,791.12

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, 2010

Net Change in Fund Balances - Governmental Funds		$ (28,742,027.39)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The following details the amount of capital outlays in excess of depreciation expense in the current		
Fixed Capital Outlay Expenditures	$ 45,587,510.57	
Depreciation Expense	(16,668,597.67)	28,918,912.90
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.		466,133.86
The cost of capital assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of disposed assets.		(425,268.49)
Issuing long-term bonded 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 period:		
District Revenue Bonds and Refunding Bonds Issued	$ (3,000,000.00)	
District Revenue Bonds Defeased	1,595,000.00	
State Board of Education Refunding Bonds Issued	(340,000.00)	
State Board of Education Bonds Defeased	355,000.00	
Inception of Capital Lease	(481,289.25)	(1,871,289.25)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following details the amount of long-term debt repaid in the current period:		
Certificates of Participation Payable	$ 2,570,000.00	
Bonds Payable	675,000.00	
Obligation Under Capital Lease	178,660.73	3,423,660.73
The deferred amount on refunding debt offsets the liability for certificates of participation in the statement of net assets, but the amount is amortized over the life of the debt in the statement of activities. This is the net decrease in the deferred amount on refunding debt during the current period.		(352,972.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period.		28,308.80
Other postemployment benefits costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net decrease in the other postemployment benefits liability for the current fiscal year.		212,007.00
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities.		2,319,103.34
The District accrues capital credits to be received in future years in the statement of activities, but the revenue does not provide current financial resources and is not reported in the governmental funds. The following details the change in capital credits receivable during the current period:		
Current Year Accrual	$ 3,110,667.74	
Less: Prior Year Accrual	(3,019,898.46)	90,769.28
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.		(189,371.75)
Change in Net Assets - Governmental Activities		$ 3,877,967.03

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, 2010

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	5,217,892.67
Investments		271,356.62
Due from Other Funds		2,994,274.97
Due from Excess Insurance Carrier		233,592.96
TOTAL ASSETS	$	8,717,117.22
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	1,403,138.80
Due to Other Funds		52,354.40
Estimated Insurance Claims Payable		818,436.49
Total Current Liabilities		2,273,929.69
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,581,670.51
TOTAL LIABILITIES		3,855,600.20
NET ASSETS		
Unrestricted		4,861,517.02
TOTAL LIABILITIES AND NET ASSETS	$	8,717,117.22

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, 2010

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Insurance Premiums	$ 4,498,754.24
OPERATING EXPENSES	
Insurance Claims	782,457.25
Excess Insurance Premiums	1,401,452.80
State Assessments	71,414.36
Purchased Services	152,460.63
Total Operating Expenses	2,407,785.04
Operating Income	2,090,969.20
NONOPERATING REVENUES	
Interest Income	228,134.14
Net Income	2,319,103.34
Total Net Assets - Beginning	2,542,413.68
Total Net Assets - Ending	$ 4,861,517.02

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, 2010

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds	$ 4,498,754.24
Cash Payments to Vendors for Goods and Services	(4,743,702.07)
Cash Payments for Insurance Claims	(1,309,683.25)
Net Cash Used by Operating Activities	(1,554,631.08)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	21,629.25
Interest	228,134.14
Net Cash Provided by Investing Activities	249,763.39
Net Decrease in Cash and Cash Equivalents	(1,304,867.69)
Cash and Cash Equivalents, Beginning	6,522,760.36
Cash and Cash Equivalents, Ending	$ 5,217,892.67
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	$ 2,090,969.20
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Increase in Due from Other Funds	(2,994,274.97)
Increase in Due from Excess Insurance Carrier	(124,484.20)
Decrease in Accounts Payable	(29,434.80)
Increase in Due to Other Funds	29,819.69
Decrease in Estimated Insurance Claims Payable	(527,226.00)
Total Adjustments	(3,645,600.28)
Net Cash Used by Operating Activities	$ (1,554,631.08)

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, 2010

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 2,864,584.25
LIABILITIES	
Accounts Payable	$ 93,935.22
Due to Other Funds	21,254.10
Internal Accounts Payable	2,749,394.93
TOTAL LIABILITIES	$ 2,864,584.25

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

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ Reporting Entity

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Clay County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Clay County District School Board (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 these criteria, the following component units are 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 7. 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 component unit columns in the government-wide financial statements include the financial data of the Clay County Education Foundation, Inc. (Foundation). The Foundation was organized and operated in accordance with Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property, and to make expenditures to, and for the benefit of, public prekindergarten through twelfth grade education in Clay County. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010. The Foundation's audit report is filed in the District's administrative offices.

➢ 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 primary government and its component units.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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.

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 – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- 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.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

- **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 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 proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the District for workers' compensation, automobile liability, general liability, and property loss insurance premiums. Operating expenses include insurance claims, excess insurance 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.

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

- **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 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.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Investments consist of amounts placed in SBA Debt Service Accounts for investment of debt service moneys, amounts placed with 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, 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, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of amounts placed in money market mutual funds under a trust agreement in connection with certificates of participation financing arrangements. The District's money market mutual funds are Securities and Exchange Commission Rule 2a7 external investment pools, whereby shares are owned in the funds rather than the underlying investments. The money market mutual funds are reported at fair value, which is amortized cost.

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

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except maintenance inventories which are stated at weighted-average, and 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, 2010

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

Description	Estimated Lives
Improvements Other than Buildings	25 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 years

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

- **Long-Term Liabilities**

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize 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 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 FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 reserved in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

- **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 17, 2009. 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 percent 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, 2010

- **Educational Impact Fee**

  Clay County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 2003. This ordinance was most recently amended in October 2005, when Ordinance 2005-43 established, in part, revised rates to be collected. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, facility design and construction costs, furniture and equipment, and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. Because the educational impact fee is similar to a capital-type special assessment, it is reported as a program revenue in the government-wide financial statements.

