

# STATE OF FLORIDA AUDITOR GENERAL

## Financial and Federal Single Audit

Report No. 2019-185  
March 2019

### CLAY COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended  
June 30, 2018



Sherrill F. Norman, CPA  
Auditor General

### **Board Members and Superintendent**

During the 2017-18 fiscal year, Addison G. Davis served as Superintendent of the Clay County Schools and the following individuals served as School Board Members:

|                                                                      | <u>District No.</u> |
|----------------------------------------------------------------------|---------------------|
| Janice A. Kerekes, Chair through 11-1-17                             | 1                   |
| Carol Y. Studdard, Chair from 11-2-17,<br>Vice Chair through 11-1-17 | 2                   |
| Betsy Condon, Vice Chair from 11-2-17                                | 3                   |
| Mary Bolla                                                           | 4                   |
| Ashley Gilhousen                                                     | 5                   |

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 team leader was Daniel P. O'Donnell, CPA, and the audit was supervised by Randy R. Arend, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# CLAY COUNTY DISTRICT SCHOOL BOARD

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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Clay County District School Board (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.

## SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster. However, we did note a nonmajor Federal program noncompliance finding with questioned costs greater than \$25,000 as summarized below.

**Federal Awards Finding No. 2018-001:** The District did not comply with Federal regulations and follow a consistent costing policy for contributions to the District workers' compensation self-insurance program, resulting in Title I Program questioned costs totaling \$157,143.

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the 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 the District's major Federal program;
- 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 program; and
- Taken corrective actions for the Federal awards finding included in the previous audit report.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2018. 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, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

|                   |
|-------------------|
| AUDIT METHODOLOGY |
|-------------------|

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA  
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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 26 percent of the assets and 47 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. The financial statements for the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Clay County District School Board, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the District'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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2019

## **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, 2018. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-18 fiscal year are as follows:

- As of June 30, 2018, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$302,859,924.68.
- In total, net position increased \$6,300,438.01, which represents a 2.1 percent increase over the 2016-17 fiscal year.
- General revenues total \$315,605,589.95, or 93.9 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$20,354,040.55, or 6.1 percent of all revenues.
- Expenses total \$328,920,619.49. Only \$20,354,040.55 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total Revenues exceeded total expenses by \$7,039,011.01.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$19,678,182.91, which is \$4,179,896.12 more than the prior fiscal year balance at June 30, 2017. The assigned and unassigned fund balance was 7.1 percent of the total General Fund revenues.
- During the current year, General Fund revenues and other financial sources exceeded expenditures and other financing uses by \$5,492,287.31.
- The District's capital assets increased by \$12,462,270.20, or 2.9 percent, as compared to the June 30, 2017, balance.
- The District's capital asset-related debt decreased by a net amount of \$2,954,251.15, or 6.2 percent, as compared to the June 30, 2017, balance.
- During the course of the 2017-18 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$3,036,005.70, or 1.1 percent, due primarily from changes in estimated State and local funding levels. Similarly, final budgeted expenditures increased by \$10,715,839.33, or 3.9 percent, from the original budgeted amounts.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- **Governmental activities** – This represents most of the District's services, including its educational programs such as 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** – The St. Johns Classical Academy, Inc.; the Florida Charter Educational Foundation, Inc., d/b/a Clay Charter Academy; and Northeast Florida Virtual Charter School Board, Inc., d/b/a Florida Cyber Charter Academy at Clay, are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

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

### **Fund Financial Statements**

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Fund, Debt Service – Other Debt Service Fund, Capital Projects – Nonvoted 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 an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

**Proprietary Fund:** Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains one proprietary fund, an internal service fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses its internal service fund to account for its self-insurance program. Since these services predominantly benefit government-wide functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

The District uses agency funds to account for resources held for student activities and groups.

### **Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's net pension liability and changes in its total other postemployment benefits liability.

|                                           |
|-------------------------------------------|
| <b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b> |
|-------------------------------------------|

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2018, compared to net position as of June 30, 2017:

**Net Position, End of Year**

|                                       | <b>Governmental<br/>Activities</b> |                          |
|---------------------------------------|------------------------------------|--------------------------|
|                                       | <b>6-30-18</b>                     | <b>6-30-17</b>           |
| Current and Other Assets              | \$ 77,413,201.94                   | \$ 77,796,801.22         |
| Capital Assets                        | <u>438,988,468.22</u>              | <u>426,526,198.02</u>    |
| <b>Total Assets</b>                   | <u>516,401,670.16</u>              | <u>504,322,999.24</u>    |
| <b>Deferred Outflows of Resources</b> | <u>74,844,291.00</u>               | <u>65,751,158.00</u>     |
| Long-Term Liabilities                 | 253,347,181.31                     | 248,216,521.87           |
| Other Liabilities                     | <u>15,186,659.17</u>               | <u>14,381,348.70</u>     |
| <b>Total Liabilities</b>              | <u>268,533,840.48</u>              | <u>262,597,870.57</u>    |
| <b>Deferred Inflows of Resources</b>  | <u>19,852,196.00</u>               | <u>10,916,800.00</u>     |
| Net Position:                         |                                    |                          |
| Net Investment in Capital Assets      | 389,775,268.00                     | 374,289,314.49           |
| Restricted                            | 34,350,331.13                      | 37,739,173.57            |
| Unrestricted (Deficit)                | <u>(121,265,674.45)</u>            | <u>(115,469,001.39)</u>  |
| <b>Total Net Position</b>             | <u>\$ 302,859,924.68</u>           | <u>\$ 296,559,486.67</u> |

The increases in long-term liabilities and deferred outflows of resources and deferred inflows of resources are primarily due to the fluctuation in the net pension liability. As a participating employer in the Florida Retirement system (FRS), the District is required by Governmental Accounting Standards Board (GASB) Statement No. 68 to recognize its proportionate share of the collective net pension liability of the FRS cost-sharing multiple-employer defined benefits plans. Changes in the net pension liability are recognized through the statement of activities or reported as deferred outflows of resources or deferred inflows of resources on the statement of net position, depending on the nature of the change.

The largest portion of the District's net position (\$389,775,268) is investment in capital assets (e.g., land, buildings; furniture; fixtures and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The unrestricted net position is a deficit of \$121,265,674.45 due primarily to the District's proportionate share of the collective net liabilities required to be reported by GASB Statement No. 68.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2018, and June 30, 2017, are as follows:

### Operating Results for the Fiscal Year Ended

|                                                                 | <b>Governmental<br/>Activities</b> |                          |
|-----------------------------------------------------------------|------------------------------------|--------------------------|
|                                                                 | <b>6-30-18</b>                     | <b>6-30-17</b>           |
| Program Revenues:                                               |                                    |                          |
| Charges for Services                                            | \$ 4,642,467.88                    | \$ 5,379,071.54          |
| Operating Grants and Contributions                              | 13,165,362.67                      | 11,137,559.69            |
| Capital Grants and Contributions                                | 2,546,210.00                       | 3,796,687.10             |
| General Revenues:                                               |                                    |                          |
| Property Taxes, Levied for Operational Purposes                 | 53,134,912.58                      | 53,513,831.70            |
| Property Taxes, Levied for Capital Projects                     | 16,137,186.63                      | 14,847,933.08            |
| Local Sales Tax                                                 | 2,121,076.78                       | 1,987,290.26             |
| Impact Fees                                                     | 4,924,657.63                       | 6,151,799.69             |
| Grants and Contributions Not Restricted<br>to Specific Programs | 235,519,594.70                     | 227,047,440.12           |
| Unrestricted Investment Earnings                                | 1,063,724.13                       | 520,115.43               |
| Miscellaneous                                                   | 2,704,437.50                       | 3,538,186.51             |
| <b>Total Revenues</b>                                           | <b>335,959,630.50</b>              | <b>327,919,915.12</b>    |
| Functions/Program Expenses:                                     |                                    |                          |
| Instruction                                                     | 194,996,451.16                     | 189,820,770.46           |
| Student Support Services                                        | 14,816,186.33                      | 14,676,188.98            |
| Instructional Media Services                                    | 4,250,809.55                       | 3,962,716.87             |
| Instruction and Curriculum Development Services                 | 5,267,283.27                       | 5,519,575.14             |
| Instructional Staff Training Services                           | 4,322,614.65                       | 4,234,009.66             |
| Instruction-Related Technology                                  | 4,047,563.27                       | 4,511,371.73             |
| Board                                                           | 883,570.53                         | 764,880.94               |
| General Administration                                          | 964,473.56                         | 1,297,384.94             |
| School Administration                                           | 15,251,894.82                      | 15,023,027.90            |
| Facilities Acquisition and Construction                         | 8,714,888.48                       | 6,192,690.14             |
| Fiscal Services                                                 | 1,298,840.70                       | 856,791.28               |
| Food Services                                                   | 15,547,540.87                      | 14,918,880.76            |
| Central Services                                                | 2,939,056.20                       | 3,311,533.27             |
| Student Transportation Services                                 | 13,158,135.77                      | 12,415,691.38            |
| Operation of Plant                                              | 20,011,129.13                      | 19,455,867.80            |
| Maintenance of Plant                                            | 5,443,135.83                       | 5,432,467.22             |
| Administrative Technology Services                              | 764,951.13                         | 884,401.63               |
| Community Services                                              | 466,802.48                         | 323,493.10               |
| Unallocated Interest on Long-Term Debt                          | 1,802,203.65                       | 1,999,892.14             |
| Unallocated Depreciation Expense                                | 13,973,088.11                      | 13,973,088.11            |
| <b>Total Functions/Program Expenses</b>                         | <b>328,920,619.49</b>              | <b>319,574,723.45</b>    |
| <b>Change in Net Position</b>                                   | <b>7,039,011.01</b>                | <b>8,345,191.67</b>      |
| Net Position - Beginning                                        | 296,559,486.67                     | 288,214,295.00           |
| Adjustment to Beginning Net Position (1)                        | (738,573.00)                       | -                        |
| Net Position - Beginning, as Restated                           | 295,820,913.67                     | 288,214,295.00           |
| <b>Net Position - Ending</b>                                    | <b>\$ 302,859,924.68</b>           | <b>\$ 296,559,486.67</b> |

(1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 75, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits.

The State's Florida Education Finance Program (FEFP) and local property taxes provide the majority of the District's revenues for current operations. These revenues are included in general revenues, which provide about 93.9 percent of total revenues, whereas program revenues provide only about 6.1 percent. The majority of program revenues (84.1 percent) are in the food services activity.

The FEFP funding formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Under the General Revenues category, grants and contributions not restricted to specific program revenues increased by \$8,472,154.58, primarily due to an increase in FEFP revenues from the State. FEFP revenues increased by \$6,014,842, or 3.7 percent, in part, because student enrollment increased by 308 students, from 36,987 in the 2016-17 fiscal year to 37,295 in the 2017-18 fiscal year. Under the program revenues category, operating grants and contributions increased by \$2,027,802.98, or 18.2 percent, resulting from increased participation in the school lunch and breakfast programs due to the continued implementation of the community eligibility provision, in which all students receive free meals.

Overall, total governmental expenses increased by \$9,345,896.04, or 2.9 percent, during the 2017-18 fiscal year. Instruction expenses represent 59.4 and 59.3 percent of total government expenses in the 2016-17 and 2017-18 fiscal years, respectively. Instructional expenses increased \$5,175,680.70, or 2.7 percent from the previous fiscal year, mainly because of increases in instructional salaries and benefits. Facilities acquisition and construction expenses increased \$2,522,198.34, or 40.7 percent from the previous fiscal year, mainly from purchases of noncapitalized furniture, fixtures, equipment, and computers.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$3,385,978.99 during the fiscal year to \$50,719,525.63 at June 30, 2018. The decrease is attributable to construction capital projects during the 2017-18 fiscal year (e.g., building Discovery Oaks Elementary School). Of the total fund balance, \$7,225,912.28, or 14.2 percent, is assigned; \$12,452,270.63, or 24.6 percent, is unassigned; \$1,182,163.29, or 2.3 percent, is nonspendable; and \$29,859,179.43, or 58.9 percent, is restricted.

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$12,452,270.63, while the total fund balance is \$28,634,578.83. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances

to General Fund total revenues. The total assigned and unassigned fund balance is \$19,678,182.91, or 7.1 percent of the total General Fund revenues, while total fund balance represents 10.4 percent of total General Fund revenues.

The assigned and unassigned fund balance increased by \$4,179,896.12, or 27 percent, while the total fund balance increased by \$5,620,108.43, 24.4 percent, during the fiscal year. The key factors impacting the change in fund balance are:

- Total General Fund revenues increased by \$8,595,564.33, or 3.2 percent, due mainly to increases in FEFP revenues.
- Total revenues exceeded total expenditures by \$4,691,135.16 and net other financing sources totaled \$801,152.15.

