

CLAY COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Clay County District School Board members and the Superintendents who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Carol A. Vallencourt	1
Carol Y. Studdard, Chair to 11-17-08	2
Charles E. Van Zant, Jr., Vice Chair to 11-17-08, Chair from 11-18-08	3
Wayne Bolla to 11-17-08	4
Frank J. Farrell from 11-18-08	4
Lisa B. Graham, Vice Chair from 11-18-08	5
David L. Owens, Superintendent to 11-17-08	
Ben H. Wortham, Superintendent from 11-18-08	

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

The audit team leader was Burita I. Hillyard, CPA, and the audit was supervised by John P. Duffy, CPA. 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) 487-9024; 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 – Postemployment Healthcare 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 <i>GOVERNMENT AUDITING STANDARDS</i>	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	64
EXHIBIT A – MANAGEMENT'S RESPONSE	65

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: 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. 2: The District needed to improve controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 3: The District's procedures for restricting information technology access to appropriate users needed improvement.

Finding No. 4: The District's security controls related to user authentication could be enhanced.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Impact Aid 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 compliance and internal control findings as summarized below.

Federal Awards Finding No. 1: Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the school food service program.

Federal Awards Finding No. 2: At one high school, carbonated beverages were sold in the same location where lunch was served, contrary to Federal and State rules.

Federal Awards Finding No. 3: 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.

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:

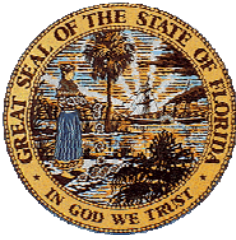
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2009-172.

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, 2009. 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*.



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AUDITOR GENERAL

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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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 17 percent of the assets and 37 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 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 and the Clay County Education Foundation, Inc., 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, 2009, and the respective changes in financial position and cash flows, where

applicable, thereof for the 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 48 through 51) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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 10, 2010

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, 2009. 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 47.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The District's assets exceed its liabilities at June 30, 2009, by \$437,166,351.92 (net assets).
- In total, net assets decreased \$11,069,570.29, which represents a 2.5 percent decrease from the 2007-08 fiscal year.
- General revenues total \$274,317,840.68, or 89.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$31,854,456.77, or 10.4 percent.
- Expenses total \$317,241,867.75. Only \$31,854,456.77 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$11,069,570.29.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$9,281,700.51 at June 30, 2009, or 3.5 percent of total General Fund expenditures. The unreserved fund balance decreased by \$13,229,970.64 from the 2007-08 fiscal year.
- The District's investments in capital assets increased by a net amount of \$25,002,716.91, or 5.8 percent, as compared to the June 30, 2008, balance.
- The District's long-term debt increased by \$8,272,971, or 12.2 percent, as compared to the June 30, 2008, balance. The key factor in this increase was the issuance of \$11,165,000 in certificates of participation.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- 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. The financial information for this component unit is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's major funds. The District's major funds are the General Fund, Special Revenue – ARRA Economic Stimulus Fund, Debt Service – Other Debt Service Fund, Capital Projects – Public Education Capital Outlay Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Capital Projects 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 the major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund. Internal service funds are an

accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service fund to account for its self-insurance program. Since this service predominantly benefits governmental-type functions, the internal service fund has been included within governmental activities in the government-wide statements.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as school and student activity funds, commonly called the school internal funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses 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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 91,348,404.57	\$ 121,772,437.74
Capital Assets	459,325,611.10	434,322,894.19
Total Assets	550,674,015.67	556,095,331.93
Long-Term Liabilities	97,704,094.58	88,422,258.15
Other Liabilities	15,803,569.17	19,437,151.57
Total Liabilities	113,507,663.75	107,859,409.72
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	383,303,583.10	366,573,837.19
Restricted	49,799,525.97	61,590,791.29
Unrestricted	4,063,242.85	20,071,293.73
Total Net Assets	\$ 437,166,351.92	\$ 448,235,922.21

The largest portion of the District's net assets (87.7 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, 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 (11.4 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (0.9 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The District's net assets decreased by \$11,069,570.29 during the 2008-09 fiscal year. The decrease represents the degree to which ongoing expenses have exceeded ongoing revenues. Details of the revenues and expenses comprising the decrease are as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 6,980,329.48	\$ 6,785,296.79
Operating Grants and Contributions	13,570,561.28	13,452,959.18
Capital Grants and Contributions	11,303,566.01	53,646,817.13
General Revenues:		
Property Taxes, Levied for Operational Purposes	63,107,983.42	56,916,338.37
Property Taxes, Levied for Capital Projects	18,726,334.94	20,699,273.83
Local Sales Taxes	1,581,710.31	1,802,566.33
Grants and Contributions Not Restricted to Specific Programs	188,995,702.34	202,084,843.22
Unrestricted Investment Earnings	252,324.40	2,834,210.95
Miscellaneous	1,653,785.27	2,125,906.80
Total Revenues	306,172,297.45	360,348,212.60
Functions/Program Expenses:		
Instruction	184,458,627.90	176,967,070.12
Pupil Personnel Services	15,116,312.45	14,146,748.12
Instructional Media Services	5,876,558.85	5,919,566.64
Instruction and Curriculum Development Services	5,405,420.21	5,440,740.75
Instructional Staff Training Services	2,954,135.04	2,924,192.34
Instruction Related Technology	1,198,106.67	1,332,042.05
Board of Education	1,232,256.95	756,944.99
General Administration	1,242,433.94	1,167,658.17
School Administration	15,104,075.65	14,771,727.55
Facilities Acquisition and Construction	7,911,524.48	5,538,131.47
Fiscal Services	729,987.76	748,451.58
Food Services	12,087,671.32	12,318,058.21
Central Services	3,888,916.61	3,666,770.72
Pupil Transportation Services	13,597,674.30	13,994,044.55
Operation of Plant	21,652,737.13	17,533,700.11
Maintenance of Plant	5,902,809.25	5,794,812.82
Administrative Technology Services	1,923,395.61	1,672,374.17
Community Services	376,314.92	383,630.50
Interest on Long-Term Debt	3,862,512.58	3,421,632.79
Unallocated Depreciation Expense	12,720,396.12	12,325,593.06
Total Functions/Program Expenses	317,241,867.74	300,823,890.71
Increase (Decrease) in Net Assets	\$ (11,069,570.29)	\$ 59,524,321.89

The State's Florida Education Finance Program (FEFP), State categorical educational programs, 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 89.6 percent of total revenues, whereas program revenues provide only about 10.4 percent. The majority of program revenues (89.4 percent) are in the facilities acquisition and construction, food service, and pupil transportation services activities.

The FEFP formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. The District experienced decreases in student enrollment and FEFP funding during the 2008-09 fiscal year, and increases in State categorical educational program funding and local property tax revenues. Student enrollment decreased by 156 students, from 36,000 in the 2007-08 fiscal year to 35,844 in the 2008-09 fiscal year, and FEFP funding decreased by \$15,880,996 as compared to the 2007-08 fiscal year. State categorical educational program funding and local property tax revenues increased by \$1,016,350.43 and \$4,218,706.16, respectively, as compared to the 2007-08 fiscal year. Property taxes increased due to increases in taxable property values and the millages levied.

The majority of the District's expenses are in the instruction function, representing approximately 58.8 and 58.1 percent, respectively, of total governmental expenses for the 2007-08 and 2008-09 fiscal years. Overall, total expenses increased \$16,417,977.03, or 5.5 percent, as compared to total revenues, which decreased \$54,175,915.15, or 15 percent. The increase in total expenses is mainly attributable to increases in instructional salaries and benefits and operation of plant costs (e.g., utilities, property and casualty insurance, etc.).

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 \$9,281,700.51, while the total fund balance is \$14,912,342.71. The unreserved fund balance represents 3.5 percent of total General Fund expenditures, while the total fund balance represents 5.6 percent of such expenditures. The unreserved fund balance decreased by \$13,229,970.64, while the total fund balance decreased by \$16,909,060.32 during the fiscal year. Key factors are as follows:

- Total expenditures exceeded total revenues by \$19,860,747.04, and net other financing sources totaled \$3,335,369.58.
- Total revenues decreased by \$11,271,706.68, or 4.4 percent, mainly from a decrease in FEFP funding.
- Total expenditures increased by \$7,758,510.72, or 3 percent, mainly due to increases in salaries and benefits expenditures.
- Net other financing sources (uses) increased by \$3,667,591.28, mainly due to increased transfers in from capital projects funds and decreased transfers out to other funds during the 2008-09 fiscal year.
- Inventories decreased by \$383,682.86, which decreased fund balance by an equal amount under the purchases method of inventory accounting used in the General Fund.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for the proceeds of the American Recovery and Reinvestment Act (ARRA) funds that are legally restricted to expenditure for specified purposes. 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.