- **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	$ 44,214,137.37
Fund B surplus Funds Trust Fund	8.05 Year Average	1,546,718.00
SBA Debt Service Accounts	6 months	158,636.19
Money Market Mutual Funds:		
First American Treasury Obligations (1)(2)	38 Day Average	3,461,280.64
First American Prime Obligations (1)(2)	33 Day Average	731,023.49
Total Investments, Primary Government		$ 50,111,795.69

Notes: (1) Investments considered cash equivalents for financial statement reporting purposes.

(2) At June 30, 2010, investments totaling $4,192,304.13 were held under a trust agreement in connection with certificates of participation financing arrangements.

Interest Rate Risk

- The District's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates, but generally requires shorter-term investment maturities that are matched with cash flow needs to avoid selling securities prior to maturity.
- Florida PRIME had a weighted average maturity (WAM) of 46 days at June 30, 2010. 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. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- The District's investment policy limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool; Security and Exchange Commission registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury; Federal Agencies and Instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.
- The District's investments in 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 SBA for managing interest rate risk and credit risk for this account.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investments in First American Treasury Obligations and First American Prime Obligations money market mutual funds are rated AAAm by Standard & Poor's and Aaa by Moody's Investors Services.

Custodial Credit Risk

- 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 funds 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 Electric Cooperative, Inc., is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2009-10 fiscal year, the District received $58,419.53 related to portions of capital credits earned from the 1987 through the 2008 fiscal years. At June 30, 2010, the accumulated credits to the District's accounts were $3,110,667.74.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 29,939,213.81	$	$	$ 29,939,213.81
Construction in Progress	21,015,118.73	39,003,296.46	59,930,440.19	87,975.00
Total Capital Assets Not Being Depreciated	50,954,332.54	39,003,296.46	59,930,440.19	30,027,188.81
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	22,954,163.75	437,350.92		23,391,514.67
Buildings and Fixed Equipment	450,935,955.55	59,507,078.53		510,443,034.08
Furniture, Fixtures, and Equipment	34,106,336.06	4,025,241.40	3,606,453.95	34,525,123.51
Motor Vehicles	23,183,055.24	2,285,314.34	1,884,885.71	23,583,483.87
Property Under Capital Lease		481,289.25		481,289.25
Audio Visual Materials and Computer Software	4,138,248.30	244,513.72	478,313.31	3,904,448.71
Total Capital Assets Being Depreciated	535,317,758.90	66,980,788.16	5,969,652.97	596,328,894.09
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	12,413,419.21	918,166.55		13,331,585.76
Buildings and Fixed Equipment	85,106,063.84	9,128,013.08		94,234,076.92
Furniture, Fixtures, and Equipment	17,313,521.68	4,080,955.50	3,606,453.95	17,788,023.23
Motor Vehicles	9,526,383.54	1,975,676.76	1,884,885.71	9,617,174.59
Property Under Capital Lease		96,257.05		96,257.05
Audio Visual Materials and Computer Software	2,587,092.07	469,528.73	53,044.82	3,003,575.98
Total Accumulated Depreciation	126,946,480.34	16,668,597.67	5,544,384.48	138,070,693.53
Total Capital Assets Being Depreciated, Net	408,371,278.56	50,312,190.49	425,268.49	458,258,200.56
Governmental Activities Capital Assets, Net	$ 459,325,611.10	$ 89,315,486.95	$ 60,355,708.68	$ 488,285,389.37

The class of property under capital lease is presented in Note 6.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 1,975,676.76
Unallocated	14,692,920.91
Total Depreciation Expense - Governmental Activities	$ 16,668,597.67

6. OBLIGATION UNDER CAPITAL LEASE

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

Fiscal Year Ending June 30	Total	Principal	Interest
2011	$ 166,683.33	$ 146,410.25	$ 20,273.08
2012	166,683.33	156,218.27	10,465.06
Total Minimum Installment-Purchase Payments	$ 333,366.66	$ 302,628.52	$ 30,738.14

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation outstanding at June 30, 2010, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2003	$ 15,495,000	3.875 - 5.000	2025	$ 15,495,000
Series 2004, Refunding	6,780,000	2.750 - 3.625	2017	9,900,000
Series 2005A	15,310,000	3.25 - 4.50	2027	16,430,000
Series 2005B, Refunding	17,690,000	4.0 - 5.0	2025	18,545,000
Series 2008	10,515,000	4.76	2029	11,165,000
Total Certificates of Participation	$ 65,790,000			

The District entered into a master financing arrangement on May 15, 1997, which arrangement was characterized as a lease-purchase agreement, with the Clay 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.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 leases for the benefit of the securers of the certificates for the remaining term of the ground leases.

A summary of the lease terms is as follows:

Certificates	Lease Term
Series 2003	Earlier of date paid in full or June 30, 2025
Series 2004, Refunding	Earlier of date paid in full or June 30, 2017
Series 2005A	Earlier of date paid in full or June 30, 2027
Series 2005B, Refunding	Earlier of date paid in full or June 30, 2025
Series 2008	Earlier of date paid in full or June 30, 2029

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

Certificates	Description of Properties
Series 2004, Refunding	Acquisition of approximately 42 acres of land adjacent to the former Ridgeview Junior High School and conversion of the facility to a senior high school (Ridgeview High School).
Series 2005B, Refunding	Construction of a new senior high school in the Fleming Island area (Fleming Island High School).
Series 2003	Construction of a new junior high school in the Lake Asbury area (Lake Asbury Junior High School).
Series 2005A	Construction of a kindergarten through 8th grade school in the Oakleaf area (initially Oakleaf K-8 School, now Oakleaf Junior High School).
Series 2008	Construction of a new senior high school in the Oakleaf area (Oakleaf High School).