The Special Revenue – Food Service Fund is used to account for and report all food service activities. This fund had revenues and expenditures of \$17,177,987.29 and \$16,103,327.96, respectively, and ended the fiscal year with a fund balance of \$5,031,014.60, including inventories of \$186,297.91 that represent the nonspendable fund balance, with the remaining \$4,844,716.69 fund balance is restricted for food service operations. The total fund balance increased \$1,115,833.91, or 28.5 percent during the fiscal year, mainly from additional revenues resulting from increased participation in the school lunch and breakfast programs due to the continued implementation of the community eligibility provision, in which all students receive free meals.

The Special Revenue – Other Fund is used to account for mainly Federal grants administered through the State's cash advance system, and has total revenues and expenditures of \$15,805,619.88 and \$15,791,867.15, respectively. The funding was mainly used for instructional activities. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a large fund balance.

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 of \$108,473.58 at June 30, 2018, which is restricted for debt service payments.

The Capital Projects – Nonvoted Capital Improvement Fund has a total fund balance of \$9,760,719.07 restricted for the acquisition, construction, and maintenance of capital assets. Total fund balance increased by \$2,620,157.40 in the current fiscal year. Expenditures were mainly for renovation and construction of school facilities and the purchase of furniture, fixtures, equipment, and buses. Transfers out were to provide for debt service payments, to fund equipment purchases, to pay property insurance premiums, and to provide funding for certain expenditures of the District's maintenance and facilities departments. It should be noted that \$1,621,428.92 of fund balance is encumbered for specific projects.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, local sales taxes, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects. The total fund balance decreased \$12,540,474.59, or 68.7 percent, to \$5,726,124.40 at June 30, 2018, due mainly to the construction of new Discovery Oaks Elementary School in the Oakleaf area. Encumbrances to this fund total \$1,593,010.40 at June 30, 2018, the majority of which is encumbered for buildings and fixed equipment purchases.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2017-18 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$3,036,005.70, or 1.1 percent. Similarly, final budgeted expenditures increased by \$10,715,839.33, or 3.9 percent from the original budgeted amounts. Budget revisions occurred primarily from changes in estimated State funding levels. The budget revisions were necessary to adjust planned expenditures based on actual resources and resource needs.

## 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, 2018, is \$438,988,468.22. This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property acquired under capital leases; and audio visual materials and computer software.

The investment in capital assets increased by a net amount of \$12,462,270.20, or 2.9 percent, as compared to the June 30, 2017, balance, mainly from construction of facilities. Major capital asset events during the 2017-18 fiscal year included construction of the new Discovery Oaks Elementary School, bus purchases, and renovation and remodeling projects at various schools.

Additional information on the District's capital assets can be found in Notes I.F.4. and III.D. to financial statements.

### **Long-Term Debt**

At June 30, 2018, the District has capital asset-related debt long-term debt outstanding of \$44,908,345.50 composed of \$2,506,000 of bonds payable, \$1,346,345.50 obligations under capital leases, and \$41,056,000 of certificates of participation (COPs). During the 2017-18 fiscal year, the District retired capital asset-related debt through scheduled principal payments of \$298,000 for bonds payable, \$634,009.15 for capital leases, and \$3,674,000 for COPs. In addition, the District entered into a new capital lease agreement of \$1,494,758 to purchase computer equipment, and issued \$8,817,000 in refunding COPs to defease outstanding COPs payable of \$8,660,000 to reduce the total debt service payments for these COPs over the next 7 years.

Additional information on the District's long-term debt can be found in Notes III.I.1. through III.I.5. to financial statements.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Clay County District School Board, 900 Walnut Street, Green Cove Springs, Florida 32043.

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# BASIC FINANCIAL STATEMENTS

## Clay County District School Board Statement of Net Position June 30, 2018

|                                                      | Primary Government<br>Governmental<br>Activities | Component<br>Units       |
|------------------------------------------------------|--------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                        |                                                  |                          |
| Cash and Cash Equivalents                            | \$ 59,891,398.09                                 | \$ 406,966.00            |
| Investments                                          | 7,689.67                                         | 5,884,021.00             |
| Accounts Receivable                                  | 468,539.28                                       | 65,496.00                |
| Cash with Fiscal Agent                               | 44,289.40                                        | -                        |
| Due from Other Agencies                              | 11,054,123.33                                    | 534,496.00               |
| Due from Related Party                               | -                                                | 6,920.00                 |
| Prepaid Items                                        | -                                                | 23,398.00                |
| Deposits                                             | -                                                | 52,045.00                |
| Inventories                                          | 1,182,163.29                                     | -                        |
| Capital Credits Receivable                           | 4,764,998.88                                     | -                        |
| Capital Assets:                                      |                                                  |                          |
| Nondepreciable Capital Assets                        | 51,607,450.20                                    | 10,054,240.00            |
| Depreciable Capital Assets, Net                      | 387,381,018.02                                   | 15,575,422.00            |
| <b>TOTAL ASSETS</b>                                  | <b>516,401,670.16</b>                            | <b>32,603,004.00</b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                |                                                  |                          |
| Other Postemployment Benefits                        | 967,922.00                                       | -                        |
| Pensions                                             | 73,876,369.00                                    | -                        |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>          | <b>74,844,291.00</b>                             | <b>-</b>                 |
| <b>LIABILITIES</b>                                   |                                                  |                          |
| Accrued Salaries and Benefits                        | 1,842,836.72                                     | 246,273.00               |
| Payroll Deductions and Withholdings                  | 1,362,414.88                                     | -                        |
| Accounts Payable                                     | 3,044,100.37                                     | 1,453,262.00             |
| Construction Contracts Payable                       | 3,032,656.92                                     | -                        |
| Construction Contracts Payable - Retained Percentage | 1,272,196.87                                     | 563,990.00               |
| Due to Management Company                            | -                                                | 371,085.00               |
| Sales Tax Payable                                    | 410.88                                           | -                        |
| Interest Payable                                     | -                                                | 119,645.00               |
| Matured Certificates of Participation Payable        | 3,674,000.00                                     | -                        |
| Matured Interest Payable                             | 727,258.95                                       | -                        |
| Unearned Revenues                                    | 230,783.58                                       | -                        |
| Long-Term Liabilities:                               |                                                  |                          |
| Portion Due Within 1 Year                            | 18,214,016.78                                    | 750,441.00               |
| Portion Due After 1 Year                             | 235,133,164.53                                   | 31,735,863.00            |
| <b>TOTAL LIABILITIES</b>                             | <b>268,533,840.48</b>                            | <b>35,240,559.00</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                 |                                                  |                          |
| Other Postemployment Benefits                        | 249,221.00                                       | -                        |
| Pension                                              | 19,602,975.00                                    | -                        |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>           | <b>19,852,196.00</b>                             | <b>-</b>                 |
| <b>NET POSITION</b>                                  |                                                  |                          |
| Net Investment in Capital Assets                     | 389,775,268.00                                   | (4,246,075.00)           |
| Restricted for:                                      |                                                  |                          |
| State Required Carryover Programs                    | 6,162,012.36                                     | -                        |
| Debt Service                                         | 421,347.57                                       | 1,829,506.00             |
| Capital Projects                                     | 20,923,685.69                                    | -                        |
| Food Service                                         | 5,031,014.60                                     | -                        |
| Other                                                | 1,812,270.91                                     | -                        |
| Unrestricted (Deficit)                               | (121,265,674.45)                                 | (220,986.00)             |
| <b>TOTAL NET POSITION</b>                            | <b>\$ 302,859,924.68</b>                         | <b>\$ (2,637,555.00)</b> |

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

**Clay County District School Board  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018**

| Functions/Programs                              | Expenses                 | Program Revenues           |                                          |
|-------------------------------------------------|--------------------------|----------------------------|------------------------------------------|
|                                                 |                          | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions |
| <b>Primary Government</b>                       |                          |                            |                                          |
| <b>Governmental Activities:</b>                 |                          |                            |                                          |
| Instruction                                     | \$ 194,996,451.16        | \$ 124,689.02              | \$ -                                     |
| Student Support Services                        | 14,816,186.33            | -                          | -                                        |
| Instructional Media Services                    | 4,250,809.55             | -                          | -                                        |
| Instruction and Curriculum Development Services | 5,267,283.27             | -                          | -                                        |
| Instructional Staff Training Services           | 4,322,614.65             | -                          | -                                        |
| Instruction-Related Technology                  | 4,047,563.27             | -                          | -                                        |
| Board                                           | 883,570.53               | -                          | -                                        |
| General Administration                          | 964,473.56               | -                          | -                                        |
| School Administration                           | 15,251,894.82            | -                          | -                                        |
| Facilities Acquisition and Construction         | 8,714,888.48             | -                          | -                                        |
| Fiscal Services                                 | 1,298,840.70             | -                          | -                                        |
| Food Services                                   | 15,547,540.87            | 3,960,559.73               | 13,165,362.67                            |
| Central Services                                | 2,939,056.20             | -                          | -                                        |
| Student Transportation Services                 | 13,158,135.77            | -                          | -                                        |
| Operation of Plant                              | 20,011,129.13            | -                          | -                                        |
| Maintenance of Plant                            | 5,443,135.83             | -                          | -                                        |
| Administrative Technology Services              | 764,951.13               | -                          | -                                        |
| Community Services                              | 466,802.48               | 557,219.13                 | -                                        |
| Unallocated Interest on Long-Term Debt          | 1,802,203.65             | -                          | -                                        |
| Unallocated Depreciation                        | 13,973,088.11            | -                          | -                                        |
| <b>Total Primary Government</b>                 | <b>\$ 328,920,619.49</b> | <b>\$ 4,642,467.88</b>     | <b>\$ 13,165,362.67</b>                  |
| <b>Component Units</b>                          |                          |                            |                                          |
| Charter Schools                                 | \$ 9,545,817.00          | \$ 176,833.00              | \$ 429,049.00                            |

**General Revenues:**

**Taxes:**

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Impact Fees

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

**Net Position - Ending**

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

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

| Net (Expense) Revenue and Changes<br>in Net Position |                            |                       |                    |
|------------------------------------------------------|----------------------------|-----------------------|--------------------|
| Capital<br>Grants and<br>Contributions               | Primary Government         |                       | Component<br>Units |
|                                                      | Governmental<br>Activities |                       |                    |
| \$ -                                                 | \$ (194,871,762.14)        | \$ -                  |                    |
| -                                                    | (14,816,186.33)            | -                     |                    |
| -                                                    | (4,250,809.55)             | -                     |                    |
| -                                                    | (5,267,283.27)             | -                     |                    |
| -                                                    | (4,322,614.65)             | -                     |                    |
| -                                                    | (4,047,563.27)             | -                     |                    |
| -                                                    | (883,570.53)               | -                     |                    |
| -                                                    | (964,473.56)               | -                     |                    |
| -                                                    | (15,251,894.82)            | -                     |                    |
| 1,461,248.22                                         | (7,253,640.26)             | -                     |                    |
| -                                                    | (1,298,840.70)             | -                     |                    |
| -                                                    | 1,578,381.53               | -                     |                    |
| -                                                    | (2,939,056.20)             | -                     |                    |
| -                                                    | (13,158,135.77)            | -                     |                    |
| -                                                    | (20,011,129.13)            | -                     |                    |
| 864,848.00                                           | (4,578,287.83)             | -                     |                    |
| -                                                    | (764,951.13)               | -                     |                    |
| -                                                    | 90,416.65                  | -                     |                    |
| 220,113.78                                           | (1,582,089.87)             | -                     |                    |
| -                                                    | (13,973,088.11)            | -                     |                    |
| <u>\$ 2,546,210.00</u>                               | <u>(308,566,578.94)</u>    | <u>-</u>              |                    |
| <u>\$ 220,646.00</u>                                 | <u>-</u>                   | <u>(8,719,289.00)</u> |                    |

|                          |                          |
|--------------------------|--------------------------|
| 53,134,912.58            | -                        |
| 16,137,186.63            | -                        |
| 2,121,076.78             | -                        |
| 4,924,657.63             | -                        |
| 235,519,594.70           | 7,573,411.00             |
| 1,063,724.13             | 137,732.00               |
| 2,704,437.50             | 11,887.00                |
| <u>315,605,589.95</u>    | <u>7,723,030.00</u>      |
| 7,039,011.01             | (996,259.00)             |
| 296,559,486.67           | (1,641,472.00)           |
| (738,573.00)             | 176.00                   |
| <u>295,820,913.67</u>    | <u>(1,641,296.00)</u>    |
| <u>\$ 302,859,924.68</u> | <u>\$ (2,637,555.00)</u> |