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, \$50,419.70 at June 30, 2009, which is reserved for the payment of debt service.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$10,536,309.76, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$9,565,961.43 has been encumbered for specific projects. The total fund balance decreased by \$2,180,329.81 in the current fiscal year. Expenditures during the fiscal year were mainly for the new Oakleaf High School and miscellaneous maintenance projects.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$17,208,008.83, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$7,623,907.33 has been encumbered for specific projects. The total fund balance increased by \$2,747,505.59 in the current fiscal year. Expenditures were primarily for the purchase of new school buses and miscellaneous maintenance and renovation projects, and transfers out were to provide for debt service payments, to fund equipment purchases, to fund property and casualty insurance expenditures, and to provide funding for certain expenditures of the District's maintenance department.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, local sales taxes, Classrooms for Kids and Class Size Reduction Construction program funds, Certificates of Participation proceeds, and other miscellaneous sources. The fund has a total fund balance of \$18,452,277.81, which has been encumbered for specific projects. The total fund balance decreased by \$10,375,320.46 in the current fiscal year, mainly from expenditures for the new Oakleaf High School and Plantation Oaks Elementary School.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$10,608,782.42, or 4.1 percent. Similarly, final appropriations decreased by \$7,036,115.90 from the original budgeted amounts. These budget revisions represent about a 2.5 percent decrease 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 less than final budgeted amounts, whereas actual expenditures were \$7,282,110.78, or 2.7 percent, less than anticipated. Since actual expenditures were well within budgetary estimates, unexpended appropriations were available to increase fund balance. Accordingly, the actual ending fund balance exceeded the final amended budget fund balance by \$6,286,265.03.

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, 2009, is \$459,325,611.10. Capital assets include land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

The investment in capital assets increased by a net amount of \$25,002,716.91, or 5.8 percent, as compared to the June 30, 2008, balance. Major capital asset events during the current fiscal year included construction related to the new Oakleaf High School and completion of the Plantation Oaks Elementary School.

Additional information on the District's capital assets can be found in Notes 6 and 16 to the financial statements.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$76,022,028. This amount is comprised of \$68,007,028 of certificates of participation, \$6,420,000 of State school bonds, and \$1,595,000 of District revenue bonds. During the year, the District's long-term debt increased by a net amount of \$8,272,971, comprised of an increase of \$11,165,000 from the issuance of Certificates of Participation, Series 2008, and a decrease of \$2,892,029 from scheduled principal payments to retire long-term debt and amortization of refunding costs.

Additional information on the District's long-term debt can be found in Notes 7 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 any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Affairs, Clay County District School Board, 900 Walnut Street, Green Cove Springs, Florida 32043.

BASIC FINANCIAL STATEMENTS

CLAY COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2009

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 63,982,618.73	\$ 33,798.00
Investments	1,445,630.14	5,224.00
Accounts Receivable	105,504.33	4,000.00
Funds Held by Others		2,465.00
Due from Other Agencies	20,790,601.45	
Due from Excess Insurance Carrier	109,108.76	
Inventories	1,895,042.70	
Capital Credits Receivable	3,019,898.46	
Capital Assets:		
Nondepreciable Capital Assets	50,954,332.54	
Depreciable Capital Assets, Net	408,371,278.56	
TOTAL ASSETS	\$ 550,674,015.67	\$ 45,487.00
LIABILITIES		
Salaries and Benefits Payable	\$ 5,216,912.93	\$
Payroll Deductions and Withholdings	1,019,521.87	
Accounts Payable	2,623,942.40	
Construction Contracts Payable	1,964,361.51	
Construction Contracts Payable - Retainage	908,286.43	
Scholarships Payable		2,465.00
Deferred Revenue	34,235.79	
Matured Certificates of Participation Payable	2,505,000.00	
Matured Interest Payable	1,516,093.86	
Estimated Liability for Arbitrage Rebate	15,214.38	
Long-Term Liabilities:		
Portion Due Within One Year	15,336,551.78	
Portion Due After One Year	82,367,542.80	
Total Liabilities	113,507,663.75	2,465.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	383,303,583.10	
Restricted for:		
State Categorical Programs	1,874,533.07	
Debt Service	732,395.78	
Capital Projects	47,192,597.12	
Other Purposes		5,224.00
Unrestricted	4,063,242.85	37,798.00
Total Net Assets	437,166,351.92	43,022.00
TOTAL LIABILITIES AND NET ASSETS	\$ 550,674,015.67	\$ 45,487.00

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

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**CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 184,458,627.90	\$ 474,732.66	\$	\$
Pupil Personnel Services	15,116,312.45			
Instructional Media Services	5,876,558.85			
Instruction and Curriculum Development Services	5,405,420.21			
Instructional Staff Training Services	2,954,135.04			
Instruction Related Technology	1,198,106.67			
Board of Education	1,232,256.95			
General Administration	1,242,433.94			
School Administration	15,104,075.65			
Facilities Acquisition and Construction	7,911,524.48			8,406,708.36
Fiscal Services	729,987.76			
Food Services	12,087,671.32	6,505,596.82	5,950,412.28	
Central Services	3,888,916.61			
Pupil Transportation Services	13,597,674.30		7,620,149.00	
Operation of Plant	21,652,737.13			
Maintenance of Plant	5,902,809.25			1,933,808.00
Administrative Technology Services	1,923,395.61			
Community Services	376,314.92			
Interest on Long-Term Debt	3,862,512.58			963,049.65
Unallocated Depreciation Expense	12,720,396.12			
Total Primary Government	\$ 317,241,867.74	\$ 6,980,329.48	\$ 13,570,561.28	\$ 11,303,566.01
Component Unit				
Clay County Education Foundation, Inc.	\$ 109,800.00	\$ 0.00	\$ 100,703.00	\$ 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				

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	Unit
Activities	
\$ (183,983,895.24)	\$
(15,116,312.45)	
(5,876,558.85)	
(5,405,420.21)	
(2,954,135.04)	
(1,198,106.67)	
(1,232,256.95)	
(1,242,433.94)	
(15,104,075.65)	
495,183.88	
(729,987.76)	
368,337.78	
(3,888,916.61)	
(5,977,525.30)	
(21,652,737.13)	
(3,969,001.25)	
(1,923,395.61)	
(376,314.92)	
(2,899,462.93)	
(12,720,396.12)	
(285,387,410.97)	
	(9,097.00)
63,107,983.42	
18,726,334.94	
1,581,710.31	
188,995,702.34	
252,324.40	872.00
1,653,785.27	
274,317,840.68	872.00
(11,069,570.29)	(8,225.00)
448,235,922.21	51,247.00
\$ 437,166,351.92	\$ 43,022.00