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

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Fiscal Year Ending June 30	Total	Principal	Interest
2011	$ 5,506,767.76	$ 2,670,000.00	$ 2,836,767.76
2012	5,506,334.26	2,760,000.00	2,746,334.26
2013	5,507,849.26	2,860,000.00	2,647,849.26
2014	5,510,506.52	2,970,000.00	2,540,506.52
2015	5,507,430.52	3,080,000.00	2,427,430.52
2016-2020	27,532,135.06	17,470,000.00	10,062,135.06
2021-2025	24,269,600.76	18,635,000.00	5,634,600.76
2026-2029	16,472,079.00	15,345,000.00	1,127,079.00
Total Minimum Lease Payments	$ 95,812,703.14	$ 65,790,000.00	$ 30,022,703.14

8. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2002B, Refunding	$ 1,275,000	4.000 - 5.375	2015
Series 2003A	540,000	3.00 - 4.25	2023
Series 2005A, Refunding	2,985,000	5.0	2017
Series 2005B, Refunding	625,000	5.0	2018
Series 2009A, Refunding	305,000	3.00 - 5.00	2019
District Revenue Bonds:			
Series 2010A, Refunding	3,000,000	2.00 - 5.00	2032
Total Bonds Payable	$ 8,730,000		

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 are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes), and Chapter 65-1164,

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Laws of Florida. The annual distribution of $223,250 is remitted by the Florida Department of Financial Services to the District and the Board has established a sinking fund as required by the bond resolution. The average annual debt service requirements represent approximately 98 percent of the annual distribution, and no annual debt service requirement exceeds the annual distribution amount. The tax proceeds are pledged for repayment of the bonds until all such bonds outstanding have been redeemed.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	$ 985,240.00	$ 705,000.00	$ 280,240.00
2012	985,346.25	740,000.00	245,346.25
2013	986,696.25	775,000.00	211,696.25
2014	982,852.50	810,000.00	172,852.50
2015	966,831.25	835,000.00	131,831.25
2016-2020	1,876,675.00	1,685,000.00	191,675.00
2021-2023	195,656.25	180,000.00	15,656.25
Total State School Bonds	6,979,297.50	5,730,000.00	1,249,297.50
District Revenue Bonds:			
2011	218,599.83	75,000.00	143,599.83
2012	220,137.50	100,000.00	120,137.50
2013	218,137.50	100,000.00	118,137.50
2014	216,137.50	100,000.00	116,137.50
2015	218,987.50	105,000.00	113,987.50
2016-2020	1,090,202.50	570,000.00	520,202.50
2021-2025	1,085,621.28	685,000.00	400,621.28
2026-2030	1,090,212.50	860,000.00	230,212.50
2031-2032	435,500.00	405,000.00	30,500.00
Total District Revenue Bonds	4,793,536.11	3,000,000.00	1,793,536.11
Total	$ 11,772,833.61	$ 8,730,000.00	$ 3,042,833.61

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 68,360,000.00	$	$ 2,570,000.00	$ 65,790,000.00	$ 2,670,000.00
Less Deferred Amount on Refunding Debt	(352,972.00)		(352,972.00)		
Net Certificates of Participation Payable	68,007,028.00		2,217,028.00	65,790,000.00	2,670,000.00
Obligation Under Capital Lease		481,289.25	178,660.73	302,628.52	146,410.25
Bonds Payable	8,015,000.00	3,340,000.00	2,625,000.00	8,730,000.00	780,000.00
Estimated Insurance Claims Payable	2,927,333.00	782,457.25	1,309,683.25	2,400,107.00	818,436.49
Other Postemployment Benefits Payable	722,018.00	777,965.00	989,972.00	510,011.00	
Compensated Absences Payable	18,032,715.58	9,429,557.71	9,457,866.51	18,004,406.78	9,457,866.51
Total Governmental Activities	$ 97,704,094.58	$ 14,811,269.21	$ 16,778,210.49	$ 95,737,153.30	$ 13,872,713.25

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.

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	Interfund Payables
Major:		
General	$ 2,772,118.40	$ 3,160,803.28
Special Revenue:		
ARRA Economic Stimulus		200,478.82
Capital Projects:		
Local Capital Improvement	166,504.61	
Nonmajor Governmental	23.25	2,498,030.63
Internal Service	2,994,274.97	52,354.40
Agency		21,254.10
Total	$ 5,932,921.23	$ 5,932,921.23

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.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 3,101,284.30	$ 28,457.51
Debt Service:		
Other Debt Service	5,528,629.75	4,338.24
Capital Projects:		
Local Capital Improvement		6,752,109.47
Nonmajor Governmental	32,795.75	1,877,804.58
Total	$ 8,662,709.80	$ 8,662,709.80

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Local Capital Improvement and nonmajor governmental funds were to provide for debt service payments in the Debt Service – Other Debt Service Fund, and to fund equipment purchases and certain facilities and maintenance expenditures in the District's General Fund.

11. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended form the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Pursuant to the provisions of Section 1006.40(6), Florida Statutes, the District is authorized to issue purchase orders for instructional materials in anticipation of the subsequent year's legislative appropriations. Because revenues for these appropriations are not available at fiscal year-end, a reserve for encumbrances is not shown for these outstanding purchase orders. Purchase orders outstanding in the General Fund for instructional materials total $2,511,098.58 at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue - ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue - ARRA Economic Stimulus Fund total $80,611.63 at June 30, 2010.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2009-10 fiscal year:

Source	Amount
Florida Education Finance Program:	
Transportation	$ 6,907,655.00
Instructional Materials	2,918,107.00
Florida Teachers Lead	461,764.00
Other	118,759,780.00
Categorical Educational Program - Class Size Reduction	38,642,384.00
School Recognition	1,857,131.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,405,278.00
Workforce Development Program	885,827.00
Gross Receipts Tax (Public Education Capital Outlay)	724,455.00
Voluntary Prekindergarten Program	348,542.22
Racing Commission Funds	223,250.00
Food Service Supplement	125,130.00
Discretionary Lottery Funds	100,503.00
Miscellaneous	346,370.29
Total	$ 173,706,176.51