**Clay County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2018**

|                                                      | <b>General<br/>Fund</b> | <b>Special Revenue -<br/>Food Service<br/>Fund</b> | <b>Special Revenue -<br/>Other<br/>Fund</b> |
|------------------------------------------------------|-------------------------|----------------------------------------------------|---------------------------------------------|
| <b>ASSETS</b>                                        |                         |                                                    |                                             |
| Cash and Cash Equivalents                            | \$ 12,527,420.44        | \$ 6,089,178.69                                    | \$ 2,905,127.89                             |
| Investments                                          | -                       | -                                                  | -                                           |
| Accounts Receivable                                  | 242,664.49              | 308.60                                             | 16,744.00                                   |
| Cash with Fiscal Agent                               | 4,289.40                | -                                                  | -                                           |
| Due from Other Funds                                 | 28,206,128.92           | -                                                  | 13,752.73                                   |
| Due from Other Agencies                              | 193,727.12              | 1,574,669.14                                       | 8,240,737.43                                |
| Inventories                                          | 995,865.38              | 186,297.91                                         | -                                           |
| <b>TOTAL ASSETS</b>                                  | <b>\$ 42,170,095.75</b> | <b>\$ 7,850,454.34</b>                             | <b>\$ 11,176,362.05</b>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                 |                         |                                                    |                                             |
| Liabilities:                                         |                         |                                                    |                                             |
| Accrued Salaries and Benefits                        | 1,842,836.72            | -                                                  | -                                           |
| Payroll Deductions and Withholdings                  | 1,362,414.88            | -                                                  | -                                           |
| Accounts Payable                                     | 2,728,549.67            | 152,875.02                                         | 150,675.68                                  |
| Construction Contracts Payable                       | -                       | -                                                  | -                                           |
| Construction Contracts Payable - Retained Percentage | 27,748.07               | -                                                  | -                                           |
| Due to Other Funds                                   | 7,573,556.70            | 2,490,048.58                                       | 10,957,666.20                               |
| Sales Tax Payable                                    | 410.88                  | -                                                  | -                                           |
| Matured Certificates of Participation Payable        | -                       | -                                                  | -                                           |
| Matured Interest Payable                             | -                       | -                                                  | -                                           |
| Unearned Revenues                                    | -                       | 176,516.14                                         | 54,267.44                                   |
| <b>Total Liabilities</b>                             | <b>13,535,516.92</b>    | <b>2,819,439.74</b>                                | <b>11,162,609.32</b>                        |
| Fund Balances:                                       |                         |                                                    |                                             |
| Nonspendable:                                        |                         |                                                    |                                             |
| Inventories                                          | 995,865.38              | 186,297.91                                         | -                                           |
| Restricted for:                                      |                         |                                                    |                                             |
| State Required Carryover Programs                    | 6,148,259.63            | -                                                  | 13,752.73                                   |
| Debt Service                                         | -                       | -                                                  | -                                           |
| Capital Projects                                     | -                       | -                                                  | -                                           |
| Food Service                                         | -                       | 4,844,716.69                                       | -                                           |
| Other Purposes                                       | 1,812,270.91            | -                                                  | -                                           |
| Total Restricted Fund Balance                        | 7,960,530.54            | 4,844,716.69                                       | 13,752.73                                   |
| Assigned for:                                        |                         |                                                    |                                             |
| Employee Insurance Benefits                          | 2,655,096.34            | -                                                  | -                                           |
| Accelerated Student Learning Programs                | 1,513,482.36            | -                                                  | -                                           |
| Special Education Programs                           | 1,387,337.19            | -                                                  | -                                           |
| Purchase Obligations                                 | 765,177.11              | -                                                  | -                                           |
| Local Programs and Other Purposes                    | 904,819.28              | -                                                  | -                                           |
| Total Assigned Fund Balance                          | 7,225,912.28            | -                                                  | -                                           |
| Unassigned Fund Balance                              | 12,452,270.63           | -                                                  | -                                           |
| <b>Total Fund Balances</b>                           | <b>28,634,578.83</b>    | <b>5,031,014.60</b>                                | <b>13,752.73</b>                            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>           | <b>\$ 42,170,095.75</b> | <b>\$ 7,850,454.34</b>                             | <b>\$ 11,176,362.05</b>                     |

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

| <b>Debt Service -<br/>Other Debt<br/>Service Fund</b> | <b>Capital Projects -<br/>Nonvoted Capital<br/>Improvement Fund</b> | <b>Capital Projects -<br/>Other Capital<br/>Projects Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|-------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| \$ 4,503,149.67                                       | \$ 6,718,739.56                                                     | \$ 21,079,171.92                                              | \$ 3,175,525.05                         | \$ 56,998,313.22                        |
| -                                                     | -                                                                   | -                                                             | 7,689.67                                | 7,689.67                                |
| -                                                     | 140,357.46                                                          | -                                                             | 74.55                                   | 400,149.10                              |
| -                                                     | -                                                                   | -                                                             | -                                       | 4,289.40                                |
| 6,582.86                                              | 4,014,533.51                                                        | -                                                             | 2.38                                    | 32,241,000.40                           |
| -                                                     | 6,656.51                                                            | 675,424.46                                                    | 362,908.67                              | 11,054,123.33                           |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,182,163.29                            |
| <u>\$ 4,509,732.53</u>                                | <u>\$ 10,880,287.04</u>                                             | <u>\$ 21,754,596.38</u>                                       | <u>\$ 3,546,200.32</u>                  | <u>\$ 101,887,728.41</u>                |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,842,836.72                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,362,414.88                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 3,032,100.37                            |
| -                                                     | 1,113,179.70                                                        | 1,838,812.95                                                  | 80,664.27                               | 3,032,656.92                            |
| -                                                     | 6,388.27                                                            | 1,238,060.53                                                  | -                                       | 1,272,196.87                            |
| -                                                     | -                                                                   | 12,951,598.50                                                 | 2,020,673.63                            | 35,993,543.61                           |
| -                                                     | -                                                                   | -                                                             | -                                       | 410.88                                  |
| 3,674,000.00                                          | -                                                                   | -                                                             | -                                       | 3,674,000.00                            |
| 727,258.95                                            | -                                                                   | -                                                             | -                                       | 727,258.95                              |
| -                                                     | -                                                                   | -                                                             | -                                       | 230,783.58                              |
| <u>4,401,258.95</u>                                   | <u>1,119,567.97</u>                                                 | <u>16,028,471.98</u>                                          | <u>2,101,337.90</u>                     | <u>51,168,202.78</u>                    |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,182,163.29                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 6,162,012.36                            |
| 108,473.58                                            | -                                                                   | -                                                             | 312,873.99                              | 421,347.57                              |
| -                                                     | 9,760,719.07                                                        | 5,726,124.40                                                  | 1,131,988.43                            | 16,618,831.90                           |
| -                                                     | -                                                                   | -                                                             | -                                       | 4,844,716.69                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,812,270.91                            |
| <u>108,473.58</u>                                     | <u>9,760,719.07</u>                                                 | <u>5,726,124.40</u>                                           | <u>1,444,862.42</u>                     | <u>29,859,179.43</u>                    |
| -                                                     | -                                                                   | -                                                             | -                                       | 2,655,096.34                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,513,482.36                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 1,387,337.19                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 765,177.11                              |
| -                                                     | -                                                                   | -                                                             | -                                       | 904,819.28                              |
| -                                                     | -                                                                   | -                                                             | -                                       | 7,225,912.28                            |
| -                                                     | -                                                                   | -                                                             | -                                       | 12,452,270.63                           |
| <u>108,473.58</u>                                     | <u>9,760,719.07</u>                                                 | <u>5,726,124.40</u>                                           | <u>1,444,862.42</u>                     | <u>50,719,525.63</u>                    |
| <u>\$ 4,509,732.53</u>                                | <u>\$ 10,880,287.04</u>                                             | <u>\$ 21,754,596.38</u>                                       | <u>\$ 3,546,200.32</u>                  | <u>\$ 101,887,728.41</u>                |

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**Clay County District School Board**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

**Total Fund Balances - Governmental Funds** **\$ 50,719,525.63**

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 438,988,468.22

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 4,672,760.26

Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net position. 4,764,998.88

The deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are applicable to future periods and therefore, are not reported in the governmental funds.

|                   |                     |            |
|-------------------|---------------------|------------|
| Deferred Outflows | \$ 967,922.00       |            |
| Deferred Inflows  | <u>(249,221.00)</u> | 718,701.00 |

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds.

|                   |                        |               |
|-------------------|------------------------|---------------|
| Deferred Outflows | \$ 73,876,369.00       |               |
| Deferred Inflows  | <u>(19,602,975.00)</u> | 54,273,394.00 |

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

|                                       |                         |                         |
|---------------------------------------|-------------------------|-------------------------|
| Obligations Under Capital Leases      | \$ (1,346,345.50)       |                         |
| Bonds Payable                         | (2,506,000.00)          |                         |
| Certificates of Participation Payable | (41,056,000.00)         |                         |
| Compensated Absences Payable          | (20,909,071.81)         |                         |
| Other Postemployment Benefits Payable | (4,613,134.00)          |                         |
| Net Pension Liability                 | <u>(180,847,372.00)</u> | <u>(251,277,923.31)</u> |

**Net Position - Governmental Activities** **\$ 302,859,924.68**

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

**Clay County District School Board**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances – Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

|                                                          | General<br>Fund         | Special Revenue -<br>Food Service<br>Fund | Special Revenue -<br>Other<br>Fund |
|----------------------------------------------------------|-------------------------|-------------------------------------------|------------------------------------|
| <b>Revenues</b>                                          |                         |                                           |                                    |
| Intergovernmental:                                       |                         |                                           |                                    |
| Federal Direct                                           | \$ 810,471.99           | \$ 7,000.00                               | \$ 815,809.64                      |
| Federal Through State and Local                          | 1,745,995.83            | 13,022,666.67                             | 14,976,057.51                      |
| State                                                    | 216,146,896.95          | 142,696.00                                | -                                  |
| Local:                                                   |                         |                                           |                                    |
| Property Taxes                                           | 53,134,912.58           | -                                         | -                                  |
| Local Sales Taxes                                        | -                       | -                                         | -                                  |
| Impact Fees                                              | -                       | -                                         | -                                  |
| Charges for Services - Food Service                      | -                       | 3,960,559.73                              | -                                  |
| Miscellaneous                                            | 3,535,932.67            | 45,064.89                                 | 13,752.73                          |
| Total Local Revenues                                     | <u>56,670,845.25</u>    | <u>4,005,624.62</u>                       | <u>13,752.73</u>                   |
| <b>Total Revenues</b>                                    | <u>275,374,210.02</u>   | <u>17,177,987.29</u>                      | <u>15,805,619.88</u>               |
| <b>Expenditures</b>                                      |                         |                                           |                                    |
| Current - Education:                                     |                         |                                           |                                    |
| Instruction                                              | 179,857,824.73          | -                                         | 10,804,888.19                      |
| Student Support Services                                 | 13,148,306.66           | -                                         | 1,306,089.96                       |
| Instructional Media Services                             | 4,131,093.59            | -                                         | 15,740.46                          |
| Instruction and Curriculum Development Services          | 3,847,115.77            | -                                         | 1,276,125.48                       |
| Instructional Staff Training Services                    | 2,407,237.53            | -                                         | 1,819,347.54                       |
| Instruction-Related Technology                           | 3,957,791.13            | -                                         | -                                  |
| Board                                                    | 869,803.98              | -                                         | -                                  |
| General Administration                                   | 561,117.22              | -                                         | 392,138.22                         |
| School Administration                                    | 14,871,474.07           | -                                         | -                                  |
| Facilities Acquisition and Construction                  | 1,736,709.86            | -                                         | -                                  |
| Fiscal Services                                          | 1,263,393.50            | -                                         | -                                  |
| Food Services                                            | 72,558.11               | 15,356,910.21                             | -                                  |
| Central Services                                         | 2,868,817.08            | -                                         | -                                  |
| Student Transportation Services                          | 10,825,087.75           | -                                         | 130,912.76                         |
| Operation of Plant                                       | 20,054,149.79           | -                                         | -                                  |
| Maintenance of Plant                                     | 5,460,704.40            | -                                         | -                                  |
| Administrative Technology Services                       | 747,270.97              | -                                         | -                                  |
| Community Services                                       | 456,973.83              | -                                         | -                                  |
| Fixed Capital Outlay:                                    |                         |                                           |                                    |
| Facilities Acquisition and Construction                  | 1,090,459.33            | 177,185.10                                | -                                  |
| Other Capital Outlay                                     | 1,934,651.03            | 569,232.65                                | 46,624.54                          |
| Debt Service:                                            |                         |                                           |                                    |
| Principal                                                | 520,534.53              | -                                         | -                                  |
| Interest and Fiscal Charges                              | -                       | -                                         | -                                  |
| <b>Total Expenditures</b>                                | <u>270,683,074.86</u>   | <u>16,103,327.96</u>                      | <u>15,791,867.15</u>               |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u>4,691,135.16</u>     | <u>1,074,659.33</u>                       | <u>13,752.73</u>                   |
| <b>Other Financing Sources (Uses)</b>                    |                         |                                           |                                    |
| Transfers In                                             | 1,733,572.00            | -                                         | -                                  |
| Refunding Certificates of Participation Issued           | -                       | -                                         | -                                  |
| Proceeds of Lease Purchase Agreement                     | -                       | -                                         | -                                  |
| Payments to Refunding Escrow Agent                       | -                       | -                                         | -                                  |
| Sale of Capital Assets                                   | 67,580.15               | -                                         | -                                  |
| Transfers Out                                            | <u>(1,000,000.00)</u>   | <u>-</u>                                  | <u>-</u>                           |
| <b>Total Other Financing Sources (Uses)</b>              | <u>801,152.15</u>       | <u>-</u>                                  | <u>-</u>                           |
| <b>Net Change in Fund Balances</b>                       | 5,492,287.31            | 1,074,659.33                              | 13,752.73                          |
| Fund Balances, Beginning                                 | 23,014,470.40           | 3,915,180.69                              | -                                  |
| Increase in Nonspendable Inventory                       | <u>127,821.12</u>       | <u>41,174.58</u>                          | <u>-</u>                           |
| <b>Fund Balances, Ending</b>                             | <u>\$ 28,634,578.83</u> | <u>\$ 5,031,014.60</u>                    | <u>\$ 13,752.73</u>                |