**CLAY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 16,955,182.93	\$	\$ 4,070,149.26	\$ 103,170.23
Investments	53,788.70			1,926.60
Accounts Receivable	29,877.56			
Due from Other Funds	3,063,553.18		1,364.30	
Due from Other Agencies	328,117.25	135,954.69		11,409,693.00
Inventories	1,790,225.58			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 22,220,745.20</u>	<u>\$ 135,954.69</u>	<u>\$ 4,071,513.56</u>	<u>\$ 11,514,789.83</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 5,205,749.89	\$ 7,712.61	\$	\$
Payroll Deductions and Withholdings	1,004,274.21	8,970.67		
Accounts Payable	1,097,014.09	1,487.21		
Construction Contracts Payable				63,294.38
Construction Contracts Payable - Retainage				674,233.43
Due to Other Funds	1,364.30	117,784.20		240,952.26
Deferred Revenue				
Matured Certificates of Participation Payable			2,505,000.00	
Matured Interest Payable			1,516,093.86	
Estimated Liability for Arbitrage Rebate				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>7,308,402.49</u>	<u>135,954.69</u>	<u>4,021,093.86</u>	<u>978,480.07</u>
Fund Balances:				
Reserved for State Categorical Programs	1,783,708.09			
Reserved for Encumbrances	2,056,708.53			9,545,961.43
Reserved for Inventories	1,790,225.58			
Reserved for Debt Service			50,419.70	
Unreserved:				
Designated for Special Programs	742,678.41			
Undesignated, Reported in:				
General Fund	8,539,022.10			
Special Revenue Funds				
Capital Projects Funds				990,348.33
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>14,912,342.71</u>	<u> </u>	<u>50,419.70</u>	<u>10,536,309.76</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 22,220,745.20</u>	<u>\$ 135,954.69</u>	<u>\$ 4,071,513.56</u>	<u>\$ 11,514,789.83</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 17,106,650.88	\$ 13,458,765.81	\$ 5,765,939.26	\$ 57,459,858.37
309,921.82	575,435.99	211,571.16	1,152,644.27
10,551.70		318.40	40,747.66
		23.25	3,064,940.73
69,169.30	8,566,592.98	281,074.23	20,790,601.45
		104,817.12	1,895,042.70
<u>\$ 17,496,293.70</u>	<u>\$ 22,600,794.78</u>	<u>\$ 6,363,743.42</u>	<u>\$ 84,403,835.18</u>
\$	\$	\$ 3,450.43	\$ 5,216,912.93
		6,276.99	1,019,521.87
		92,867.50	1,191,368.80
49,794.33	1,851,272.80		1,964,361.51
207,053.00	27,000.00		908,286.43
31,437.54	2,255,029.99	331,081.06	2,977,649.35
		34,235.79	34,235.79
			2,505,000.00
			1,516,093.86
	15,214.38		15,214.38
<u>288,284.87</u>	<u>4,148,517.17</u>	<u>467,911.77</u>	<u>17,348,644.92</u>
			1,783,708.09
7,623,907.33	18,452,277.61	1,298,209.65	38,977,064.55
		81,343.27	1,871,568.85
		681,976.08	732,395.78
			742,678.41
			8,539,022.10
		3,746,348.85	3,746,348.85
9,584,101.50		87,953.80	10,662,403.63
<u>17,208,008.83</u>	<u>18,452,277.61</u>	<u>5,895,831.65</u>	<u>67,055,190.26</u>
<u>\$ 17,496,293.70</u>	<u>\$ 22,600,794.78</u>	<u>\$ 6,363,743.42</u>	<u>\$ 84,403,835.18</u>

CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds	\$	67,055,190.26
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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.		459,325,611.10
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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.		2,542,413.68
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Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets.		3,019,898.46
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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	\$ 8,015,000.00	
Certificates of Participation Payable	68,007,028.00	
Compensated Absences Payable	18,032,715.58	
Postemployment Healthcare Benefits Payable	722,018.00	
		(94,776,761.58)

Total Net Assets - Governmental Activities	\$	437,166,351.92
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The accompanying notes to financial statements are an integral part of this statement.

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CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 943,014.74	\$	\$	\$
Federal Through State and Local State	181,079,123.04	246,486.41		6,243,501.00
Local:				
Property Taxes	63,107,983.42			
Local Sales Taxes				
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	2,363,891.74		329.35	17,126.03
Total Revenues	<u>247,494,012.94</u>	<u>246,486.41</u>	<u>329.35</u>	<u>6,260,627.03</u>
Expenditures				
Current - Education:				
Instruction	174,935,723.96	207,632.69		
Pupil Personnel Services	14,102,092.25	9,451.42		
Instructional Media Services	5,864,899.27			
Instruction and Curriculum Development Services	4,201,928.42	5,104.35		
Instructional Staff Training Services	1,266,544.83	16,632.08		
Instruction Related Technology	1,196,706.20			
Board of Education	1,091,015.20			
General Administration	896,102.68	7,665.87		
School Administration	15,076,266.03			
Facilities Acquisition and Construction	1,587,033.45			2,798,694.53
Fiscal Services	728,703.96			
Food Services	80,634.47			
Central Services	3,602,714.40			
Pupil Transportation Services	11,457,366.84			
Operation of Plant	20,299,047.39			
Maintenance of Plant	5,922,826.72			
Administrative Technology Services	1,921,517.12			
Community Services	375,779.12			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	471,816.57			5,512,262.31
Other Capital Outlay	2,276,041.10			
Debt Service:				
Principal			2,505,000.00	
Interest and Fiscal Charges			3,004,818.45	
Total Expenditures	<u>267,354,759.98</u>	<u>246,486.41</u>	<u>5,509,818.45</u>	<u>8,310,956.84</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(19,860,747.04)</u>		<u>(5,509,489.10)</u>	<u>(2,050,329.81)</u>
Other Financing Sources (Uses)				
Transfers In	3,330,000.00		5,515,826.19	
Certificates of Participation Issued				
Proceeds from Sale of Capital Assets	5,320.29			
Insurance Loss Recoveries	14,497.67			
Transfers Out	(14,448.38)			(130,000.00)
Total Other Financing Sources (Uses)	<u>3,335,369.58</u>		<u>5,515,826.19</u>	<u>(130,000.00)</u>
Net Change in Fund Balances	<u>(16,525,377.46)</u>		<u>6,337.09</u>	<u>(2,180,329.81)</u>
Fund Balances, Beginning	31,821,403.03		44,082.61	12,716,639.57
Decrease in Inventory Reserve	(383,682.86)			
Fund Balances, Ending	<u>\$ 14,912,342.71</u>	<u>\$ 0.00</u>	<u>\$ 50,419.70</u>	<u>\$ 10,536,309.76</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		311,684.21	1,254,698.95
		19,590,942.26	19,837,428.67
	76,476.53	1,750,785.71	189,149,886.28
18,726,334.94			81,834,318.36
	1,581,710.31		1,581,710.31
	3,627,815.73		3,627,815.73
		6,505,596.82	6,505,596.82
10,094.83	(118,442.93)	35,019.41	2,308,018.43
18,736,429.77	5,167,559.64	28,194,028.41	306,099,473.55
		8,970,643.47	184,114,000.12
		980,387.14	15,091,930.81
		2,116.09	5,867,015.36
		1,189,346.83	5,396,379.60
		1,668,425.37	2,951,602.28
		135.00	1,196,841.20
			1,091,015.20
		337,196.20	1,240,964.75
		760.00	15,077,026.03
2,066,165.35	1,451,497.17	6,101.91	7,909,492.41
			728,703.96
		11,976,538.44	12,057,172.91
		42,622.94	3,645,337.34
		49,792.79	11,507,159.63
			20,299,047.39
			5,922,826.72
			1,921,517.12
			375,779.12
6,530,756.94	23,964,268.00	19,709.36	36,498,813.18
		603,767.34	2,879,808.44
		740,000.00	3,245,000.00
	60,725.63	443,997.50	3,509,541.58
8,596,922.29	25,476,490.80	27,031,540.38	342,526,975.15
10,139,507.48	(20,308,931.16)	1,162,488.03	(36,427,501.60)
		14,448.38	8,860,274.57
	11,165,000.00		11,165,000.00
92,435.00			97,755.29
(7,484,436.89)	(1,231,389.30)		14,497.67
			(8,860,274.57)
(7,392,001.89)	9,933,610.70	14,448.38	11,277,252.96
2,747,505.59	(10,375,320.46)	1,176,936.41	(25,150,248.64)
14,460,503.24	28,827,598.07	4,739,573.72	92,609,800.24
		(20,678.48)	(404,361.34)
\$ 17,208,008.83	\$ 18,452,277.61	\$ 5,895,831.65	\$ 67,055,190.26

**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, 2009**

Net Change in Fund Balances - Governmental Funds **\$ (25,150,248.64)**

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 period:

Fixed Capital Outlay	\$ 39,378,621.62	
Depreciation Expense	<u>(14,375,904.71)</u>	25,002,716.91

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. This is the amount of long-term debt that was issued during the current period. (11,165,000.00)

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

Certificates of Participation Payable Principal Repaid	\$ 2,505,000.00	
Bonds Payable Principal Repaid	<u>740,000.00</u>	3,245,000.00

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. (352,971.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current period. (82,576.43)

Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (361,870.00)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities. (1,912,946.05)

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	\$ 3,019,898.46	
Less: Prior Year Accrual	<u>(2,907,212.20)</u>	112,686.26

The purchases method of inventory accounting is used in the governmental funds, while in the government-wide statements inventories are accounted for using the consumption method. (404,361.34)