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 2009 tax roll for the 2009-10 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.235	$ 55,054,308.84
Basic Discretionary Local Effort	0.748	7,866,403.63
Critical Operating Needs	0.250	2,629,145.60
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	15,774,873.59
Total	7.733	$ 81,324,731.66

14. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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 PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
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 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $16,118,151.92, $16,549,397.17, and $15,673,599.01, respectively, which were equal to the required contributions for each fiscal year. There were 773 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled $2,606,253.16.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on 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 (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 Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Additionally, retirees who worked for and retired from the District after a minimum of 25 years, and who are age 59 before the start of the insurance plan year (October 1) receive insurance coverage at a reduced (explicitly subsidized) premium rate. This defined benefit plan provides an annual premium reduction of up to $1,200 and continues until retirees are eligible to enroll in the Federal Medicare program for their primary coverage

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

(age 65). The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and 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 other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 154 retirees and eligible dependants received other postemployment benefits. The District provided required contributions of $989,972 toward the annual OPEB cost. Plan members receiving benefits contributed $594,027 through required contributions ranging from $416.89 to $514.55 per month for retiree only coverage, and from $805.51 to $994.12 for retiree and spouse coverage, depending on the health plan selected.

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

Description	Amount
Normal Cost (service cost for one year)	$ 475,992
Amortization of Unfunded Actuarial Accrued Liability	269,076
Interest on Normal Cost and Amortization	29,803
Annual Required Contribution	774,871
Interest on Net OPEB Obligation	28,881
Adjustment to Annual Required Contribution	(25,787)
Annual OPEB Cost (Expense)	777,965
Contribution Toward the OPEB Cost	(989,972)
Decrease in Net OPEB Obligation	(212,007)
Net OPEB Obligation, Beginning of Year	722,018
Net OPEB Obligation, End of Year	$ 510,011

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2007-08	$ 639,963	43.7%	$ 360,148
2008-09	736,454	50.9%	722,018
2009-10	777,965	127.3%	510,011

Funded Status and Funding Progress. As of July 1, 2008, the most recent valuation date, the actuarial accrued liability for benefits was $6,793,061, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $6,793,061 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $130,241,610, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of 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 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, 2008, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the District's 2009-10 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, and an annual healthcare cost trend rate of 10.5 percent initially for the 2009-10 fiscal year, reduced by 1 percent per year, to an ultimate rate of 5.5 percent for the fiscal year ending June 30, 2015. 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, 2010, was 27 years.

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

16. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
New Administration Building at Keystone Heights Elementary:			
Architect	$ 74,797.86	$ 48,300.00	$ 26,497.86
General Contractor	876,631.00	39,675.00	836,956.00
Direct Materials	370,000.00		370,000.00
Total	$ 1,321,428.86	$ 87,975.00	$ 1,233,453.86

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 coverages are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of $2,400,107 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2010.

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

	Fiscal-Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-End
2008-09	$2,362,914.00	$1,618,677.32	$(1,054,258.32)	$2,927,333.00
2009-10	2,927,333.00	782,457.25	(1,309,683.25)	2,400,107.00

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

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

THIS PAGE INTENTIONALLY LEFT BLANK.

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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 920,000.00	$ 920,000.00	$ 800,398.14	$ (119,601.86)
Federal Through State and Local			38,300.00	38,300.00
State	175,589,325.00	171,282,398.07	171,157,354.66	(125,043.41)
Local:				
Property Taxes	62,294,075.00	62,224,116.00	63,506,283.12	1,282,167.12
Miscellaneous	3,150,734.73	3,126,546.94	2,714,682.58	(411,864.36)
Total Revenues	241,954,134.73	237,553,061.01	238,217,018.50	663,957.49
Expenditures				
Current - Education:				
Instruction	154,920,763.61	160,067,265.04	157,034,261.06	3,033,003.98
Pupil Personnel Services	11,162,869.87	10,676,572.04	10,661,573.91	14,998.13
Instructional Media Services	2,587,504.62	2,620,560.42	2,597,907.91	22,652.51
Instruction and Curriculum Development Services	3,528,998.19	3,939,670.72	3,669,431.79	270,238.93
Instructional Staff Training Services	1,074,185.05	827,449.57	628,470.11	198,979.46
Instruction Related Technology	1,199,014.79	1,075,549.66	1,057,259.21	18,290.45
Board of Education	1,996,016.12	1,470,032.35	1,195,998.75	274,033.60
General Administration	981,204.84	896,519.23	852,855.85	43,663.38
School Administration	14,823,125.71	15,209,671.10	15,183,109.35	26,561.75
Facilities Acquisition and Construction	1,689,167.55	1,727,643.01	1,484,871.29	242,771.72
Fiscal Services	753,002.16	763,310.09	757,803.70	5,506.39
Food Services	200.31	57,705.78	54,144.74	3,561.04
Central Services	3,475,585.00	3,611,804.11	3,247,963.58	363,840.53
Pupil Transportation Services	11,980,289.70	11,968,550.52	11,087,969.76	880,580.76
Operation of Plant	22,104,276.60	22,522,800.10	19,677,783.37	2,845,016.73
Maintenance of Plant	5,498,582.52	5,713,028.74	5,635,232.79	77,795.95
Administrative Technology Services	2,053,240.47	1,902,140.58	1,812,706.06	89,434.52
Community Services	458,912.55	468,337.87	411,022.98	57,314.89
Fixed Capital Outlay:				
Facilities Acquisition and Construction	326,577.79	470,465.70	380,599.95	89,865.75
Other Capital Outlay	2,541,679.26	2,219,551.76	2,070,841.44	148,710.32
Debt Service:				
Principal	142,560.00	166,683.33	178,660.73	(11,977.40)
Total Expenditures	243,297,756.71	248,375,311.72	239,680,468.33	8,694,843.39
Excess (Deficiency) of Revenues Over Expenditures	(1,343,621.98)	(10,822,250.71)	(1,463,449.83)	9,358,800.88
Other Financing Sources (Uses)				
Operating Transfers In	2,975,543.00	3,101,284.30	3,101,284.30	
Inception of Capital Lease			481,289.25	481,289.25
Proceeds from Sale of Capital Assets	100,000.00	27,000.00	25,688.00	(1,312.00)
Insurance Loss Recoveries	40,000.00	40,000.00	40,980.68	980.68
Operating Transfers Out	(14,000.00)	(28,457.51)	(28,457.51)	
Total Other Financing Sources (Uses)	3,101,543.00	3,139,826.79	3,620,784.72	480,957.93
Net Change in Fund Balance	1,757,921.02	(7,682,423.92)	2,157,334.89	9,839,758.81
Fund Balances, Beginning	14,912,342.71	14,912,342.71	14,912,342.71	
Decrease in Inventory Reserve	41,882.70	41,882.70	(189,950.60)	(231,833.30)
Fund Balances, Ending	$ 16,712,146.43	$ 7,271,801.49	$ 16,879,727.00	$ 9,607,925.51