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

| Debt Service -<br>Other Debt<br>Service Fund | Capital Projects -<br>Nonvoted Capital<br>Improvement Fund | Capital Projects -<br>Other Capital<br>Projects Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------------------|------------------------------------------------------------|------------------------------------------------------|--------------------------------|--------------------------------|
| \$ -                                         | \$ -                                                       | \$ -                                                 | \$ -                           | \$ 1,633,281.63                |
| -                                            | -                                                          | -                                                    | -                              | 29,744,720.01                  |
| -                                            | -                                                          | 160,930.94                                           | 2,586,015.65                   | 219,036,539.54                 |
| -                                            | 16,137,186.63                                              | -                                                    | -                              | 69,272,099.21                  |
| -                                            | -                                                          | 2,121,076.78                                         | -                              | 2,121,076.78                   |
| -                                            | -                                                          | 4,924,657.63                                         | -                              | 4,924,657.63                   |
| -                                            | -                                                          | -                                                    | -                              | 3,960,559.73                   |
| 9,610.46                                     | 110,822.81                                                 | 320,356.73                                           | 20,227.63                      | 4,055,767.92                   |
| 9,610.46                                     | 16,248,009.44                                              | 7,366,091.14                                         | 20,227.63                      | 84,334,161.27                  |
| 9,610.46                                     | 16,248,009.44                                              | 7,527,022.08                                         | 2,606,243.28                   | 334,748,702.45                 |
| -                                            | -                                                          | -                                                    | -                              | 190,662,712.92                 |
| -                                            | -                                                          | -                                                    | -                              | 14,454,396.62                  |
| -                                            | -                                                          | -                                                    | -                              | 4,146,834.05                   |
| -                                            | -                                                          | -                                                    | -                              | 5,123,241.25                   |
| -                                            | -                                                          | -                                                    | -                              | 4,226,585.07                   |
| -                                            | -                                                          | -                                                    | -                              | 3,957,791.13                   |
| -                                            | -                                                          | -                                                    | -                              | 869,803.98                     |
| -                                            | -                                                          | -                                                    | -                              | 953,255.44                     |
| -                                            | -                                                          | -                                                    | -                              | 14,871,474.07                  |
| -                                            | 4,085,962.22                                               | 569,241.26                                           | 1,488,603.14                   | 7,880,516.48                   |
| -                                            | -                                                          | -                                                    | -                              | 1,263,393.50                   |
| -                                            | -                                                          | -                                                    | -                              | 15,429,468.32                  |
| -                                            | -                                                          | -                                                    | -                              | 2,868,817.08                   |
| -                                            | -                                                          | -                                                    | -                              | 10,956,000.51                  |
| -                                            | -                                                          | -                                                    | -                              | 20,054,149.79                  |
| -                                            | -                                                          | -                                                    | -                              | 5,460,704.40                   |
| -                                            | -                                                          | -                                                    | -                              | 747,270.97                     |
| -                                            | -                                                          | -                                                    | -                              | 456,973.83                     |
| -                                            | 1,875,911.75                                               | 19,479,023.91                                        | 927,155.46                     | 23,549,735.55                  |
| -                                            | 806,178.14                                                 | 1,513,989.50                                         | -                              | 4,870,675.86                   |
| 3,674,000.00                                 | 113,474.62                                                 | -                                                    | 298,000.00                     | 4,606,009.15                   |
| 1,508,015.51                                 | 77,542.38                                                  | -                                                    | 129,117.11                     | 1,714,675.00                   |
| 5,182,015.51                                 | 6,959,069.11                                               | 21,562,254.67                                        | 2,842,875.71                   | 339,124,484.97                 |
| (5,172,405.05)                               | 9,288,940.33                                               | (14,035,232.59)                                      | (236,632.43)                   | (4,375,782.52)                 |
| 5,124,209.26                                 | -                                                          | -                                                    | -                              | 6,857,781.26                   |
| 8,817,000.00                                 | -                                                          | -                                                    | -                              | 8,817,000.00                   |
| -                                            | -                                                          | 1,494,758.00                                         | -                              | 1,494,758.00                   |
| (8,747,528.65)                               | -                                                          | -                                                    | -                              | (8,747,528.65)                 |
| -                                            | 188,998.33                                                 | -                                                    | -                              | 256,578.48                     |
| -                                            | (6,857,781.26)                                             | -                                                    | -                              | (7,857,781.26)                 |
| 5,193,680.61                                 | (6,668,782.93)                                             | 1,494,758.00                                         | -                              | 820,807.83                     |
| 21,275.56                                    | 2,620,157.40                                               | (12,540,474.59)                                      | (236,632.43)                   | (3,554,974.69)                 |
| 87,198.02                                    | 7,140,561.67                                               | 18,266,598.99                                        | 1,681,494.85                   | 54,105,504.62                  |
| -                                            | -                                                          | -                                                    | -                              | 168,995.70                     |
| \$ 108,473.58                                | \$ 9,760,719.07                                            | \$ 5,726,124.40                                      | \$ 1,444,862.42                | \$ 50,719,525.63               |

**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, 2018**

**Net Change in Fund Balances - Governmental Funds** **\$ (3,554,974.69)**

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 12,462,270.18

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.

|                                       |                   |              |
|---------------------------------------|-------------------|--------------|
| Certificates of Participation Issued  | \$ (8,817,000.00) |              |
| Certificates of Participation Retired | 8,660,000.00      |              |
| New Obligations Under Capital Lease   | (1,494,758.00)    |              |
| Long-Term Debt Repayments             | 4,606,009.15      | 2,954,251.15 |

Capital credits revenues are accrued in the statement of activities, but do not provide current financial resources and are not reported as revenues in the governmental funds. This is the net increase in capital credits receivable in the current fiscal year. 86,618.39

The purchases method of inventory accounting is used in the governmental funds while in the government-wide statements inventories are accounted for on the consumption method. 168,995.70

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 paid in the current fiscal year. (32,244.57)

Governmental funds report District other postemployment benefits (OPEB) contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.

|                                                   |               |            |
|---------------------------------------------------|---------------|------------|
| Decrease in OPEB Liability                        | \$ 116,653.00 |            |
| Increase in Deferred Outflows of Resources - OPEB | 967,922.00    |            |
| Increase in Deferred Inflows of Resources - OPEB  | (249,221.00)  | 835,354.00 |

Pension expense related to the changes in net pension liability as reported in the statement of activities does not require the use of current financial resources and is not reported in the governmental funds.

|                          |                  |                |
|--------------------------|------------------|----------------|
| FRS Pension Contribution | \$ 11,220,981.00 |                |
| HIS Pension Contribution | 3,090,671.00     |                |
| FRS Pension Expense      | (18,082,514.00)  |                |
| HIS Pension Expense      | (4,034,555.00)   | (7,805,417.00) |

Internal Service Funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 1,924,157.85

**Change in Net Position - Governmental Activities** **\$ 7,039,011.01**

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

**Clay County District School Board**  
**Statement of Net Position – Proprietary Fund**  
**June 30, 2018**

|                                                | <b>Governmental<br/>Activities -<br/>Internal Service<br/>Fund</b> |
|------------------------------------------------|--------------------------------------------------------------------|
| <b>ASSETS</b>                                  |                                                                    |
| Current Assets:                                |                                                                    |
| Cash and Cash Equivalents                      | \$ 2,893,084.87                                                    |
| Cash with Fiscal Agent                         | 40,000.00                                                          |
| Accounts Receivable                            | 3,419.62                                                           |
| Due from Other Funds                           | <u>3,817,513.77</u>                                                |
| <b>Total Current Assets</b>                    | <u>6,754,018.26</u>                                                |
| <b>TOTAL ASSETS</b>                            | <u>6,754,018.26</u>                                                |
| <b>LIABILITIES</b>                             |                                                                    |
| Current Liabilities:                           |                                                                    |
| Accounts Payable                               | 12,000.00                                                          |
| Estimated Liability for Self-Insurance Program | <u>1,028,421.00</u>                                                |
| <b>Total Current Liabilities</b>               | <u>1,040,421.00</u>                                                |
| Noncurrent Liabilities:                        |                                                                    |
| Estimated Liability for Self-Insurance Program | <u>1,040,837.00</u>                                                |
| <b>Total Noncurrent Liabilities</b>            | <u>1,040,837.00</u>                                                |
| <b>TOTAL LIABILITIES</b>                       | <u>2,081,258.00</u>                                                |
| <b>NET POSITION</b>                            |                                                                    |
| Unrestricted                                   | <u>\$ 4,672,760.26</u>                                             |

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 Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2018**

|                                    | <b>Governmental<br/>Activities -<br/>Internal Service<br/>Fund</b> |
|------------------------------------|--------------------------------------------------------------------|
|                                    | <hr/>                                                              |
| <b>OPERATING REVENUES</b>          |                                                                    |
| Insurance Premiums                 | \$ 3,450,203.59                                                    |
|                                    | <hr/>                                                              |
| <b>OPERATING EXPENSES</b>          |                                                                    |
| Insurance Claims                   | 1,280,723.62                                                       |
| Excess Insurance Premiums          | 1,132,447.15                                                       |
| State Assessments                  | 33,300.52                                                          |
| Purchased Services                 | 130,679.44                                                         |
|                                    | <hr/>                                                              |
| <b>Total Operating Expenses</b>    | 2,577,150.73                                                       |
|                                    | <hr/>                                                              |
| <b>Operating Income</b>            | 873,052.86                                                         |
|                                    | <hr/>                                                              |
| <b>NONOPERATING REVENUES</b>       |                                                                    |
| Interest                           | 51,104.99                                                          |
| Transfers In                       | 1,000,000.00                                                       |
|                                    | <hr/>                                                              |
| <b>Change in Net Position</b>      | 1,924,157.85                                                       |
| Total Net Position - Beginning     | 2,748,602.41                                                       |
|                                    | <hr/>                                                              |
| <b>Total Net Position - Ending</b> | \$ 4,672,760.26                                                    |
|                                    | <hr/>                                                              |

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, 2018**

|                                                   | <b>Governmental<br/>Activities -<br/>Internal Service<br/>Fund</b> |
|---------------------------------------------------|--------------------------------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>       |                                                                    |
| Cash Received from Board Funds                    | \$ 1,029,482.28                                                    |
| Cash Payments to Suppliers for Goods and Services | (1,301,491.90)                                                     |
| Cash Payments for Insurance Claims                | (1,094,430.62)                                                     |
| <b>Net Cash Used by Operating Activities</b>      | <u>(1,366,440.24)</u>                                              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>       |                                                                    |
| Interest Income                                   | 51,104.99                                                          |
| <b>Net Decrease in Cash and Cash Equivalents</b>  | (1,315,335.25)                                                     |
| Cash and Cash Equivalents, Beginning              | 4,248,420.12                                                       |
| <b>Cash and Cash Equivalents, Ending</b>          | <u>\$ 2,933,084.87</u>                                             |

**Reconciliation of Operating Income to Net Cash Used by Operating Activities:**

|                                                                                        |                          |
|----------------------------------------------------------------------------------------|--------------------------|
| Operating Income                                                                       | \$ 873,052.86            |
| Adjustments to Reconcile Operating Income to Net Cash<br>Used by Operating Activities: |                          |
| Changes in Assets and Liabilities                                                      |                          |
| Accounts Receivable                                                                    | (3,419.62)               |
| Due from Other Funds                                                                   | (2,420,721.31)           |
| Accounts Payable                                                                       | 12,000.00                |
| Due to Other Funds                                                                     | (13,645.17)              |
| Estimated Liability for Self-Insurance Program                                         | 186,293.00               |
| <b>Total Adjustments</b>                                                               | <u>(2,239,493.10)</u>    |
| <b>Net Cash Used by Operating Activities</b>                                           | <u>\$ (1,366,440.24)</u> |

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, 2018**

|                           | <b>Agency<br/>Funds</b> |
|---------------------------|-------------------------|
| <hr/>                     |                         |
| <b>ASSETS</b>             |                         |
| Cash and Cash Equivalents | \$ 3,636,006.00         |
| <hr/>                     |                         |
| <b>LIABILITIES</b>        |                         |
| Accounts Payable          | \$ 127,180.44           |
| Due to Other Funds        | 64,970.56               |
| Internal Accounts Payable | 3,443,855.00            |
| <hr/>                     |                         |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 3,636,006.00</b>  |
| <hr/>                     |                         |

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Clay County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

### **B. Reporting Entity**

The Clay County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Clay County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity:

**Blended Component Unit.** Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Clay County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.2. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the

accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

**Discretely Presented Component Units.** The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The St. Johns Classical Academy, Inc.; the Florida Charter Educational Foundation Inc., d/b/a Clay Charter Academy; and Northeast Florida Virtual Charter School Board, Inc., d/b/a Florida Cyber Charter Academy at Clay, are not-for-profit corporations pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Clay County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from charter schools' audited financial statements for the fiscal year ended June 30, 2018. The audit reports are filed in the District's administrative offices at 900 Walnut Street, Green Cove Springs, Florida 32043.