Change in Net Assets - Governmental Activities **\$ (11,069,570.29)**

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

**CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 6,522,760.36
Investments	292,985.87
Due from Excess Insurance Carrier	109,108.76
TOTAL ASSETS	\$ 6,924,854.99
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 1,432,573.60
Due to Other Funds	22,534.71
Estimated Insurance Claims Payable	921,817.00
Total Current Liabilities	2,376,925.31
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	2,005,516.00
TOTAL LIABILITIES	4,382,441.31
NET ASSETS	
Unrestricted	2,542,413.68
TOTAL LIABILITIES AND NET ASSETS	\$ 6,924,854.99

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, 2009**

	Governmental Activities - Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Insurance Premiums	\$ 1,543,882.00
	<u> </u>
OPERATING EXPENSES	
Insurance Claims	1,618,677.32
Excess Insurance Premiums	1,442,617.93
State Assessments	87,348.28
Purchased Services	156,069.20
	<u> </u>
Total Operating Expenses	<u>3,304,712.73</u>
Operating Loss	<u>(1,760,830.73)</u>
NONOPERATING REVENUES	
Interest	(152,115.32)
	<u> </u>
Net Loss	(1,912,946.05)
Total Net Assets - Beginning	<u>4,455,359.73</u>
Total Net Assets - Ending	<u>\$ 2,542,413.68</u>

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

**CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds	\$ 1,543,882.00
Cash Payments to Vendors for Goods and Services	(1,352,793.34)
Cash Payments for Insurance Claims	(1,054,258.32)
Net Cash Used by Operating Activities	(863,169.66)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	42,236.39
Interest	76,018.82
Net Cash Provided by Investing Activities	118,255.21
Net Decrease in Cash	(744,914.45)
Cash and Cash Equivalents, Beginning	40,000.00
Adjustment to Beginning Cash and Cash Equivalents	7,227,674.81
Cash and Cash Equivalents, Beginning, restated, see Note 18 to financial statements	7,267,674.81
Cash and Cash Equivalents, Ending	\$ 6,522,760.36
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (1,760,830.73)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Decrease in Due from Other Funds	433,498.12
Decrease in Due from Excess Insurance Carrier	15,838.58
Decrease in Accounts Payable	(108,098.75)
Decrease in Due to Other Funds	(7,995.88)
Increase in Estimated Insurance Claims Payable	564,419.00
Total Adjustments	897,661.07
Net Cash Used by Operating Activities	\$ (863,169.66)
Noncash Investing Activity	
Decrease in Fair Value of Investments	\$ (228,134.14)

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, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 2,800,394.24
LIABILITIES	
Accounts Payable	\$ 77,576.36
Due to Other Funds	64,756.67
Internal Accounts Payable	<u>2,658,061.21</u>
TOTAL LIABILITIES	<u>\$ 2,800,394.24</u>

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

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units 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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District School Board's reporting entity:

- **Blended Component Unit.** The Clay School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Clay County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the 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, 2009. The Foundation's audit report is filed in the District's administrative offices.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

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

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

transportation department is allocated to the pupil transportation services, 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 – Public Education Capital Outlay Fund – to account for the financial resources received from the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- 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.
- Capital Projects – Other Capital Projects Fund – to account mainly for the financial resources received from certificates of participation proceeds, local sales taxes, local impact fees, and other miscellaneous sources, to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's individual self-insurance program.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The internal service fund is accounted for as 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.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents consist of money market mutual funds and the

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in LGIP and the 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 LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The 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 0.51370946 at June 30, 2009. 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 LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within LGIP.

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 that maintenance inventories are stated at weighted-average, and United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Under the economic resources measurement focus of the government-wide financial statements, the costs of inventories are recorded as expenditures when used rather than purchased. In the fund financial statements, except for the United States Department of Agriculture surplus commodities, the costs of inventories are recorded as expenditures when purchased rather than used and reported purchased inventories are equally offset by a fund balance reserve.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

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

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

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

➤ **Long-Term Liabilities**

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources, and 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**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District 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 School Board adopted the 2008 tax levy on September 23, 2008. 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, 1998, the citizens 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 School Board shall receive ten percent of the County's

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

portion of the proceeds using the statutory distribution formula provided in Section 218.62, Florida Statutes. The surtax proceeds are to be used for fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of public facilities which have a useful life expectancy of five or more years; any land acquisition, land improvement, design, and engineering costs related thereto; and certain vehicle purchases.

➤ **Educational Impact 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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

3. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1)	46 Day Average	\$ 45,369,510.69
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	1,271,022.08
Debt Service Accounts	6 Months	174,608.06
Money Market Mutual Funds:		
First American Treasury Obligations (1) (2)	46 Day Average	3,425,930.64
First American Prime Obligations (1) (2)	44 Day Average	5,950,374.66
Total Investments, Primary Government		\$ 56,191,446.13

Notes: (1) Investments reported as cash equivalents.

(2) At June 30, 2009, investments totaling \$9,376,305.30 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.
- LGIP had a weighted average maturity (WAM) of 46 days at June 30, 2009. 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 6.87 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, 2009. 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 LGIP or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury, Federal Agencies, and instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- 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 credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investments in the 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 Service.

4. DUE FROM OTHER AGENCIES

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

Fund/Source	Amount
Major Funds:	
General:	
Clay County Tax Collector:	
Local Property Taxes	\$ 230,782.06
United States Department of Defense:	
Navy Junior Reserve Officers Training Corps	68,287.79
Other Agencies	29,047.40
Special Revenue - ARRA Economic Stimulus:	
Florida Department of Education:	
ARRA - Special Education Cluster Grants to States, Recovery Act	135,954.69
Capital Projects - Public Education Capital Outlay (PECO):	
Florida Department of Education:	
State PECO Appropriations	11,409,693.00
Capital Projects - Local Capital Improvement:	
Clay County Tax Collector:	
Local Property Taxes	69,169.30
Capital Projects - Other Capital Projects:	
Florida Department of Education:	
Classrooms for Kids	7,931,000.00
Clay County Board of County Commissioners:	
Impact Fees	476,518.24
Sales Surtax	113,286.40
City of Green Cove Springs:	
Impact Fees	27,720.59
Florida Department of Revenue:	
Gas Tax Refund	18,067.75
Nonmajor Governmental Funds:	
Special Revenue - Food Service:	
Florida Department of Education:	
National School Lunch Program	54,631.88
School Breakfast Program	11,636.99
Summer Food Service Program for Children	11,411.55
Special Revenue - Other:	
Florida Department of Education:	
Various Grants	104,390.26
University of South Florida:	
RTI Project	43,690.35
United States Department of Education:	
Fund for the Improvement of Education	25,915.54
Other Agencies	29,397.66
Total Governmental Activities	<u>\$ 20,790,601.45</u>

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

5. CAPITAL CREDITS RECEIVABLE

The District participates in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata basis to its members. The policy of the Clay Electric Cooperative, Inc., is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2008-09 fiscal year, the District received \$72,605.86 related to portions of capital credits earned from the 1985 through 2007 fiscal years. At June 30, 2009, the accumulated credits to the District's accounts were \$3,019,898.46.

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 29,899,113.81	\$ 40,100.00	\$	\$ 29,939,213.81
Construction in Progress	40,950,432.06	28,215,791.33	48,151,104.66	21,015,118.73
Total Capital Assets Not Being Depreciated	70,849,545.87	28,255,891.33	48,151,104.66	50,954,332.54
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	21,418,108.30	1,536,055.45		22,954,163.75
Buildings and Fixed Equipment	402,798,840.15	48,137,115.40		450,935,955.55
Furniture, Fixtures, and Equipment	31,914,294.70	3,893,139.83	1,701,098.47	34,106,336.06
Motor Vehicles	19,891,809.94	4,919,084.38	1,627,839.08	23,183,055.24
Audio Visual Materials and Computer Software	3,513,397.69	788,439.89	163,589.28	4,138,248.30
Total Capital Assets Being Depreciated	479,536,450.78	59,273,834.95	3,492,526.83	535,317,758.90
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	11,556,694.93	856,724.28		12,413,419.21
Buildings and Fixed Equipment	77,438,051.48	7,668,012.36		85,106,063.84
Furniture, Fixtures, and Equipment	15,183,856.65	3,830,763.50	1,701,098.47	17,313,521.68
Motor Vehicles	9,498,714.03	1,655,508.59	1,627,839.08	9,526,383.54
Audio Visual Materials and Computer Software	2,385,785.37	364,895.98	163,589.28	2,587,092.07
Total Accumulated Depreciation	116,063,102.46	14,375,904.71	3,492,526.83	126,946,480.34
Total Capital Assets Being Depreciated, Net	363,473,348.32	44,897,930.24		408,371,278.56
Governmental Activities Capital Assets, Net	\$434,322,894.19	\$ 73,153,821.57	\$ 48,151,104.66	\$459,325,611.10

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,655,508.59
Unallocated	12,720,396.12
Total Depreciation Expense - Governmental Activities	\$ 14,375,904.71

7. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2009, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2000 (Partially Refunded)	\$ 960,000	5.2	2010	\$ 24,980,000
Series 2003	15,495,000	3.875 - 5.000	2025	15,495,000
Series 2004, Refunding	7,640,000	2.500 - 3.625	2017	9,900,000
Series 2005A	15,600,000	3.2 - 4.5	2027	16,430,000
Series 2005B, Refunding	17,830,000	3.2 - 5.0	2025	18,545,000
Series 2008	10,835,000	4.76	2028	11,165,000
Subtotal	68,360,000			
Less: Deferred Amount on Refunding Debt (1)	(352,972)			
Total Certificates of Participation	\$ 68,007,028			

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

The District entered into a master financing arrangement on May 15, 1997, 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.