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$	$ 68,103.75	$ 68,103.75
22,561,247.60	23,860,354.93	17,446,177.65	(6,414,177.28)
22,561,247.60	23,860,354.93	17,514,281.40	(6,346,073.53)
14,235,309.93	16,500,424.15	10,868,168.14	5,632,256.01
5,602,302.92	2,698,889.54	2,676,095.36	22,794.18
669,919.79	2,623,333.39	2,623,333.39	
46,140.00	41,599.85	38,536.38	3,063.47
1,290,414.36	1,209,387.32	630,573.20	578,814.12
	67,522.45	29,056.00	38,466.45
584,570.10	522,951.43	500,074.38	22,877.05
3,870.15	10,216.65	6,647.19	3,569.46
18,795.35	2,000.00	2,000.00	
	24,229.00		24,229.00
109,925.00	9,561.80	5,111.80	4,450.00
	6,795.00	6,795.00	
	143,444.35	127,890.56	15,553.79
22,561,247.60	23,860,354.93	17,514,281.40	6,346,073.53
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2007	$ 0	$ 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%

CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	$ 1,046,503.56
National School Lunch Program	10.555	300	5,184,768.82
Summer Food Service Program for Children	10.559	323	65,900.49
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	655,607.00
Total United States Department of Agriculture			6,952,779.87
United States Department of Labor:			
Indirect:			
First Coast Workforce Development, Inc.:			
ARRA - WIA Youth Activities	17.259	FCWD 2010-S02	71,633.75
United States General Services Administration:			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	1,364.06
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	525,893.95
Fund for the Improvement of Education	84.215	N/A	123,400.00
Total Direct			649,293.95
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	3,818,226.06
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	1,183,176.34
Total Title I, Part A Cluster			5,001,402.40
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	6,897,022.34
Special Education - Preschool Grants	84.173	267	132,505.69
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	2,981,647.94
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	67,521.47
Duval County District School Board:			
Special Education - Grants to States	84.027	48400	249.23
University of South Florida:			
Special Education - Grants to States	84.027	I725-1040-00-H	50,068.40
Total Special Education Cluster			10,129,015.07
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	70,310.45
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	41,779.73
Total Education for Homeless Children and Youth Cluster			112,090.18
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	23,722.97
ARRA - Education Technology State Grants, Recovery Act	84.386	121	30,006.13
Total Education Technology State Grants Cluster			53,729.10
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	11,836,893.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	1,301,623.02
Total State Fiscal Stabilization Fund Cluster			13,138,516.02

CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Education (Continued):			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	$ 130,595.34
Career and Technical Education - Basic Grants to States	84.048	151	241,203.27
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	80,058.18
English Language Acquisition Grants	84.365	102	381,180.94
Improving Teacher Quality State Grants	84.367	224	900,672.68
School Improvement Grants	84.377	126	37,650.00
Washington County District School Board:			
Reading First State Grants	84.357	7929003	38,300.00
Total Indirect			30,244,413.18
Total United States Department of Education			30,893,707.13
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	319,771.51
Total Expenditures of Federal Awards			$ 38,239,256.32

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2009-10 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.
(A) National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
(B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus personal property obtained during the fiscal year.

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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, the discretely presented component unit, 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, 2010, 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 was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Clay County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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 2, 2011

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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 United States Office of Management and Budget (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, 2010. 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*. 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 year ended June 30, 2010. 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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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 2, 2011

CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be 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, 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	$1,147,177
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, 2010

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that instructional personnel and school administrators were not evaluated based primarily on student performance using data such as FCAT scores. District personnel indicated this occurred because FCAT scores were not available when evaluations were performed and other evaluation categories generally pertained to student performance, eliminating the need for a separate student performance category. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

For the 2010-11 fiscal year, the District revised the performance assessments for school administrators, basing 51 percent of the weighted total evaluation score on student performance and 49 percent on other assessment criteria. Additionally, District personnel indicated that, although performance assessments for instructional personnel were not similarly revised, the District is working to redesign the performance assessment procedures and forms for the 2011-12 school year so that instructional personnel are also evaluated based primarily on student performance.

Recommendation: The District should continue its efforts to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance.

Finding No. 2: 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)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule

with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on 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 adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The District's 2009-10 fiscal year salary schedules for instructional personnel and school-based administrators and applicable union contracts for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel**. The instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.

  The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the contracted work day, 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 these ESE positions. However, District records did not evidence the basis for identifying the ESE positions as critical shortage areas. To evidence this, the District could document a historical trend of a minimal number of applicants, high personnel turnover rates, or other factors demonstrating the difficulty of hiring and retaining personnel.