### **C. Basis of Presentation: Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund. Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

### **D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Special Revenue – Food Service Fund – to account for the proceeds of Federal grants and related programs for the Food and Nutrition Services program, that are legally restricted to expenditure for specific purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- 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 – Nonvoted Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments on certificates of participation.
- Capital Projects – Other Capital Projects Fund – to account for various financial resources received from local sales taxes, local impact fees, and other miscellaneous sources, to be used for education capital outlay needs and debt service payments on certificates of participation.

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

- Internal Service Fund – to account for the District's individual self-insurance programs.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

## **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both 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. For this purpose, the District considers revenues to be available if they are collected within 60 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Property taxes and sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

## **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, cash with fiscal agent, demand deposits, and short-term liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include money market funds, amounts placed with the Florida Education Investment Trust Fund (FEITF), and amounts placed with the State Board of Administration (SBA) in 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.

### **2. Investments**

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment

pool created by Section 218.405, Florida Statutes, the amounts placed in the FEITF, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

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

### **3. 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 donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. Under the economic resources measurement focus of the government-wide financial statements, the costs of inventories are recorded as expenditures when used rather than purchased. Inventories are equally offset by a nonspendable fund balance which indicates they do not constitute "available spendable resources."

### **4. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Interest costs incurrer during construction or capital assets are not considered material and are not capitalization as part of the cost of construction. Land, improvements other than buildings, and buildings acquired or construction prior to July 1, 1968, are stated at appraised value when historical cost could not be determined.

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

| <u>Description</u>                           | <u>Estimated Useful Lives</u> |
|----------------------------------------------|-------------------------------|
| Improvements Other Than Buildings            | 25 years                      |
| Buildings and Fixed Equipment                | 50 years                      |
| Furniture, Fixtures, and Equipment           | 7 years                       |
| Motor Vehicles                               | 10 years                      |
| Property Under Capital Leases                | 7 years                       |
| Audio Visual Materials and Computer Software | 5 - 15 years                  |

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

## **5. Pensions**

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

## **6. 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 position.

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

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

## **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes.

## **8. Net Position Flow Assumption**

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## **9. Fund Balance Flow Assumptions**

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## **10. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2018.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. Board Policy 5.02 provides that the assigned fund balance includes amounts which are assigned for the intended use of the Board or by delegation to the Superintendent or Superintendent's designee. The Board

may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

### **2. State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE 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 FDOE. The FDOE 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 during specified time periods following the date of the original reporting. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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 fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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 FDOE.

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

### **3. District Property Taxes**

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

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

The Board adopted the 2017 tax levy on September 18, 2017. 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.

### **4. Local Government Infrastructure Surtax**

The citizens of Clay County, on November 3, 1989, approved a 1 percent local government infrastructure sales surtax authorized under Section 212.055(2), Florida Statutes. Pursuant to Section 212.055(2)(c)1., Florida Statutes, the County and its municipalities entered into an interlocal agreement with the School Board, dated June 23, 1998, wherein the parties agreed to a distribution formula for the infrastructure sales surtax proceeds. The distribution formula provides, in part, that the District shall receive 10 percent of the County's portion of the proceeds using the statutory distribution formula provided in Section 218.62, Florida Statutes. The surtax proceeds are to be used for fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of public facilities which have a useful life expectancy of 5 or more years; any land acquisition, land improvement, design, and engineering costs related thereto; and certain vehicle purchases.

### **5. Educational Impact Fees**

Clay County imposes an educational impact fee based on an ordinance adopted by the County Commission in 2003. This ordinance was most recently amended in September 2013 when Ordinance 2013-17 established, in part, revised fees to be collected, May 2014 when Ordinance 2014-10 revised certain provisions related to impact fee credits for donations of land and

construction of improvements or additions, and September 2017 when Ordinance 2017-29 revised the timing of when impact fee payments were required to be made. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to 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.

## **6. 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.

## **7. Compensated Absences**

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. The liability for compensated absences includes salary-related benefits, where applicable.

## **8. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **II. ACCOUNTING CHANGE**

**Changes in Reporting Entity.** During the 2017-18 fiscal year, the District added one new charter school, St. Johns Classical Academy, which is a discretely presented component unit. This charter school began operations in the 2016-17 fiscal year, prior to opening for students, and had a deficit beginning net position from June 30, 2017, of \$80,436. Since this school was not in operation with students at June 30, 2017, it was not included in the District's financial statements for the 2016-17 fiscal year. The school was determined to be a component unit in the 2017-18 fiscal year

and the beginning net position of the component units as a whole was restated (decreased) by \$80,436 to include St. Johns Classical Academy's beginning net position.

Orange Park Performing Arts Academy was reported as a discretely presented component unit for the 2016-17 fiscal year; however, the charter school terminated operations prior to the 2017-18 school year and is not reported in the District's financial statements for the 2017-18 fiscal year. Beginning net position for the component units as a whole were restated (increased) by \$80,612 to remove Orange Park Performing Arts Academy's net position.

The adjustments to component units beginning net position for the changes in reporting entity are as follows:

|                                                |                          |
|------------------------------------------------|--------------------------|
| Net Position (Deficit) - Beginning             | \$ (1,641,472.00)        |
| Changes in Reporting Entity:                   |                          |
| Removal of Orange Park Performing Arts Academy | 80,612.00                |
| Addition of St. Johns Classical Academy        | (80,436.00)              |
| Net Position (Deficit) - Restated              | <u>\$ (1,641,296.00)</u> |

**Governmental Accounting Standards Board Statement No. 75.** The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This Statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statements for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the District was decreased by \$738,573 due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, increased by \$738,573 to \$4,729,787 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred outflows/inflows of resources were not restated.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Cash Deposits with Financial Institutions

**Custodial Credit Risk.** In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

## B. Investments

The District's investments at June 30, 2018, are reported as follows:

| <u>Investments</u>                    | <u>Maturities</u> | <u>Fair Value</u>       |
|---------------------------------------|-------------------|-------------------------|
| SBA:                                  |                   |                         |
| Florida PRIME (1) (3)                 | 30 Day Average    | \$ 30,852,317.62        |
| Debt Service Accounts                 | 6 Months          | 7,689.67                |
| First American Treasury Obligations   |                   |                         |
| Money Market Mutual Fund (1) (2)      | 19 Day Average    | 4,413,692.84            |
| FEITF (1)                             | 32 Day Average    | 8,708,669.26            |
| Total Investments, Primary Government |                   | <u>\$ 43,982,369.39</u> |

- (1) These investments are reported as cash equivalents for financial statement reporting purposes.  
(2) At June 30, 2018, investments totaling \$4,413,686.84 were held under a trust agreement in connection with certificates of participation financing arrangements.  
(3) Includes Fiduciary Fund investments of \$1,190,211.99.

### **Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investments in SBA debt service accounts are valued using Level 1 inputs.

### **Interest Rate Risk**

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

Florida PRIME, the FEITF, and First American Treasury Obligations money market mutual fund use a weighted average days to maturity (WAM). 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.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board

of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy limits investments to the SBA’s Florida PRIME, or any other intergovernmental investment pool; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury; Federal agencies and instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers’ acceptances with quality credit ratings.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

The District’s investment in Florida PRIME is rated AAAm by Standard & Poor’s.

The District’s investments in the First American Treasury Obligations money market mutual fund is rated AAAm by Standard & Poor’s and Aaa-mf by Moody’s Investor Services.

The District’s investments in the FEITF are rated AAAm by Standards & Poor’s.

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District’s investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by and all collateral obtained by the District should be properly

designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

The District's investments in the money market mutual fund are held by the safekeeping agent in the name of the District.

## **C. Receivables**

### **Capital Credits Receivable**

The District participates in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata basis to its members. The policy of the Clay County Electric Cooperative, Inc. (Cooperative), is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2017-18 fiscal year, the District earned capital credits of \$232,269.46 and received \$145,651.07 related to portions of capital credits earned from the 1988 through 2016 fiscal years. At June 30, 2018, the accumulated credits to the District's accounts were \$4,764,998.88.

### **Due from Other Agencies**

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. The following is a schedule of amounts Due from Other Agencies at June 30, 2018:

| <b>Fund/Source</b>                               | <b>Amount</b>           |
|--------------------------------------------------|-------------------------|
| Major Governmental:                              |                         |
| General:                                         |                         |
| State of Florida:                                |                         |
| District Instructional Leadership Grant          | \$ 25,230.21            |
| United States Department of Defense:             |                         |
| Navy Junior Reserve Officers Training Corps      | 84,887.20               |
| Clay County Board of County Commissioners:       |                         |
| Driver Education Safety Fund                     | 59,104.43               |
| Clay County Tax Collector:                       |                         |
| Local Property Taxes                             | 24,505.28               |
| Special Revenue - Food Service:                  |                         |
| State of Florida:                                |                         |
| Reimbursement for School Meals                   | 1,574,669.14            |
| Special Revenue - Other:                         |                         |
| State of Florida:                                |                         |
| Cash Advance Reporting System                    | 7,497,633.74            |
| United States Department of Defense:             |                         |
| Achievement at Military Connected Schools        | 743,103.69              |
| Capital Projects - Nonvoted Capital Improvement: |                         |
| Clay County Tax Collector:                       |                         |
| Local Property Taxes                             | 6,656.51                |
| Capital Projects - Other Capital Projects:       |                         |
| Clay County Board of County Commissioners:       |                         |
| Local Impact Fees                                | 288,464.37              |
| City of Green Cove Springs:                      |                         |
| Local Impact Fees                                | 117,958.83              |
| State of Florida:                                |                         |
| Local Sales Surtax                               | 223,765.22              |
| Gas Tax Refunds                                  | 45,236.04               |
| Nonmajor Governmental:                           |                         |
| State of Florida:                                |                         |
| Motor Vehicle License Tax                        | 9,628.46                |
| Public Education Capital Outlay                  | 353,280.21              |
| <b>Total</b>                                     | <b>\$ 11,054,123.33</b> |

## D. Changes in Capital Assets

|                                                 | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Deletions</b> | <b>Ending<br/>Balance</b> |
|-------------------------------------------------|------------------------------|------------------|------------------|---------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                  |                              |                  |                  |                           |
| Capital Assets Not Being Depreciated:           |                              |                  |                  |                           |
| Land                                            | \$ 29,846,438.81             | \$ 278,506.88    | \$ -             | \$ 30,124,945.69          |
| Construction in Progress                        | 1,104,492.81                 | 23,271,228.67    | 2,893,216.97     | 21,482,504.51             |
| Total Capital Assets Not Being Depreciated      | 30,950,931.62                | 23,549,735.55    | 2,893,216.97     | 51,607,450.20             |
| Capital Assets Being Depreciated:               |                              |                  |                  |                           |
| Improvements Other Than Buildings               | 26,328,393.97                | 823,587.55       | -                | 27,151,981.52             |
| Buildings and Fixed Equipment                   | 539,939,785.25               | 2,069,629.42     | 42,459.00        | 541,966,955.67            |
| Furniture, Fixtures, and Equipment (1)          | 20,530,274.84                | 2,287,280.90     | 956,471.82       | 21,861,083.92             |
| Motor Vehicles                                  | 27,582,643.72                | 639,684.00       | 2,038,869.23     | 26,183,458.49             |
| Property Under Capital Leases (1)               | 485,596.65                   | 1,494,758.00     | -                | 1,980,354.65              |
| Audio Visual Materials and<br>Computer Software | 4,142,210.50                 | 448,952.96       | 187,471.45       | 4,403,692.01              |
| Total Capital Assets Being Depreciated          | 619,008,904.93               | 7,763,892.83     | 3,225,271.50     | 623,547,526.26            |
| Less Accumulated Depreciation for:              |                              |                  |                  |                           |
| Improvements Other Than Buildings               | 20,306,406.03                | 1,044,795.90     | -                | 21,351,201.93             |
| Buildings and Fixed Equipment                   | 168,608,008.48               | 10,869,121.38    | 42,459.00        | 179,434,670.86            |
| Furniture, Fixtures, and Equipment              | 14,984,463.65                | 1,761,265.60     | 956,471.82       | 15,789,257.43             |
| Motor Vehicles                                  | 17,018,360.37                | 1,985,053.10     | 2,038,869.23     | 16,964,544.24             |
| Property Under Capital Leases                   | 10,030.64                    | 2,507.66         | -                | 12,538.30                 |
| Audio Visual Materials and<br>Computer Software | 2,506,369.36                 | 295,397.57       | 187,471.45       | 2,614,295.48              |
| Total Accumulated Depreciation                  | 223,433,638.53               | 15,958,141.21    | 3,225,271.50     | 236,166,508.24            |
| Total Capital Assets Being Depreciated, Net     | 395,575,266.40               | (8,194,248.38)   | -                | 387,381,018.02            |
| Governmental Activities Capital Assets, Net     | \$ 426,526,198.02            | \$ 15,355,487.17 | \$ 2,893,216.97  | \$ 438,988,468.22         |

(1) The Furniture, Fixtures, and Equipment and Property Under Capital Leases beginning balances were adjusted for Property Under Capital Lease of \$17,553.65 that was paid off in a prior fiscal year.