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.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

A summary of the lease terms is as follows:

Certificates	Lease Term
Series 2000	Earlier of date paid in full or June 30, 2025
Series 2003	Earlier of date paid in full or June 30, 2025
Series 2004, Refunding	Earlier of date paid in full or June 30, 2017
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 2000 and 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, 2009**

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 5,507,179.76	\$ 2,570,000.00	\$ 2,937,179.76
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
2015-2019	27,531,022.58	16,735,000.00	10,796,022.58
2020-2024	27,536,556.26	20,840,000.00	6,696,556.26
2025-2028	18,713,666.50	16,955,000.00	1,758,666.50
Subtotal	101,319,882.90	68,360,000.00	32,959,882.90
Less: Deferred Amount on Refunding Debt	(352,792.00)	(352,792.00)	
Total Minimum Lease Payments	<u>\$ 100,967,090.90</u>	<u>\$ 68,007,208.00</u>	<u>\$ 32,959,882.90</u>

8. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1999A	\$ 355,000	4.375 - 4.750	2019
Series 2002B	1,485,000	4.000 - 5.375	2015
Series 2003A	570,000	3.00 - 4.25	2023
Series 2005A	3,330,000	5.0	2017
Series 2005B	680,000	5.0	2020
District Revenue Bonds:			
Series 1995	<u>1,595,000</u>	5.625 - 5.875	2020
Total Bonds Payable	<u>\$ 8,015,000</u>		

The various bonds were issued to finance capital outlay projects of the District and to refund certain outstanding bonds with lower cost debt. The following is a description of the bonded debt issues:

➤ State School Bonds

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

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1971-A, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 65-1383, Laws of Florida, and Chapter 70-631, Laws of Florida, which 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)7.a., Florida Statutes), and Chapter 65-1164, 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 90 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, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 984,902.50	\$ 670,000.00	\$ 314,902.50
2011	986,402.50	705,000.00	281,402.50
2012	986,058.75	740,000.00	246,058.75
2013	987,258.75	775,000.00	212,258.75
2014	983,227.50	810,000.00	173,227.50
2015-2019	2,805,825.00	2,490,000.00	315,825.00
2020-2023	255,237.50	230,000.00	25,237.50
Total State School Bonds	7,988,912.50	6,420,000.00	1,568,912.50
District Revenue Bonds:			
2010	198,443.75	105,000.00	93,443.75
2011	202,537.50	115,000.00	87,537.50
2012	200,781.25	120,000.00	80,781.25
2013	198,731.25	125,000.00	73,731.25
2014	201,387.50	135,000.00	66,387.50
2015-2019	1,007,981.25	805,000.00	202,981.25
2020	201,162.50	190,000.00	11,162.50
Total District Revenue Bonds	2,211,025.00	1,595,000.00	616,025.00
Total	<u>\$ 10,199,937.50</u>	<u>\$ 8,015,000.00</u>	<u>\$ 2,184,937.50</u>

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 59,700,000.00	\$ 11,165,000.00	\$ 2,505,000.00	\$ 68,360,000.00	\$ 2,570,000.00
Less Deferred Amount on Refunding Debt	(705,943.00)		(352,971.00)	(352,972.00)	(352,972.00)
Net Certificates of Participation Payable	58,994,057.00	11,165,000.00	2,152,029.00	68,007,028.00	2,217,028.00
Bonds Payable	8,755,000.00		740,000.00	8,015,000.00	775,000.00
Estimated Insurance Claims Payable	2,362,914.00	1,000,558.32	436,139.32	2,927,333.00	921,817.00
Compensated Absences Payable	17,950,139.15	11,505,282.21	11,422,705.78	18,032,715.58	11,422,706.78
Postemployment Healthcare Benefits Payable	360,148.00	736,454.00	374,584.00	722,018.00	
Total Governmental Activities	<u>\$ 88,422,258.15</u>	<u>\$ 24,407,294.53</u>	<u>\$ 15,125,458.10</u>	<u>\$ 97,704,094.58</u>	<u>\$ 15,336,551.78</u>

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. For the governmental activities, compensated absences and postemployment healthcare benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with 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	Payables
Major:		
General	\$ 3,063,553.18	\$ 1,364.30
Special Revenue:		
ARRA Economic Stimulus		117,784.20
Debt Service:		
Other Debt Service	1,364.30	
Capital Projects:		
Public Education Capital Outlay		240,952.26
Local Capital Improvement		31,437.54
Other Capital Projects		2,255,029.99
Nonmajor Governmental	23.25	331,081.06
Internal Service		22,534.71
Agency		64,756.67
Total	<u>\$ 3,064,940.73</u>	<u>\$ 3,064,940.73</u>

The interfund payables due to the General Fund resulted from expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 3,330,000.00	\$ 14,448.38
Debt Service:		
Other Debt Service	5,515,826.19	
Capital Projects:		
Public Education Capital Outlay		130,000.00
Local Capital Improvement		7,484,436.89
Other Capital Projects		1,231,389.30
Nonmajor Governmental	14,448.38	
Total	<u>\$ 8,860,274.57</u>	<u>\$ 8,860,274.57</u>

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the General Fund were to provide funding for food service costs of the Voluntary Prekindergarten program. The transfers out of the Capital Projects – Public Education Capital Outlay Fund were to provide funding for certain expenditures of the District’s maintenance department. The transfers out of the Capital Projects – Local Capital Improvement Fund were to provide for debt service payments, to fund equipment purchases, to fund property and casualty insurance expenditures, and to provide funding for certain expenditures of the District’s maintenance department. The transfers out of the Capital Projects – Other Capital Projects Fund were to provide for debt service payments.

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, unfilled purchase orders of the current year are carried forward and the next year’s appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

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. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund total \$12,078.20 at June 30, 2009.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 126,576,147.00
Categorical Educational Programs:	
Class Size Reduction	36,936,748.00
Transportation	7,620,149.00
Instructional Materials	3,391,597.00
School Recognition	2,472,865.00
Excellent Teaching	1,005,133.08
Florida Teachers Lead	514,001.00
Voluntary Prekindergarten	370,139.34
Gross Receipts Tax (Public Education Capital Outlay)	6,243,501.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,417,887.78
Workforce Development Program	964,115.00
Discretionary Lottery Funds	886,531.00
Food Service Supplement	116,257.00
Miscellaneous	634,815.08
Total	<u><u>\$ 189,149,886.28</u></u>

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.161	\$ 57,026,385.14
Basic Discretionary Local Effort	0.498	5,502,642.86
Supplemental Discretionary Local Effort	0.250	2,762,370.91
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	19,336,596.39
Total	<u><u>7.659</u></u>	<u><u>\$ 84,627,995.30</u></u>

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, 2009**

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 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. There were 746 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$2,530,377.10.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 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 for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$14,898,016.74, \$16,118,151.92, and \$16,549,397.17, respectively, which were equal to the required contributions for each fiscal year.