- **School-based Administrators**. The salary schedule for school-based administrators evidenced consideration of differentiated pay for additional responsibilities, school demographics, and level of job performance difficulties. For example, the salary schedule provided additional compensation factors for middle and high school administrators for additional responsibilities and level of job performance difficulties, and provided additional compensation factors based on the school's full-time equivalent enrollment for school demographics. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and that the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 3: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides, in part, that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

As similarly noted in our report No. 2010-143, the District developed a notification statement regarding the collection of SSNs from employees and prospective employees, but had not prepared a statement to notify students, parents, or others of the purpose for collecting SSNs for student enrollment, educational scholarship, and volunteer registration forms. Additionally, the statement regarding the collection of SSNs from employees and prospective employees did not identify the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN was collected, including authorized exceptions applying to such collection, use, or release, or indicate whether collection of the individual's SSN was authorized or mandatory under Federal or State law. Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should enhance procedures to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 4: Adult General Education Courses

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. Chapter 2009-81, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur

between the date of enrollment in a course and the withdrawal date or end-of-course date, whichever is sooner. These procedures further provide that a maximum of 1,300 hours may be fundable per reporting year for an adult education student. The District is also instructed to report a student only for the number of hours that a person reasonably could be expected to be in actual attendance.

Our comparison of adult general education data for the past three fiscal years indicated significant variability in the numbers of contact hours and students reported, as shown in the chart below:

Comparison of Reported Instructional Contact Hours and Students by Fiscal Year

Fiscal Year	Contact Hours	Number of Students	Average Hours Per Student
2007-08	253,275	3,027	84
2008-09	97,413	2,285	43
2009-10	184,565	3,593	51

Because of the above variances and to determine the propriety of the amounts reported to FDOE, we initially tested 2,266 instructional contact hours reported for 40 students enrolled in 67 adult education classes and noted that the reported hours did not agree or reconcile to the scheduled hours for 25 students enrolled in 28 classes. For example, we noted 11 students whose hours were overreported by a total of 564 hours and 14 students whose hours were underreported for a total of 244 hours. We expanded our review procedures and noted the following significant discrepancies in the instructional contact hours reported:

- The District reported 42,709 instructional contact hours for 79 students enrolled in 89 comprehensive adult basic education and general education development courses that met on a daily basis, or an average of 541 hours per student. However, District personnel indicated that the maximum number of scheduled hours the District reasonably expected the students to be in attendance for each course was 180 hours, or a maximum of 16,020 hours. As a result, the District overreported 26,689 hours.
- The total hours reported for 11 students exceeded the 1,300 hour per year limit, ranging from 35 to 532 excess hours. For these 11 students, we also noted that the reported hours for the comprehensive adult basic education or general education development courses attended exceeded the maximum potential scheduled hours. For example, the maximum hours that could be attended for an adult general education course that meets daily was 2.5 hours per day, and such courses are offered 200 days per year, which equates to 500 maximum available scheduled hours per year (notwithstanding the District's maximum of 180 reasonably expected scheduled hours per year). However, the 11 students, and 9 additional students, had reported hours ranging from 546 to 1,372 in only one semester for the adult general education course attended.

District personnel indicated that the discrepancies in hours reported generally resulted from programming errors in the student records system and that further investigation would be necessary to detect and correct the errors. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and be accurately presented in FDOE's records. A similar finding was noted in previous audits, most recently in our report No. 2010-143.

Recommendation: The District should strengthen controls over the reporting of instructional contact hours for adult general education courses to ensure that only those hours a student is reasonably expected to be in actual attendance are reported to FDOE. Further, the District should determine the extent to which it misreported adult general education hours and contact FDOE for proper resolution.

Finding No. 5: McKay Scholarship Program

Pursuant to Section 1002.39, Florida Statutes, the John M. McKay Scholarships for Students with Disabilities Program (Program) provides funding to parents of eligible students with disabilities for their children to attend an eligible private school, or the opportunity for their children to attend a public school other than the one assigned. Further, Section 1002.39(5)(a), Florida Statutes, provides that by April 1 of each year, the District must inform the parent of these education options and the availability of the Florida Department of Education's telephone hotline and Web site for additional Program information, and offer the parent an opportunity to enroll the student in another public school within the District. During the 2009-10 fiscal year, the Program provided scholarships, totaling approximately $1.8 million, to 298 Clay County students.

District personnel indicated that the District notified parents of the Program opportunities in a brochure provided during the students' individual education plan (IEP) meeting, or by mail for those parents who did not attend the IEP meeting. In addition, the District provided Program information using its Web site and in parent newsletters provided to students to take home three times per year; however, the District did not maintain documentation, such as on the IEP form or through other correspondence, evidencing that the District properly made the required notifications. While there is no statutory requirement for the District to maintain such documentation, without such documentation, the District is limited in its ability to demonstrate that parents were properly notified.

Recommendation: The District should continue its efforts to ensure that it properly notifies parents of eligible students with disabilities of the educational opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program, and maintain evidence of such notifications.

Finding No. 6: Information Technology - Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

The District lacked written policies and procedures for the following IT functions:

- Reviewing user identifications and employee access privileges.
- Storing, handling, transmitting, and formatting sensitive and confidential data or information.
- Reporting suspected, and responding to actual, security incidents.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should establish written policies and procedures to document management's expectations for the IT functions described above.

Finding No. 7: Information Technology – Review of Access Privileges

Periodically reviewing IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access computer resources inconsistent with their assigned job responsibilities. An effective IT environment is designed to control access to computer resources by assigning employees only those

access privileges that are necessary for their job functions and minimize the possibility that an employee could subvert a critical process.