The classes of property under capital leases are presented in Note III.I.1.

Depreciation expense was charged to functions as follows:

| <b>Function</b>                                      | <b>Amount</b>    |
|------------------------------------------------------|------------------|
| GOVERNMENTAL ACTIVITIES                              |                  |
| Student Transportation Services                      | \$ 1,985,053.10  |
| Unallocated                                          | 13,973,088.11    |
| Total Depreciation Expense - Governmental Activities | \$ 15,958,141.21 |

## E. Retirement Plans

### 1. FRS – Defined Benefit Pension Plans

#### General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members

effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's FRS and HIS pension expense totaled \$22,117,069 for the fiscal year ended June 30, 2018.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The 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 participating 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. The net pension liability

does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**Benefits Provided.** Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

| <b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b> | <b><u>Percent Value</u></b> |
|------------------------------------------------------------------------------|-----------------------------|
| <b>Regular Members Initially Enrolled Before July 1, 2011</b>                |                             |
| Retirement up to age 62 or up to 30 years of service                         | 1.60                        |
| Retirement at age 63 or with 31 years of service                             | 1.63                        |
| Retirement at age 64 or with 32 years of service                             | 1.65                        |
| Retirement at age 65 or with 33 or more years of service                     | 1.68                        |
| <b>Regular Members Initially Enrolled On or After July 1, 2011</b>           |                             |
| Retirement up to age 65 or up to 33 years of service                         | 1.60                        |
| Retirement at age 66 or with 34 years of service                             | 1.63                        |
| Retirement at age 67 or with 35 years of service                             | 1.65                        |
| Retirement at age 68 or with 36 or more years of service                     | 1.68                        |
| <b>Elected County Officers</b>                                               | 3.00                        |

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

| <u>Class</u>                                                  | <u>Percent of Gross Salary</u> |                     |
|---------------------------------------------------------------|--------------------------------|---------------------|
|                                                               | <u>Employee</u>                | <u>Employer (1)</u> |
| FRS, Regular                                                  | 3.00                           | 7.92                |
| FRS, Elected County Officers                                  | 3.00                           | 45.50               |
| DROP – Applicable to<br>Members from All of the Above Classes | 0.00                           | 13.26               |
| FRS, Reemployed Retiree                                       | (2)                            | (2)                 |

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$11,220,981 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the District reported a liability of \$118,731,673 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.401400834 percent, which was a decrease of 0.012676727 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the Plan pension expense of \$18,082,514. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>                                                                                                      | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences Between Expected and<br>Actual Experience                                                                   | \$ 10,896,712                             | \$ 657,714                               |
| Change of Assumptions                                                                                                   | 39,902,225                                | -                                        |
| Net Difference Between Projected and Actual<br>Earnings on FRS Pension Plan Investments                                 | -                                         | 2,942,468                                |
| Changes in Proportion and Differences Between<br>District FRS Contributions and Proportionate<br>Share of Contributions | -                                         | 7,101,245                                |
| District FRS Contributions Subsequent to<br>the Measurement Date                                                        | 11,220,981                                | -                                        |
| <b>Total</b>                                                                                                            | <b>\$ 62,019,918</b>                      | <b>\$ 10,701,427</b>                     |

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$11,220,981, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>        |
|-----------------------------------|----------------------|
| 2019                              | \$ 4,467,652         |
| 2020                              | 14,681,562           |
| 2021                              | 9,893,577            |
| 2022                              | 997,025              |
| 2023                              | 7,217,438            |
| Thereafter                        | 2,840,256            |
| <b>Total</b>                      | <b>\$ 40,097,510</b> |

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                                           |
|---------------------------|---------------------------------------------------------------------------|
| Inflation                 | 2.60 percent                                                              |
| Salary Increases          | 3.25 percent, average, including inflation                                |
| Investment Rate of Return | 7.10 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>       | <u>Target Allocation (1)</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|--------------------------|------------------------------|---------------------------------|-------------------------------------------|---------------------------|
| Cash                     | 1%                           | 3.0%                            | 3.0%                                      | 1.8%                      |
| Fixed Income             | 18%                          | 4.5%                            | 4.4%                                      | 4.2%                      |
| Global Equity            | 53%                          | 7.8%                            | 6.6%                                      | 17.0%                     |
| Real Estate (Property)   | 10%                          | 6.6%                            | 5.9%                                      | 12.8%                     |
| Private Equity           | 6%                           | 11.5%                           | 7.8%                                      | 30.0%                     |
| Strategic Investments    | 12%                          | 6.1%                            | 5.6%                                      | 9.7%                      |
| <b>Total</b>             | <b>100%</b>                  |                                 |                                           |                           |
| Assumed inflation - Mean |                              |                                 | 2.6%                                      | 1.9%                      |

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.1 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating

the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.6 percent to 7.1 percent.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1 percent) or 1 percentage point higher (8.1 percent) than the current rate:

|                                                                | <b>1%<br/>Decrease<br/>(6.1%)</b> | <b>Current<br/>Discount Rate<br/>(7.1%)</b> | <b>1%<br/>Increase<br/>(8.1%)</b> |
|----------------------------------------------------------------|-----------------------------------|---------------------------------------------|-----------------------------------|
| District's Proportionate Share of<br>the Net Pension Liability | \$ 214,897,158                    | \$ 118,731,673                              | \$ 38,892,289                     |

**Pension Plan Fiduciary Net Position.** Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

### **HIS Pension Plan**

**Plan Description.** The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided.** For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

**Contributions.** The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$3,090,671 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the District reported a net pension liability of \$62,115,699 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.580929845 percent, which was a decrease of 0.011523945 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the HIS Plan pension expense of \$4,034,555. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>                                                                                                | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences Between Expected and Actual Experience                                                                | \$ -                                      | \$ 129,335                               |
| Change of Assumptions                                                                                             | 8,731,332                                 | 5,371,210                                |
| Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments                              | 34,448                                    | -                                        |
| Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions | -                                         | 3,401,003                                |
| District Contributions Subsequent to the Measurement Date                                                         | 3,090,671                                 | -                                        |
| <b>Total</b>                                                                                                      | <b>\$ 11,856,451</b>                      | <b>\$ 8,901,548</b>                      |

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$3,090,671, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>       |
|-----------------------------------|---------------------|
| 2019                              | \$ 327,857          |
| 2020                              | 321,339             |
| 2021                              | 318,210             |
| 2022                              | 153,412             |
| 2023                              | (181,747)           |
| Thereafter                        | (1,074,839)         |
| <b>Total</b>                      | <b>\$ (135,768)</b> |

**Actuarial Assumptions.** The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                     |                                            |
|---------------------|--------------------------------------------|
| Inflation           | 2.60 percent                               |
| Salary Increases    | 3.25 percent, average, including inflation |
| Municipal Bond Rate | 3.58 percent                               |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

**Discount Rate.** The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.85 percent to 3.58 percent.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

|                                                                | <b>1%<br/>Decrease<br/>(2.58%)</b> | <b>Current<br/>Discount Rate<br/>(3.58%)</b> | <b>1%<br/>Increase<br/>(4.58%)</b> |
|----------------------------------------------------------------|------------------------------------|----------------------------------------------|------------------------------------|
| District's Proportionate Share of<br>the Net Pension Liability | \$ 70,882,239                      | \$ 62,115,699                                | \$ 54,813,656                      |

**Pension Plan Fiduciary Net Position.** Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

## **2. FRS – Defined Contribution Pension Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in

DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

| <u>Class</u>                 | <u>Percent of<br/>Gross<br/>Compensation</u> |
|------------------------------|----------------------------------------------|
| FRS, Regular                 | 6.30                                         |
| FRS, Elected County Officers | 11.34                                        |

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$3,533,522.44 for the fiscal year ended June 30, 2018.

## F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through recommendation of the Insurance Committee and action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

|                                                                  |              |
|------------------------------------------------------------------|--------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 123          |
| Active Employees                                                 | <u>4,480</u> |
| Total                                                            | <u>4,603</u> |

Total OPEB Liability. The District's total OPEB liability of \$4,613,134 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |                                                                                                                        |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------|
| Inflation                   | 2.5 percent                                                                                                            |
| Salary Increases            | 4.5 percent                                                                                                            |
| Discount Rate               | 3.58 percent                                                                                                           |
| Healthcare Cost Trend Rates | 7.56 and 8.44 Percent for pre- and post-65, decreasing annually to an ultimate rate of 4.5 percent for 2026 and later. |
| Administrative Expenses     | Included in employer contribution and expected claims.                                                                 |

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.

The District selected the economic, demographic, and healthcare claim cost assumptions used in the OPEB Plan valuation. The actuary provided guidance with respect to the mortality, health claims, medical trend, plan participation, and spousal assumptions. All other assumptions were selected by the District and align with the FRS Pension valuation.

**Changes in the Total OPEB Liability.**

|                                                    | <u><b>Amount</b></u> |
|----------------------------------------------------|----------------------|
| Balance at June 30, 2017, as Restated              | \$ 4,729,787         |
| Changes for the year:                              |                      |
| Service Cost                                       | 418,487              |
| Interest                                           | 133,076              |
| Differences Between Expected and Actual Experience | 570,023              |
| Changes in Assumptions or Other Inputs             | (273,607)            |
| Benefit Payments                                   | (964,632)            |
| Net Changes                                        | (116,653)            |
| Balance at June 30, 2018                           | \$ 4,613,134         |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2017 to 3.58 percent in 2018.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.** The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

|                      | <u><b>1%<br/>Decrease<br/>(2.58%)</b></u> | <u><b>Current<br/>Discount Rate<br/>(3.58%)</b></u> | <u><b>1%<br/>Increase<br/>(4.58%)</b></u> |
|----------------------|-------------------------------------------|-----------------------------------------------------|-------------------------------------------|
| Total OPEB Liability | \$ 4,957,414                              | \$ 4,613,134                                        | \$ 4,299,275                              |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.** The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.44 percent decreasing to 3.5 percent) or 1 percentage point higher (9.44 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

|                      | <u><b>1% Decrease<br/>(7.44%<br/>decreasing<br/>to 3.5%)</b></u> | <u><b>Healthcare<br/>Cost Trend<br/>Rates (8.44%<br/>decreasing<br/>to 4.5%)</b></u> | <u><b>1% Increase<br/>(9.44%<br/>decreasing<br/>to 5.5%)</b></u> |
|----------------------|------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Total OPEB Liability | \$ 4,033,215                                                     | \$ 4,613,134                                                                         | \$ 5,328,040                                                     |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$577,981.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Description</u>                                 | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|----------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences Between Expected and Actual Experience | \$ 519,219                                | \$ -                                     |
| Change of Assumptions or Other Inputs              | -                                         | 249,221                                  |
| Benefits Paid Subsequent to the Measurement Date   | 448,703                                   | -                                        |
| <b>Total</b>                                       | <b>\$ 967,922</b>                         | <b>\$ 249,221</b>                        |

Of the total amount reported as deferred outflows of resources related to OPEB, totaling \$448,703 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>     |
|-----------------------------------|-------------------|
| 2019                              | \$ 26,418         |
| 2020                              | 26,418            |
| 2021                              | 26,418            |
| 2022                              | 26,418            |
| 2023                              | 26,418            |
| Thereafter                        | 137,908           |
| <b>Total</b>                      | <b>\$ 269,998</b> |

## G. Construction and Other Significant Commitments

**Construction Contracts.** The following is a schedule of major construction contract commitments at June 30, 2018:

| <u>Project</u>                 | <u>Contract<br/>Amount</u> | <u>Completed<br/>to Date</u> | <u>Balance<br/>Committed</u> |
|--------------------------------|----------------------------|------------------------------|------------------------------|
| Discovery Oaks Elementary:     |                            |                              |                              |
| Architect                      | \$ 863,678.32              | \$ 857,632.50                | \$ 6,045.82                  |
| General Contractor             | 14,362,047.22              | 13,977,549.00                | 384,498.22                   |
| Direct Materials               | 6,703,277.78               | 6,291,979.80                 | 411,297.98                   |
| Fleming Island Testing Center: |                            |                              |                              |
| Architect                      | 101,385.44                 | 82,122.21                    | 19,263.23                    |
| General Contractor             | 1,074,718.69               | 267,774.00                   | 806,944.69                   |
| Direct Materials               | 212,825.01                 | 5,447.00                     | 207,378.01                   |
| <b>Total</b>                   | <b>\$ 23,317,932.46</b>    | <b>\$ 21,482,504.51</b>      | <b>\$ 1,835,427.95</b>       |

**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 fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2018:

| Major Funds    |                                  |                            |                                                       |                             |                                   |                                |
|----------------|----------------------------------|----------------------------|-------------------------------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| General        | Special Revenue-<br>Food Service | Special Revenue -<br>Other | Capital Projects -<br>Nonvoted Capital<br>Improvement | Capital Projects -<br>Other | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$2,308,807.65 | \$ 226,724.53                    | \$ 133,677.82              | \$1,621,428.92                                        | \$1,593,010.40              | \$ 372,681.94                     | \$ 6,256,331.26                |

## H. 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. The District established a Risk Management Internal Service Fund to account for and finance its uninsured risks of loss related to workers' compensation, automobile liability, general liability, and property loss coverages, which are 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 of when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

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

A liability in the amount of \$2,069,258 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

| Fiscal Year | Beginning of<br>Fiscal Year<br>Liability | Current Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal<br>Year End |
|-------------|------------------------------------------|-------------------------------------------------------|--------------------|----------------------------------|
| 2016-17     | \$ 1,776,296.00                          | \$ 1,306,784.45                                       | \$ (1,200,115.45)  | \$ 1,882,965.00                  |
| 2017-18     | 1,882,965.00                             | 1,280,723.62                                          | (1,094,430.62)     | 2,069,258.00                     |

The District's 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.