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. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health insurance plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, retirees who worked for and retired from the District after a minimum of 25 years, and who are age 59 before the start of the insurance plan year (October 1) receive insurance coverage at a reduced (explicitly subsidized) premium rate. This defined benefit plan provides an annual premium reduction of up to \$1,200 and continues until 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, 2009**

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

Funding Policy. 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 2008-09 fiscal year, 139 retirees received postemployment healthcare benefits. The District provided required contributions of \$374,584 toward the annual OPEB cost. Plan members receiving benefits contributed \$510,491 through their required contributions ranging from \$415.52 to \$517.72 per month for retiree-only coverage, and from \$802.86 to \$1,000.24 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 for postemployment healthcare benefits:

Description	Amount
Normal Cost (service cost for one year)	\$ 457,684
Amortization of Unfunded Actuarial Accrued Liability	248,961
Interest on Normal Cost and Amortization	28,266
Annual Required Contribution	734,911
Interest on Net OPEB Obligation	14,406
Adjustment to Annual Required Contribution	(12,863)
Annual OPEB Cost (Expense)	736,454
Contribution Toward the OPEB Cost	(374,584)
Increase in Net OPEB Obligation	361,870
Net OPEB Obligation, Beginning of Year	360,148
Net OPEB Obligation, End of Year	\$ 722,018

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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, 2009, and the preceding year, 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

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 for the 2008-09 fiscal year, 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 actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 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 4.5 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 after five years. 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, 2009, was 28 years.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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
Oakleaf High School:			
Architect	\$ 2,503,250.05	\$ 2,096,471.92	\$ 406,778.13
Construction Manager	36,004,197.99	12,969,323.47	23,034,874.52
Direct Materials	14,529,420.59	5,949,323.34	8,580,097.25
Total	<u>\$53,036,868.63</u>	<u>\$21,015,118.73</u>	<u>\$32,021,749.90</u>

17. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability, and property loss 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 its self-insurance program, including the processing, investigating, and payment of claims.

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

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

A liability in the amount of \$2,927,333 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2009.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 3,692,750.00	\$ (537,799.67)	\$ (792,036.33)	\$ 2,362,914.00
2008-09	2,362,914.00	1,618,677.32	(1,054,258.32)	2,927,333.00

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

18. CHANGE IN ACCOUNTING POLICY

As a result of a change in accounting policy regarding cash equivalents, the beginning cash balance on the Statement of Cash Flows – Proprietary Funds has been restated. This change had the effect of increasing the District's cash and cash equivalents beginning balance at July 1, 2008, by \$7,227,674.81 from \$40,000 to \$7,267,674.81.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**CLAY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 810,000.00	\$ 908,999.89	\$ 943,014.74	\$ 34,014.85
Federal Through State and Local State	191,739,876.89	182,658,678.31	181,079,123.04	(1,579,555.27)
Local:				
Property Taxes	62,188,953.00	61,828,925.00	63,107,983.42	1,279,058.42
Miscellaneous	3,855,946.32	2,589,390.59	2,363,891.74	(225,498.85)
Total Revenues	<u>258,594,776.21</u>	<u>247,985,993.79</u>	<u>247,494,012.94</u>	<u>(491,980.85)</u>
Expenditures				
Current - Education:				
Instruction	176,362,115.97	177,225,545.65	174,935,723.96	2,289,821.69
Pupil Personnel Services	14,597,071.34	14,142,282.82	14,102,092.25	40,190.57
Instructional Media Services	6,222,012.65	5,962,034.58	5,864,899.27	97,135.31
Instruction and Curriculum Development Services	4,641,865.41	4,483,690.14	4,201,928.42	281,761.72
Instructional Staff Training Services	1,770,768.74	1,493,697.64	1,266,544.83	227,152.81
Instruction Related Technology	1,239,531.38	1,314,301.76	1,196,706.20	117,595.56
Board of Education	2,286,171.22	1,241,694.00	1,091,015.20	150,678.80
General Administration	1,192,612.70	896,540.08	896,102.68	437.40
School Administration	15,072,483.66	15,174,537.32	15,076,266.03	98,271.29
Facilities Acquisition and Construction	3,021,194.08	1,753,682.65	1,587,033.45	166,649.20
Fiscal Services	727,698.52	739,214.98	728,703.96	10,511.02
Food Services		80,811.35	80,634.47	176.88
Central Services	3,847,125.72	3,834,767.83	3,602,714.40	232,053.43
Pupil Transportation Services	14,810,093.94	12,649,241.88	11,457,366.84	1,191,875.04
Operation of Plant	22,507,562.28	21,831,514.54	20,299,047.39	1,532,467.15
Maintenance of Plant	6,644,737.60	5,999,707.64	5,922,826.72	76,880.92
Administrative Technology Services	2,162,780.74	2,107,028.93	1,921,517.12	185,511.81
Community Services	411,574.00	403,058.00	375,779.12	27,278.88
Fixed Capital Outlay:				
Facilities Acquisition and Construction	854,033.42	621,107.08	471,816.57	149,290.51
Other Capital Outlay	3,301,553.29	2,682,411.89	2,276,041.10	406,370.79
Total Expenditures	<u>281,672,986.66</u>	<u>274,636,870.76</u>	<u>267,354,759.98</u>	<u>7,282,110.78</u>
Deficiency of Revenues Under Expenditures	<u>(23,078,210.45)</u>	<u>(26,650,876.97)</u>	<u>(19,860,747.04)</u>	<u>6,790,129.93</u>
Other Financing Sources (Uses)				
Transfers In	480,000.00	3,330,000.00	3,330,000.00	
Proceeds from Sale of Capital Assets	100,000.00	100,000.00	5,320.29	(94,679.71)
Insurance Loss Recoveries	40,000.00	40,000.00	14,497.67	(25,502.33)
Transfers Out		(14,448.38)	(14,448.38)	
Total Other Financing Sources (Uses)	<u>620,000.00</u>	<u>3,455,551.62</u>	<u>3,335,369.58</u>	<u>(120,182.04)</u>
Net Change in Fund Balance	<u>(22,458,210.45)</u>	<u>(23,195,325.35)</u>	<u>(16,525,377.46)</u>	<u>6,669,947.89</u>
Fund Balances, Beginning	31,821,403.03	31,821,403.03	31,821,403.03	
Decrease in Inventory Reserve			(383,682.86)	(383,682.86)
Fund Balances, Ending	<u>\$ 9,363,192.58</u>	<u>\$ 8,626,077.68</u>	<u>\$ 14,912,342.71</u>	<u>\$ 6,286,265.03</u>

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$	\$	\$
	4,051,999.01	246,486.41	(3,805,512.60)
	4,051,999.01	246,486.41	(3,805,512.60)
	3,799,546.31	207,632.69	3,591,913.62
	28,050.00	9,451.42	18,598.58
	46,140.00	5,104.35	41,035.65
	43,255.16	16,632.08	26,623.08
	125,007.19	7,665.87	117,341.32
	10,000.35		10,000.35
	4,051,999.01	246,486.41	3,805,512.60
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Actuarial Cost Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2007	\$ 0	\$ 5,529,370	\$ 5,529,370	0.0%	\$ 118,363,122	4.7%
July 1, 2008	0	6,793,061	6,793,061	0.0%	130,241,610	5.2%

**CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

1. SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE BENEFITS

The July 1, 2008, unfunded actuarial accrued liability and covered payroll of \$6,793,061 and \$130,241,610, respectively, were significantly higher than the July 1, 2007, liability and covered payroll of \$5,529,370 and \$118,363,122, respectively, as a result of changes in participation, costs, and benefits as discussed below:

- The number of covered employees increased from 3,039 to 3,194.
- In the previous valuation, the cost of coverage was expected to increase by 10.5 percent during the 2008-09 fiscal year; however, the combined employer and employee cost actually increased approximately 22 percent on average for the District's various plans.
- To partially offset the cost increases, the District made revisions to the medical and prescription drug benefit deductibles, coinsurance percentages, copayment amounts, and out-of-pocket limits generally transferring responsibility for a greater share of the costs to employees and retirees.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