Our review disclosed that the District had not performed a review of Administrative Departments' employees' IT access privileges, and also disclosed instances of inappropriate access privileges. Specifically:

- Twenty-five employees from various departments had one or more instances of inappropriate or unnecessary update access privileges to human resources and payroll transactions within the human resources application, such as the ability to add an employee, change rate of pay, or input leave.
- One user account defined to the human resources application was not assigned to an employee. In response to audit inquiry, District management removed this user account.
- One Finance Department employee and two Information Services Department employees were granted the ability to create and update vendors and purchase orders, pay invoices, print checks, post invoices to Accounts Payable (A/P), and create journal entries within the financial application. In response to audit inquiry, District management removed the inappropriate access privileges.
- Two Accounting Department employees were granted the ability to create and update purchase orders, pay invoices, print checks, post invoices to A/P, and create journal entries within the financial application. In response to audit inquiry, the District removed the inappropriate access privileges.
- Two Property Control Department employees had the ability to create and update vendors within the financial application. In response to audit inquiry, the District removed the inappropriate access privileges.
- Two Warehouse Department employees had the ability to pay invoices, print checks, and post invoices to A/P within the financial application. In response to audit inquiry, the District removed the inappropriate access privileges.
- Two Risk Management Department employees had the ability to create and update purchase orders, pay invoices, print checks, post invoices to A/P, and input journal entries within the financial application. In response to audit inquiry, the District removed the inappropriate access privileges.
- As similarly noted in previous audits, most recently in our report No. 2010-143, 47 accounts within the District's network were granted access within the domain administrator group that is used to administer the District's network. The extent of network access capabilities provided to the group indicated a need for the District to review the function of each account and determine if additional access groups with more limited network access capabilities would be warranted. When network access privileges are unnecessarily granted, the risk is increased that unauthorized network hardware, software, or configuration changes will occur and not be timely detected. In response to audit inquiry, District management removed or disabled 16 accounts within the domain administrator group.

The District had compensating controls in place (e.g., separation of the duties on initiating and approving purchases, adding and updating vendors, updating and processing payrolls, monitoring of budget and actual expenditures) to help mitigate the effect of the above deficiencies. However, the access privileges either permitted the employees to perform incompatible duties or the access privileges were not necessary for their job functions, increasing the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should review the appropriateness of employee access privileges and remove or adjust inappropriate or unnecessary access privileges detected.

Finding No. 8: Information Technology – User Authentication

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 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, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. A similar finding was noted in previous audits, most recently in our report No. 2010-143.

Recommendation: The District should improve security controls related to user authentication 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:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $322,031

Program Income – Exclusive Beverage Agreement. Contrary to Title 7, Section 3016.25, Code of Federal Regulations, the District did not correctly allocate program income from its exclusive beverage contract to the nonprofit school food service (food service program) account. The Board approved a five-year renewal of an exclusive beverage contract effective for the period July 1, 2005, through June 30, 2010, to provide beverage products to the District's schools and its food service program. The exclusive beverage contract also provides for certain cash and noncash incentives to District schools and the food service program, which totaled $521,644 for the 2009-10 fiscal year.

Federal regulations require that if the food service program is included in a properly procured long-term beverage contract that includes incentives, the incentives that represent program income must be allocated properly to the food service program, and that the full value of all incentives (cash and noncash) would be used to determine the amount of program income resulting from the contract. Additionally, the portion of the full value of these incentives allocable to the school food service program would be deposited into the food service account. Failure to provide the food service program with its allocated share of cash or noncash incentives would circumvent the proper allocation of program income to the food service program.

For the 2009-10 fiscal year, the District allocated $27,470 received from the exclusive beverage contractor to the food service program, and the remainder was provided primarily to District schools ($479,174) and the District's General Fund hospitality account ($15,000). However, a year-end exclusive beverage contract review report provided by the exclusive beverage contractor indicated that approximately 33 percent of the product was used in the District's schools and 67 percent was used in the food service program. In these circumstances, based on the $521,644 of cash and noncash incentives provided under the agreement, the District should have allocated 67 percent to the food service program, or $349,501. As a result of the improper allocation of cash and noncash incentives, $322,031 was deposited outside the food service program account and, therefore, represents program questioned costs. A similar finding was noted in our report No. 2010-143.

Recommendation: The District should enhance procedures to ensure that income from future exclusive beverage contracts are properly allocated to the food service program. The District should also document to the grantor (Florida Department of Education) that program income attributable to the exclusive beverage contract for the 2009-10 fiscal year was properly allocated and deposited to the food service program, or the questioned costs of $322,031 should be restored to the program.

District Contact Person and Title: Dr. George Copeland, Assistant Superintendent for Business Affairs

Federal Awards Finding No. 2:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Special Tests and Provisions – Net Cash Resources. Title 7, Section 210.14(b), Code of Federal Regulations (CFR), provides that the District must limit its net cash resources to an amount that does not exceed three months' average expenditures for its food service program or another amount established by the Florida Department of Education (FDOE) pursuant to Title 7, Section 210.19(a), CFR. Pursuant to Title 7, Section 210.19(a)(2), CFR, should the net cash resources exceed three months' average expenditures for the food service program or amount established by FDOE, FDOE may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program. Without such action, FDOE must make adjustments in the rate of reimbursement under the National School Lunch Program.

The District reported expenditures of $12,298,052.95 for its food service program for the 2009-10 fiscal year, and the average three months' expenditures was $3,742,885.50 (i.e., total expenditures adjusted for the five year capital outlay expenditure average, or $12,476,285, divided by ten months and multiplied by three months). However, the District's net cash resources at June 30, 2010, was $4,491,701.25, exceeding the average three months' expenditures by $748,815.75. Consequently, FDOE may require the District to reduce the price charged to students for lunches, improve food quality, or take action designed to improve the food service program, or make adjustments in the rate of reimbursement under the National School Lunch Program. District personnel indicated that the District implemented a plan to increase capital outlay expenditures, add food service personnel, and increase salary expenditures to address the excess net cash resources. Timely use of food service program cash resources is consistent with the Federal intent for funding the program and would benefit the students for which the funds were generated.

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

District Contact Person and Title: Dr. George Copeland, Assistant Superintendent for Business Affairs

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS,** the District had taken corrective actions for findings included in our report No. 2010-143.

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, 2010

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-149 (2) 2008-136 (4) 2009-172 (2) 2010-143 (2)	National School Lunch Program (CFDA No. 10.555) - Special Tests and Provisions - Competitive Food Sales	The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.	Corrected.	
2009-172 (1) 2010-143 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Program Income – Exclusive Beverage Agreement	Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the school food service program, resulting in questioned costs of $343,725.	Uncorrected.	Grantor did not require repayment of questioned costs for the 2007-08 and 2008-09 fiscal years. However, a similar finding is noted in the 2009-10 fiscal year report.
2010-143 (3)	WIA Youth Activities (CFDA No. 17.259); Special Education Grants to States, Recovery Act (CFDA No. 84.391); and Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392)	Improvements are needed in District procedures for reporting American Recovery and Reinvestment Act program information and related expenditures on the Schedule of Expenditures of Federal Awards.	Corrected.	