## I. Long-Term Liabilities

### 1. Obligation Under Capital Leases

Property being acquired under capital lease arrangements consist of a GPS equipment and software with an asset value of \$485,596.65 and computer equipment with an asset value of \$1,494,758.

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

| <u>Fiscal Year Ending June 30</u>   | <u>Total</u>           | <u>Principal</u>       | <u>Interest</u>      |
|-------------------------------------|------------------------|------------------------|----------------------|
| 2019                                | \$ 657,478.53          | \$ 594,203.68          | \$ 63,274.85         |
| 2020                                | 657,478.53             | 621,863.13             | 35,615.40            |
| 2021                                | 136,944.00             | 130,278.69             | 6,665.30             |
| <b>Total Minimum Lease Payments</b> | <b>\$ 1,451,901.06</b> | <b>\$ 1,346,345.50</b> | <b>\$ 105,555.55</b> |

The imputed interest rate for the GPS equipment is 5 percent. The imputed interest rate for the computer equipment is 4.449 percent.

### 2. Certificates of Participation

Certificates of participation at June 30, 2018, are as follows:

| <u>Series</u>                              | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates<br/>(Percent)</u> | <u>Lease<br/>Term<br/>Maturity</u> | <u>Original<br/>Amount</u> |
|--------------------------------------------|-------------------------------|-----------------------------------------|------------------------------------|----------------------------|
| 2012, Refunding                            | \$ 21,890,000                 | 3 - 5                                   | 2028                               | \$ 24,930,000              |
| 2014, Refunding                            | 12,684,000                    | 2.79                                    | 2027                               | 17,540,000                 |
| 2017, Refunding                            | 6,482,000                     | 1.71                                    | 2025                               | 8,817,000                  |
| <b>Total Certificates of Participation</b> | <b>\$ 41,056,000</b>          |                                         |                                    | <b>\$ 51,287,000</b>       |

The District entered into a master financing arrangement on May 15, 1997, which was characterized as lease-purchase agreements, 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 arrangements, the District gave ground leases on District property to the Leasing Corporation, with a rental fee of \$10 per year. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included

under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangements.

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

| <b>Certificates</b>    | <b>Description of Properties</b>                                                                                                            |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Series 2012, Refunding | Construction of a Lake Asbury Junior High School and Oakleaf High School                                                                    |
| Series 2014, Refunding | Acquisition of land, conversion of the Ridgeview Junior High School to a senior high school, and construction of Oakleaf Junior High School |
| Series 2017, Refunding | Construction of Fleming Island High School                                                                                                  |

The lease payments are payable by the District semiannually on July 1 and January 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

| <b>Fiscal Year Ending June 30</b>   | <b>Total</b>            | <b>Principal</b>        | <b>Interest</b>        |
|-------------------------------------|-------------------------|-------------------------|------------------------|
| 2019                                | \$ 5,108,188.30         | \$ 3,741,000.00         | \$ 1,367,188.30        |
| 2020                                | 5,108,410.00            | 3,822,000.00            | 1,286,410.00           |
| 2021                                | 5,177,805.30            | 3,974,000.00            | 1,203,805.30           |
| 2022                                | 5,173,370.20            | 4,145,000.00            | 1,028,370.20           |
| 2023                                | 5,174,760.30            | 4,330,000.00            | 844,760.30             |
| 2024-2028                           | 22,963,674.30           | 21,044,000.00           | 1,919,674.30           |
| <b>Total Minimum Lease Payments</b> | <b>\$ 48,706,208.40</b> | <b>\$ 41,056,000.00</b> | <b>\$ 7,650,208.40</b> |

### 3. Bonds Payable

Bonds payable at June 30, 2018, are as follows:

| <b>Bond Type</b>           | <b>Amount<br/>Outstanding</b> | <b>Interest<br/>Rates<br/>(Percent)</b> | <b>Annual<br/>Maturity<br/>To</b> |
|----------------------------|-------------------------------|-----------------------------------------|-----------------------------------|
| State School Bonds:        |                               |                                         |                                   |
| Series 2009A, Refunding    | \$ 40,000                     | 5                                       | 2019                              |
| Series 2011A, Refunding    | 250,000                       | 3 - 5                                   | 2023                              |
| Series 2014B, Refunding    | 26,000                        | 2 - 5                                   | 2020                              |
| District Revenue Bonds:    |                               |                                         |                                   |
| Series 2010, Refunding     | 2,190,000                     | 3.75 - 5                                | 2032                              |
| <b>Total Bonds Payable</b> | <b>\$ 2,506,000</b>           |                                         |                                   |

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

#### **State School Bonds**

These bonds are issued by the SBE 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 SBE and the SBA.

### **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1995, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 65-1383, Laws of Florida, and Chapter 70-631, Laws of Florida, which provides that the bonds be secured by the portion of the pari-mutuel tax proceeds 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 (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the Board has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$3,047,743.78 of sales tax distribution revenues in connection with the District Revenue Bond, Series 2010, described above. During the 2017-18 fiscal year, the District recognized sales tax distribution revenues totaling \$223,250 and expended \$219,480 (98 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax distribution revenues are committed until final maturity of the debt in 2032. Approximately 98 percent of this revenue stream has been pledged in connection with debt service on the revenue bond.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

| <b><u>Fiscal Year Ending June 30</u></b> | <b><u>Total</u></b>    | <b><u>Principal</u></b> | <b><u>Interest</u></b> |
|------------------------------------------|------------------------|-------------------------|------------------------|
| State School Bonds:                      |                        |                         |                        |
| 2019                                     | \$ 106,110.00          | \$ 93,000.00            | \$ 13,110.00           |
| 2020                                     | 66,460.00              | 58,000.00               | 8,460.00               |
| 2021                                     | 55,950.00              | 50,000.00               | 5,950.00               |
| 2022                                     | 58,450.00              | 55,000.00               | 3,450.00               |
| 2023                                     | 61,800.00              | 60,000.00               | 1,800.00               |
| Total State School Bonds                 | 348,770.00             | 316,000.00              | 32,770.00              |
| District Revenue Bonds:                  |                        |                         |                        |
| 2019                                     | 220,455.00             | 120,000.00              | 100,455.00             |
| 2020                                     | 215,955.00             | 120,000.00              | 95,955.00              |
| 2021                                     | 216,155.00             | 125,000.00              | 91,155.00              |
| 2022                                     | 215,998.76             | 130,000.00              | 85,998.76              |
| 2023                                     | 215,473.76             | 135,000.00              | 80,473.76              |
| 2024-2028                                | 1,090,156.26           | 785,000.00              | 305,156.26             |
| 2029-2032                                | 873,550.00             | 775,000.00              | 98,550.00              |
| Total District Revenue Bonds             | 3,047,743.78           | 2,190,000.00            | 857,743.78             |
| <b>Total</b>                             | <b>\$ 3,396,513.78</b> | <b>\$ 2,506,000.00</b>  | <b>\$ 890,513.78</b>   |

#### 4. Defeased Debt

On August 17, 2017, the Leasing Corporation issued \$8,817,000 in Refunding Certificates of Participation, Series 2017, with an interest rate of 1.71 percent, to refund the District's Certificates of Participation, Series 2005B. The refunding certificates were issued to refund the \$8,660,000 principal amount of the Series 2005B certificates that mature on or after July 1, 2018. The net proceeds of \$8,747,528.65 (after payment of \$69,471.35 in issuance costs) were placed in an irrevocable trust to redeem the Series 2005B certificates. As a result, the District's Certificate of Participation, Series 2005B are considered to be in-substance defeased and the liability has been removed from the government-wide financial statements.

The Refunding Certificates of Participation, Series 2017, were issued to reduce the total debt service payments over the next 7 years by \$589,447.74 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$566,741.97.

#### 5. Changes in Long-Term Liabilities

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

| Description                               | Beginning Balance        | Additions                | Deductions               | Ending Balance           | Due In One Year         |
|-------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>            |                          |                          |                          |                          |                         |
| Estimated Insurance Claims Payable        | \$ 1,882,965.00          | \$ 1,280,723.62          | \$ 1,094,430.62          | \$ 2,069,258.00          | \$ 1,028,421.00         |
| Obligations Under Capital Leases          | 485,596.65               | 1,494,758.00             | 634,009.15               | 1,346,345.50             | 594,203.68              |
| Bonds Payable                             | 2,804,000.00             | -                        | 298,000.00               | 2,506,000.00             | 213,000.00              |
| Certificates of Participation Payable     | 44,573,000.00            | 8,817,000.00             | 12,334,000.00            | 41,056,000.00            | 3,741,000.00            |
| Compensated Absences Payable              | 20,876,827.24            | 10,549,777.67            | 10,517,533.10            | 20,909,071.81            | 10,517,533.10           |
| Net Pension Liability                     | 173,602,919.00           | 92,598,585.00            | 85,354,132.00            | 180,847,372.00           | 1,671,156.00            |
| Other Postemployment Benefits Payable (1) | 4,729,787.00             | 1,121,586.00             | 1,238,239.00             | 4,613,134.00             | 448,703.00              |
| <b>Total Governmental Activities</b>      | <b>\$ 248,955,094.89</b> | <b>\$ 115,862,430.29</b> | <b>\$ 111,470,343.87</b> | <b>\$ 253,347,181.31</b> | <b>\$ 18,214,016.78</b> |

(1) OPEB payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note II.

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the Internal Service Fund.

#### J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.10., fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have

not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

## K. Interfund Receivables and Payables

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

| Funds                        | Interfund               |                         |
|------------------------------|-------------------------|-------------------------|
|                              | Receivables             | Payables                |
| Major:                       |                         |                         |
| General Fund                 | \$ 28,206,128.92        | \$ 7,573,556.70         |
| Special Revenue:             |                         |                         |
| Food Service                 | -                       | 2,490,048.58            |
| Other                        | 13,752.73               | 10,957,666.20           |
| Debt Service:                |                         |                         |
| Other Debt Service           | 6,582.86                | -                       |
| Capital Projects:            |                         |                         |
| Nonvoted Capital Improvement | 4,014,533.51            | -                       |
| Other Capital Projects       | -                       | 12,951,598.50           |
| Nonmajor Governmental Funds  | 2.38                    | 2,020,673.63            |
| Internal Service             | 3,817,513.77            | -                       |
| Fiduciary                    | -                       | 64,970.56               |
| <b>Total</b>                 | <b>\$ 36,058,514.17</b> | <b>\$ 36,058,514.17</b> |

The outstanding interfund balances result mainly from expenditures and reimbursement timing differences being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within 1 year.