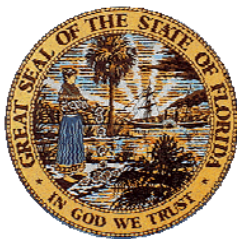
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 777,552.82
National School Lunch Program	10.555	300, 350	4,308,622.20
Summer Food Service Program for Children	10.559	323	32,484.38
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	728,623.16
Total United States Department of Agriculture			5,847,282.56
United States Department of Labor:			
Indirect:			
Northeast Florida Builders Association:			
WIA Youth Activities	17.259	AN145270560	9,289.36
First Coast Workforce Development, Inc.:			
ARRA - WIA Youth Activities, Recovery Act	17.259	FCWD 2009-14 ARRA	28,896.78
Total United States Department of Labor			38,186.14
United States General Services Administration:			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	1,067.38
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	651,578.96
Fund for the Improvement of Education	84.215	N/A	311,684.21
Total Direct			963,263.17
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	7,065,176.37
Special Education - Preschool Grants	84.173	267	144,609.43
ARRA - Special Education Grants to States, Recovery Act	84.391	263	232,161.48
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	14,324.93
University of South Florida:			
Special Education - Grants to States	84.027	1725-1021-00-H	49,243.19
Total Special Education Cluster			7,505,515.40
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	3,453,594.85
Career and Technical Education - Basic Grants to States	84.048	151, 161	264,880.13
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	78,660.40
Education for Homeless Children and Youth	84.196	127	101,306.44
State Grants for Innovative Programs	84.298	113	2,117.54
Education Technology State Grants	84.318	121	23,559.82
Reading First State Grants	84.357	211	104,741.66
English Language Acquisition Grants	84.365	102	438,440.55
Improving Teacher Quality State Grants	84.367	224	1,012,926.22
School Improvement Grants	84.377	126	81,822.65
St. Johns River Community College:			
Career and Technical Education - Basic Grants to States	84.048	21168, 21170	17,443.41
Total Indirect			13,085,009.07
Total United States Department of Education			14,048,272.24
United States Department of Homeland Security:			
Indirect:			
Clay County Board of County Commissioners:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	243808	15,964.13
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	36,975.00
Total United States Department of Homeland Security			52,939.13
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	312,336.48
Total Expenditures of Federal Awards			\$ 20,300,083.93

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 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 used during the fiscal year, including cash-in-lieu of donated food of \$27,599.88. Commodities 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.



DAVID W. MARTIN, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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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, 2009, 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. The financial statements of the school internal funds and the Clay County Education Foundation, Inc., the discretely presented component unit, 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 10, 2010



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL 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's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. 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 the District's 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 the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed some 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, 2, and 3.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 3 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider any of the Federal Awards control deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be material weaknesses.

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 10, 2010

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 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 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 <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and Impact Aid (CFDA No. 84.041)
Dollar threshold used to distinguish between Type A and Type B programs:	\$609,002
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, 2009**

ADDITIONAL MATTERS

Finding No. 1: 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 it is imperative for the performance of the District's duties and responsibilities as prescribed by law;
- must provide the individual with a copy of the written statement indicating the purpose for collecting the SSN;
- may not use SSNs collected for any purpose other than the purpose provided in the written statement; and
- shall 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.

In our report No. 2009-172, we noted that, contrary to the above law, the District did not, of record, conduct a review and evaluation of the reasons for collection of SSNs and provide written statements notifying individuals of the purpose for collection. Our current review disclosed that, although the District developed a written statement regarding the collection of SSNs from employees and prospective employees, written statements were inadvertently not prepared notifying students, parents, and others of the purpose for collecting SSNs for student enrollment, educational scholarship, and volunteer registration forms. Subsequent to our inquiries, the District began reevaluating its SSN collection process and developing written notifications for each instance in which collection of SSNs is specifically authorized or necessary.

Recommendation: **The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.**

Finding No. 2: 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 2008-152, Laws of Florida, Specific Appropriation 120, states that from the funds provided in Specific Appropriations 9A and 120, 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 the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours require that institutions develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported on the day after the last date of attendance.

As similarly noted in our report No. 2009-172, the District needed to improve controls over enrollment reporting. The District reported 97,413 adult general education hours for the 2008-09 enrollment period. Our tests of 771 hours reported to FDOE for 15 students enrolled in 28 adult general education classes disclosed the following:

- Although one adult basic education (ABE) student did not attend the last six scheduled classes, the District reported instructional contact hours through the end-of-class date instead of the procedural withdrawal date, resulting in 15 hours overreported.
- The District reported instructional contact hours for two adult high school students who never attended class, resulting in a total of 23.5 hours overreported for three classes. Because the students never attended class, they should not have been reported as fundable instructional contact hours.
- The District reported instructional contact hours for several days of class attendance for two ABE students and one general equivalency diploma (GED) student enrolled in four classes who, based on attendance records, only attended the first day of each class, resulting in a total of 38 hours overreported. After six consecutive absences, these students should have been effectively withdrawn on the day after the first day of attendance.
- The District incorrectly calculated instructional contact hours from the attendance registers for three ABE students, resulting in a total of 12.5 hours overreported for four classes.
- The District reported instructional contact hours beyond the date a GED student completed the program, resulting in 5.5 hours overreported.

We provided District personnel details of the calculated instructional hours included in our tests, and the District agreed with our calculations. District personnel indicated that the overreported hours generally resulted from errors made in calculating and inputting withdrawal dates as manually determined from attendance records. Given the exceptions cited above, the full extent of the course hours overreported was not readily apparent. 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.

Recommendation: **The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.**

Finding No. 3: Information Technology – Access Privileges

Effective restriction of access to authorized employees permits access to application and systems software processing functions solely for purposes of performing assigned duties and precludes unauthorized employees from gaining access.

As similarly noted in our report No. 2009-172, our audit disclosed that 22 District employees were granted inappropriate access within the domain administrator group used to administer the District's network. Domain administrator access privileges are typically limited to employees who are responsible for performing network administration duties and who require complete access to network and server resources. The complete network access capabilities provided by the group suggested a need for the District to review the responsibilities of each employee in the group and determine if additional access groups with more limited network access capabilities would

be warranted. When complete 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.

Recommendation: The District should critically evaluate employee access privileges in conjunction with assigned duties to ensure that privileges and assignments are appropriate for the respective employee's position. Absent the ability to further restrict access, good business practices dictate that management implement alternate procedures to mitigate the risk.

Finding No. 4: Information Technology – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain District security controls in the area of user authentication that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, 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 our report No. 2009-172.

Recommendation: The District should improve security controls in the area of 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: \$343,725

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 \$547,886 for the 2008-09 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 which 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 2008-09 fiscal year, the District allocated \$28,837 received from the exclusive beverage contractor to the food service program, and the remainder was provided primarily to District schools (\$504,049) 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 32 percent of the product was used in the District's schools and 68 percent was used in the food service program. In these circumstances, based on the \$547,886 of cash and noncash incentives provided under the agreement, the District should have allocated 68 percent to the food service program, or \$372,562. As a result of the improper allocation of cash and noncash incentives, \$343,725 was deposited outside the food service program account and, therefore, represents program questioned costs. A similar finding was noted in our report No. 2009-172.

Recommendation: The District should document to the grantor (Florida Department of Education) that program income attributable to the exclusive beverage contract for the 2008-09 fiscal year was properly allocated and deposited to the food service program, or the questioned costs of \$343,725 should be restored to the program. The District should also enhance its monitoring procedures to ensure that income from the exclusive beverage contract is properly allocated and deposited to the food service program.

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

Follow-up to Management's Response:

In its response to Federal Awards Finding No. 1, the District provides various factors to consider regarding the distribution of the exclusive beverage proceeds in support of its position that program income was properly allocated to the food service program. However, District records did not evidence a determination of how these factors would impact the income allocation from the exclusive beverage contractor to the program.

Federal Awards Finding No. 2:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: National School Lunch Program (CFDA No. 10.555)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Special Tests and Provisions – Competitive Food Sales. At one high school, carbonated beverages were sold in the same location where lunch was served, contrary to Federal and State rules. Title 7, Section 210.11, Code of Federal Regulations, requires that State agencies and school food authorities establish such rules or regulations as are necessary to control the sale of foods in competition with lunches served under the National School Lunch Program. State Board of Education Rule 6A-7.0411(2)(c), Florida Administrative Code, provides that carbonated beverages may be sold at any time in high schools by a school activity or organization authorized by the principal if a beverage of 100 percent fruit juice is sold at each location where carbonated beverages are sold. However, carbonated beverages may not be sold where breakfast or lunch is being eaten or served.

Our review of the District's compliance with the competitive food and beverage sales requirements at Fleming Island High, Middleburg High, and Ridgeview High schools during September 2009 disclosed that carbonated beverages were sold to students throughout the school day; however, at each school, 100 percent fruit juice was not available for sale at each location where the carbonated beverages were sold. Also, at Ridgeview High School carbonated beverages were sold in the same location where lunch was served. A similar finding was noted in our report No. 2009-172.