EXHIBIT A

MANAGEMENT'S RESPONSE

SCHOOL DISTRICT OF CLAY COUNTY

Ben Wortham
Superintendent of Schools

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
Stephanie VanZant
District 3
Frank Farrell
District 4
Lisa Graham
District 5

March 2, 2011

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, 2010.

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, 2010, 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: Performance Assessments

For the 2010-2011 school year, the District revised the performance assessments for school administrators based primarily on student performance. The District will submit by June 1, 2011, a revised performance assessment for instructional personnel based primarily on student performance for DOE review. The District plans to pilot that performance evaluation in the 2011-2012 school year.

Finding No. 2: Compensation and Salary Schedules

In accordance with collective bargaining agreements, the District will continue to revise formal policies and procedures to ensure that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on the salary schedule.

Finding No. 3: Collection of Social Security Numbers

The School District of Clay County has conducted a review and evaluation of all forms and has discontinued the collection of social security numbers when not authorized by law to do so. When social security numbers are collected on forms on which we are authorized to do so or we believe the number is imperative for the performance of the school district's duties and responsibilities, the forms have been amended to provide written statements notifying individuals of the purpose of collection as well as the necessary citation. An example would include the on-line application. Other forms on which the social security number is collected as a unique numeric identifier for identity verification purposes, include Terminal Leave Beneficiary Designation, Drug Testing Consent, and the Volunteer Registration Form. In most instances, social security numbers have been removed from district forms.

The School District will continue to periodically review forms in an ongoing effort to ensure compliance with Section 119.071(5)(a) of the Florida Statutes, and will continue to provide extra care in maintaining this sensitive information to ensure its confidential status for the employees of this school district.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Page 2
Audit Response
March 2, 2011

Finding No. 4: Adult General Education Courses

1. The Clay County District reports data in accordance with the date of actual enrollment to the withdrawal date of the particular student. Because the district maintains an open enrollment policy there is no ending date. The district also understands that 1300 maximum hours may be reported for funding.

   The office of Adult Education in Clay County reports these hours as true hours. Inaccuracies appeared when reported hours compounded into multiple hours. Currently Instructional Services is studying these inaccuracies. There is a possibility that the day classes are being sent to Instructional Services accurately but because TERMS is set up as a semester "window" the withdrawal of a student reflects only the end of the term, when the hours should only be reported at the end of the student's enrollment. The hours are reflected as inflated therefore the inaccuracies exist.

   Instructional Services is currently researching this issue to eliminate errors. Future reporting will reflect true hours from the Adult Education office.

2. The Center for Adult Education does not report over 1300 hours for any student. The eleven (11) students reflected in the report are another example of the program glitches in the computer program. Adult Education is working with Instructional Services in correcting these problems to prevent any future inaccuracies in reporting.

Finding No. 5: McKay Scholarship Program

The District has historically utilized a variety of strategies to notify parents of the John M. McKay Scholarships for Students with Disabilities Program. The District has a relatively high utilization of these scholarships; parents are receiving and acting on this information.

This is the first time specific evidence of notification has been required by the Auditor General's office. Consequently, the district has revised the IEP form to include the required notification language and a parent signature. The district additionally will mail information regarding the availability of the McKay Scholarship Program to the parents of all students with disabilities in March 2011. Other methods to communicate the program information, already noted in this finding, will continue.

Finding No. 6: Information Technology – Written Policies and Procedures

As part of the District's Race to the Top initiative, a single sign-on function will be developed that aligns to the FLDOE process. During this development, user identification and employee access privileges will be documented and reflected in policies and procedures.

During the 2011-2012 school year, the District anticipates the deployment and implementation of a new Student Information System. Procedures for the handling, transmitting, and formatting sensitive and confidential data or information will be documented.

Policies and procedures for reporting suspected, and responding to actual security incidents, will be included in the above two items and in the annual revision of the Acceptable Use Policy.

Finding No. 7 – Information Technology – Review of Access Privileges

The District will conduct an annual review of the current processes and procedures for reviewing appropriate employee access privileges to remove or adjust inappropriate or unnecessary access privileges as detected.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Page 3
Audit Response
March 2, 2011

Finding No. 8 – Information Technology – User Authentication

The District will review current user authentication and develop measures as identified to ensure uniform security measures used to access District data across District IT resources.

Federal Awards Finding No. 1: Program Income – Exclusive Beverage Contract.

The School District of Clay County completed its "Exclusive Beverage" contract on June 30, 2010, and the contract will not be renewed. Based on this same finding in the 2007-08 Audit, the State Agency informed the district that it would not require any action to transfer funds if the district would not renew the beverage contract once it expires.

Therefore, based on prior consideration by the State Agency and the district not renewing the beverage contract, the finding is no longer valid.

Federal Awards Finding No. 2: Cash Management – Food Service

During this fiscal year the District has significantly reduced the fund balance excess in Food Services. Since June 30, 2010, we have expended $254,000 in capital outlay projects. We have $20,000 encumbered and an estimated $150,000 in capital outlay expenditures are currently underway.

In addition to the capital equipment efforts, we have improved food quality and increased serving sizes of certain items. Fresh fruit is now offered for breakfast and lunch daily at every grade level. We have also purchased more expensive entrees within the North Florida Buying Group approved bid items.

Our free and reduced percentage has increased by 21% in four years which has led to an increase in Federal reimbursements. The District will continue to take action to ensure that the net cash resources of its food service program are maintained within the level prescribed by Federal Regulations.

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

Sincerely,



Ben H. Wortham
Superintendent of Schools