After our initial observations and inquiries, the District advised us that the beverage contractor assigned a new representative who would be responsible for implementing corrective actions. On October 29, 2009, we followed-up

at the three high schools and noted that 100 percent fruit juice was available at each location. However, at Ridgeview High School, the sale of carbonated beverages continued in the same location where lunch was served. Upon inquiry, we were advised that the beverage machines had been in place for years, that a la carte sales were subsequently moved to the area where carbonated beverages were sold, and that the District would evaluate its options for resolving the location issue.

Recommendation: The District should continue its efforts to ensure compliance with the Federal regulations and State rules relating to the sale of foods and beverages in competition with the National School Lunch Program.

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

Federal Awards Finding No. 3:

Federal Agency: United States Department of Labor and United States Department of Education

Pass-Through Entity: First Coast Workforce Development and Florida Department of Education

Program: ARRA: 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)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Our review of the District's 2008-09 fiscal year annual financial report, as provided for audit, disclosed that improvements could be made in the District's financial reporting procedures. The United States Office of Management and Budget's (OMB) *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA) that, in part, identifies individual Federal programs by Federal agency, lists individual Federal programs within a cluster of programs, and provides total Federal awards expended for each individual Federal program. In addition, Title 2, Section 176.210(b), Code of Federal Regulations, as amended by Volume 4, Number 77 of the *Federal Register* published April 23, 2009, requires the District to separately identify the expenditures for Federal awards under the American Recovery and Reinvestment Act (ARRA) on the SEFA. However, we noted that the following ARRA awards were not properly reported on the SEFA:

- ARRA - Special Education Grants to States, Recovery Act, totaling \$232,161.48;
- ARRA - Special Education - Preschool Grants, Recovery Act, totaling \$14,324.93; and
- ARRA - WIA Youth Activities, totaling \$28,896.78.

The ARRA Special Education program expenditures were included in the amounts reported for the Special Education Cluster and not separately identified. In addition, while the District separately reported the amounts for ARRA WIA expenditures on the SEFA, the District did not separately designate the expenditures as ARRA expenditures. Without procedures to accurately report ARRA programs and related expenditures on the SEFA, the risk increases that these programs may not be audited, contrary to Federal requirements, and costs associated with those programs may be subject to disallowance by the grantors. We extended our audit procedures to determine the adjustments and corrections necessary, and the recommended changes were accepted by the District to properly report the SEFA data.

Recommendation: The District should develop procedures to separately report all ARRA awards on its Schedule of Expenditures of Federal Awards in accordance with Federal requirements.

District Contact Person: 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. 2009-172.

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, 2009*

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)	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.	Not corrected	The District plans to revise its procedures to ensure that 100 percent fruit juice is available when the beverage vending machines are restocked.
2009-172 (1)	Child Nutrition Cluster (CFDA No. 10.553, 10.555, and 10.559) / Program Income - Exclusive Beverage Contract	The District did not correctly allocate program income from its exclusive beverage contract to the nonprofit school food service account, resulting in questioned costs of \$290,868.	Corrected	The pass-through grantor did not require the District to restore questioned costs.

EXHIBIT A
MANAGEMENT'S RESPONSE



Ben Wortham
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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Green Cove Springs, Florida 32043

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BOARD MEMBERS

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

February 23, 2010

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, 2009.

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, 2009, 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: Collection of Social Security Numbers

The School District of Clay County has conducted a review and evaluation of the reasons for collection of social security numbers and provided written statements notifying individuals of the purpose for collection. An example would include the on-line application. The Volunteer Registration Form has been amended to include the necessary citation. Moreover, in an ongoing effort to ensure compliance with Section 119.071(5)(a) of Florida Statutes, senior staff has been asked to review forms and delete the request for social security numbers or notify and provide statements accordingly.

Finding No. 2: Adult General Education Courses

Adult General Education courses reporting will continue to strive towards improvement by continuing to implement oversight procedures through the student reporting office. The Adult Education office has affirmed the review from the findings with a letter of response in November and understands the importance of correct data reporting. All of the five (5) points from the audit is an over report of 71 hours. Although there were over 97,000 hours reported, we will continue to lower the over report number to zero. Recently the student reporting secretary corrected a number of hours that were incorrect that have been withdrawn during term "C". In order to enhance the District's control over the reporting of instructional contact hours for adult general education courses to DOE, we are requesting that many of the data elements be calculated automatically. This includes present and absent days. The District will continue to back track student information in TERMS until such time that the program can automatically calculate the data correctly concerning instructional hours and withdrawing procedures. Future reportings will be more closely monitored to avoid over reporting of hours and to accurately submit correct data for FDOE's records.

Finding No. 3 – Information Technology – Access Privileges

The District has begun a project to evaluate employee access privileges in conjunction with assigned duties to ensure that privileges and assignments are appropriate for the respective employee's position. This effort will be comprehensive and will result in significant changes in User Access Privileges.

Page 2
 Audit Response
 February 23, 2010

Finding No. 4 – Information Technology – User Authentication

The District will evaluate the need for revising security controls in the specified area of user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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

The School District of Clay County is in its 10th year of an “Exclusive Beverage” contract, starting in July 1, 2000, with the Coca-Cola Bottling Company and ending June 30, 2005. Our second five year contract with Pepsi-Cola Bottling Company began July 1, 2005, and will conclude June 30, 2010.

The auditors cite Federal Regulations that program income must be distributed to School Food Services based on the percent of their sales to the total sales. The District has no problem with School Food Services receiving their rightful share of the income, but we do disagree with the analysis of determining what that income amount is and the timing when this payment should be made.

We hope you will give consideration to the following reasons for not allocating \$343,725 to School Food Services for the 2008-2009 year.

- The district in 2008-09 received \$6,000 for scholarships (\$1,000 per high school). This has been allocated to our 6 high schools. This amount is earmarked specifically as scholarships and only for high schools. This cannot be distributed based on sales/volume incentives.
- The Division of Business Affairs was given \$2,000 as a fee to administer the contract for the district. However, this fee was distributed to all the schools based on enrollment and the funds must be expended on behalf of students. These fees were allocated to schools and the amount was not based on sales/volume incentives.
- The district received a \$25,000 fee as a signing bonus, and a \$90,000 Sponsorship Fee that was distributed in full to schools based on enrollment except for \$15,000 that was retained at the district level to be distributed to the divisions and Superintendent’s office as a hospitality fund. The \$100,000 was spent on behalf of students. These fees were negotiated on behalf of the schools and not based on sales/volume incentives.
- The district received an Exclusive Rights Fee of \$278,316. This fee was based on enrollment in the amount of \$20/student in high school, \$5/student in junior high, and \$1/student in elementary school. All of these funds were distributed to the schools and must be expended on behalf of students. None of these funds were based on sales/volume incentives.
- 85% of the volume incentive fees (based on sale of products) were distributed to School Food Services.
- All fees described (except for the \$15,000) have been allocated to schools and have been expended on behalf of students.
- The district has not charged School Food Services the full cost of direct and indirect costs in order for their fund balance to meet state guidelines.
- The Auditor’s percentage calculations of 68% allocated as sales from School Food Services are questioned since Pepsi does not take into account all products purchased in the district such as concession purchases for athletics and bulk sales with clubs. The result is that the 68/32% allocation is based on partial or incomplete information.
- The Exclusive Beverage contract and the method in which the School District distributes all revenue was approved by the School Board.

It is the District’s position that program income attributable to the exclusive beverage contract for the 2008-2009 fiscal year was properly allocated and deposited to the food service program.

Page 3
Audit Response
February 23, 2010

Federal Awards Finding No. 2: Special Tests and Provisions – Competitive Food Sales

The District will continue its efforts to ensure compliance with the Federal regulations and State rules relating to the sale of foods and beverages in competition with the National School Lunch Program. The District has revised its procedures to require that school personnel accompany the beverage contractor to ensure that 100% fruit juice is available in all beverage vending machines when they are restocked and at each location where carbonated beverages are sold.

Federal Awards Finding No. 3: Procedures for Reporting Information on American Recovery and Reinvestment Act

The District will establish procedures to separately report all American Recovery and Reinvestment Act (ARRA) Awards on the Schedule of Expenditures of Federal Awards (SEFA). All ARRA grant award documents will be thoroughly inspected to ensure the accuracy of Federal grant numbers (Catalog of Federal Domestic Assistance Numbers) and Federal grant titles listed on the District's SEFA.

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

Sincerely,



Ben H. Wortham
Superintendent of Schools