## L. Revenues

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2017-18 fiscal year:

| Source                                                      | Amount                   |
|-------------------------------------------------------------|--------------------------|
| Florida Education Finance Program                           | \$ 169,175,592.00        |
| Categorical Educational Program - Class Size Reduction      | 39,522,018.00            |
| Florida Best and Brightest Teacher Scholarship Program      | 3,647,200.00             |
| School Recognition                                          | 1,533,658.00             |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 1,520,431.06             |
| Miscellaneous                                               | 3,637,640.48             |
| <b>Total</b>                                                | <b>\$ 219,036,539.54</b> |

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

### 2. Property Taxes

The following is a summary of millages and taxes levied on the 2017 tax roll for the 2017-18 fiscal year:

|                                                          | <u>Millages</u> | <u>Taxes Levied</u>     |
|----------------------------------------------------------|-----------------|-------------------------|
| <b>General Fund</b>                                      |                 |                         |
| Nonvoted School Tax:                                     |                 |                         |
| Required Local Effort                                    | 4.190           | \$ 46,683,645.39        |
| Basic Discretionary Local Effort                         | 0.748           | 8,333,977.74            |
| <b>Capital Projects - Local Capital Improvement Fund</b> |                 |                         |
| Nonvoted Tax:                                            |                 |                         |
| Local Capital Improvements                               | 1.500           | 16,712,522.22           |
| <b>Total</b>                                             | <u>6.438</u>    | <u>\$ 71,730,145.35</u> |

## M. Interfund Transfers

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

|                              | <u>Interfund</u>       |                        |
|------------------------------|------------------------|------------------------|
| <u>Funds</u>                 | <u>Transfers In</u>    | <u>Transfers Out</u>   |
| Major:                       |                        |                        |
| General                      | \$ 1,733,572.00        | \$ 1,000,000.00        |
| Debt Service:                |                        |                        |
| Other Debt Service           | 5,124,209.26           | -                      |
| Capital Projects:            |                        |                        |
| Nonvoted Capital Improvement | -                      | 6,857,781.26           |
| Internal Service             | 1,000,000.00           | -                      |
| <b>Total</b>                 | <u>\$ 7,857,781.26</u> | <u>\$ 7,857,781.26</u> |

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects – Nonvoted Capital Improvement Fund were to provide for debt service payments, to fund equipment purchases, property and casualty insurance premiums, and certain facilities and maintenance expenditures of the District's General Fund. The transfer out of the General Fund to the Internal Service Fund was to reserve funds in the event of catastrophic hurricane property damage.

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2018

|                                                          | General Fund            |                         |                         | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|----------------------------------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget      | Final<br>Budget         | Actual                  |                                                           |
| <b>Revenues</b>                                          |                         |                         |                         |                                                           |
| Intergovernmental:                                       |                         |                         |                         |                                                           |
| Federal Direct                                           | \$ 650,000.00           | \$ 650,000.00           | \$ 810,471.99           | \$ 160,471.99                                             |
| Federal Through State and Local                          | 1,100,000.00            | 1,400,000.00            | 1,745,995.83            | 345,995.83                                                |
| State                                                    | 213,397,923.00          | 215,777,336.39          | 216,146,896.95          | 369,560.56                                                |
| Local:                                                   |                         |                         |                         |                                                           |
| Property Taxes                                           | 53,445,414.00           | 53,352,603.00           | 53,134,912.58           | (217,690.42)                                              |
| Charges for Services - Food Service                      | -                       | -                       | -                       | -                                                         |
| Miscellaneous                                            | 1,875,403.00            | 2,324,806.31            | 3,535,932.67            | 1,211,126.36                                              |
| Total Local Revenues                                     | 55,320,817.00           | 55,677,409.31           | 56,670,845.25           | 993,435.94                                                |
| <b>Total Revenues</b>                                    | <b>270,468,740.00</b>   | <b>273,504,745.70</b>   | <b>275,374,210.02</b>   | <b>1,869,464.32</b>                                       |
| <b>Expenditures</b>                                      |                         |                         |                         |                                                           |
| Current - Education:                                     |                         |                         |                         |                                                           |
| Instruction                                              | 187,697,133.64          | 192,157,434.83          | 179,857,824.73          | 12,299,610.10                                             |
| Student Support Services                                 | 12,869,341.43           | 13,426,077.52           | 13,148,306.66           | 277,770.86                                                |
| Instructional Media Services                             | 4,155,490.89            | 4,195,124.62            | 4,131,093.59            | 64,031.03                                                 |
| Instruction and Curriculum Development Services          | 3,998,924.01            | 4,114,400.67            | 3,847,115.77            | 267,284.90                                                |
| Instructional Staff Training Services                    | 2,443,050.57            | 2,578,781.48            | 2,407,237.53            | 171,543.95                                                |
| Instruction-Related Technology                           | 3,583,575.76            | 4,057,791.13            | 3,957,791.13            | 100,000.00                                                |
| Board                                                    | 2,477,525.00            | 1,213,240.49            | 869,803.98              | 343,436.51                                                |
| General Administration                                   | 693,154.78              | 839,105.85              | 561,117.22              | 277,988.63                                                |
| School Administration                                    | 14,245,646.49           | 15,211,462.90           | 14,871,474.07           | 339,988.83                                                |
| Facilities Acquisition and Construction                  | -                       | 3,036,709.86            | 1,736,709.86            | 1,300,000.00                                              |
| Fiscal Services                                          | 1,565,579.55            | 1,436,181.15            | 1,263,393.50            | 172,787.65                                                |
| Food Services                                            | -                       | 78,558.11               | 72,558.11               | 6,000.00                                                  |
| Central Services                                         | 3,148,660.03            | 3,320,639.16            | 2,868,817.08            | 451,822.08                                                |
| Student Transportation Services                          | 10,984,687.97           | 11,038,991.50           | 10,825,087.75           | 213,903.75                                                |
| Operation of Plant                                       | 20,025,901.84           | 21,210,007.83           | 20,054,149.79           | 1,155,858.04                                              |
| Maintenance of Plant                                     | 5,585,177.09            | 5,528,878.45            | 5,460,704.40            | 68,174.05                                                 |
| Administrative Technology Services                       | 683,616.92              | 767,270.97              | 747,270.97              | 20,000.00                                                 |
| Community Services                                       | 435,903.37              | 466,973.83              | 456,973.83              | 10,000.00                                                 |
| Fixed Capital Outlay:                                    |                         |                         |                         |                                                           |
| Facilities Acquisition and Construction                  | 1,458,169.66            | 1,090,459.33            | 1,090,459.33            | -                                                         |
| Other Capital Outlay                                     | 1,455,896.91            | 1,934,651.03            | 1,934,651.03            | -                                                         |
| Debt Service:                                            |                         |                         |                         |                                                           |
| Principal                                                | -                       | 520,534.53              | 520,534.53              | -                                                         |
| <b>Total Expenditures</b>                                | <b>277,507,435.91</b>   | <b>288,223,275.24</b>   | <b>270,683,074.86</b>   | <b>17,540,200.38</b>                                      |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(7,038,695.91)</b>   | <b>(14,718,529.54)</b>  | <b>4,691,135.16</b>     | <b>19,409,664.70</b>                                      |
| <b>Other Financing Sources (Uses)</b>                    |                         |                         |                         |                                                           |
| Transfers In                                             | 3,976,561.00            | 3,806,786.01            | 1,733,572.00            | (2,073,214.01)                                            |
| Sale of Capital Assets                                   | 100,000.00              | 100,000.00              | 67,580.15               | (32,419.85)                                               |
| Loss Recoveries                                          | 10,000.00               | 10,000.00               | -                       | (10,000.00)                                               |
| Transfers Out                                            | -                       | (1,000,000.00)          | (1,000,000.00)          | -                                                         |
| <b>Total Other Financing Sources (Uses)</b>              | <b>4,086,561.00</b>     | <b>2,916,786.01</b>     | <b>801,152.15</b>       | <b>(2,115,633.86)</b>                                     |
| <b>Net Change in Fund Balances</b>                       | <b>(2,952,134.91)</b>   | <b>(11,801,743.53)</b>  | <b>5,492,287.31</b>     | <b>17,294,030.84</b>                                      |
| Fund Balances, Beginning                                 | 23,014,470.40           | 23,014,470.40           | 23,014,470.40           | -                                                         |
| Increase in Nonspendable Inventory                       | -                       | 9,318.12                | 127,821.12              | 118,503.00                                                |
| <b>Fund Balances, Ending</b>                             | <b>\$ 20,062,335.49</b> | <b>\$ 11,222,044.99</b> | <b>\$ 28,634,578.83</b> | <b>\$ 17,412,533.84</b>                                   |

| Special Revenue - Food Service Fund |                 |                 |                                                  | Special Revenue - Other Fund |                 |               |                                                  |
|-------------------------------------|-----------------|-----------------|--------------------------------------------------|------------------------------|-----------------|---------------|--------------------------------------------------|
| Original Budget                     | Final Budget    | Actual          | Variance with Final Budget - Positive (Negative) | Original Budget              | Final Budget    | Actual        | Variance with Final Budget - Positive (Negative) |
| \$ -                                | \$ 7,000.00     | \$ 7,000.00     | \$ -                                             | \$ 953,873.84                | \$ 1,200,143.15 | \$ 815,809.64 | \$ (384,333.51)                                  |
| 10,964,669.00                       | 11,272,366.00   | 13,022,666.67   | 1,750,300.67                                     | 16,089,336.65                | 16,524,059.25   | 14,976,057.51 | (1,548,001.74)                                   |
| 132,000.00                          | 132,000.00      | 142,696.00      | 10,696.00                                        | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| 5,166,821.00                        | 5,164,321.00    | 3,960,559.73    | (1,203,761.27)                                   | -                            | -               | -             | -                                                |
| 8,000.00                            | 10,500.00       | 45,064.89       | 34,564.89                                        | -                            | -               | 13,752.73     | 13,752.73                                        |
| 5,174,821.00                        | 5,174,821.00    | 4,005,624.62    | (1,169,196.38)                                   | -                            | -               | 13,752.73     | 13,752.73                                        |
| 16,271,490.00                       | 16,586,187.00   | 17,177,987.29   | 591,800.29                                       | 17,043,210.49                | 17,724,202.40   | 15,805,619.88 | (1,918,582.52)                                   |
| -                                   | -               | -               | -                                                | 11,084,074.30                | 11,713,369.40   | 10,804,888.19 | 908,481.21                                       |
| -                                   | -               | -               | -                                                | 1,315,594.55                 | 1,473,428.89    | 1,306,089.96  | 167,338.93                                       |
| -                                   | -               | -               | -                                                | 13,074.66                    | 17,140.60       | 15,740.46     | 1,400.14                                         |
| -                                   | -               | -               | -                                                | 1,651,507.68                 | 1,485,090.29    | 1,276,125.48  | 208,964.81                                       |
| -                                   | -               | -               | -                                                | 2,370,072.58                 | 2,398,133.48    | 1,819,347.54  | 578,785.94                                       |
| -                                   | -               | -               | -                                                | 1,000.00                     | 1,000.00        | -             | 1,000.00                                         |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | 475,560.70                   | 452,192.37      | 392,138.22    | 60,054.15                                        |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| 15,600,677.37                       | 16,094,956.27   | 15,356,910.21   | 738,046.06                                       | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | 85,701.48                    | 137,465.38      | 130,912.76    | 6,552.62                                         |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | 177,185.10      | 177,185.10      | -                                                | -                            | -               | -             | -                                                |
| 746,417.75                          | 569,232.65      | 569,232.65      | -                                                | 46,624.54                    | 46,624.54       | 46,624.54     | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| 16,347,095.12                       | 16,841,374.02   | 16,103,327.96   | 738,046.06                                       | 17,043,210.49                | 17,724,444.95   | 15,791,867.15 | 1,932,577.80                                     |
| (75,605.12)                         | (255,187.02)    | 1,074,659.33    | 1,329,846.35                                     | -                            | (242.55)        | 13,752.73     | 13,995.28                                        |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| -                                   | -               | -               | -                                                | -                            | -               | -             | -                                                |
| (75,605.12)                         | (255,187.02)    | 1,074,659.33    | 1,329,846.35                                     | -                            | (242.55)        | 13,752.73     | 13,995.28                                        |
| 3,947,807.69                        | 3,915,180.69    | 3,915,180.69    | -                                                | -                            | -               | -             | -                                                |
| -                                   | 41,174.58       | 41,174.58       | -                                                | -                            | -               | -             | -                                                |
| \$ 3,872,202.57                     | \$ 3,701,168.25 | \$ 5,031,014.60 | \$ 1,329,846.35                                  | \$ 0.00                      | \$ (242.55)     | \$ 13,752.73  | \$ 13,995.28                                     |

**Schedule of Changes in the District's  
Total OPEB Liability and Related Ratios**

|                                                                             | <b>2018</b>         |
|-----------------------------------------------------------------------------|---------------------|
| <b>Total OPEB Liability</b>                                                 |                     |
| Service Cost                                                                | \$ 418,487          |
| Interest                                                                    | 133,076             |
| Difference Between Expected and<br>Actual Experience                        | 570,023             |
| Changes of Assumptions or Other Inputs                                      | (273,607)           |
| Benefit Payments                                                            | (964,632)           |
| <b>Net Change in Total OPEB Liability</b>                                   | (116,653)           |
| Total OPEB Liability - Beginning, as Restated                               | 4,729,787           |
| <b>Total OPEB Liability - Ending</b>                                        | <b>\$ 4,613,134</b> |
| Covered-Employee Payroll                                                    | \$ 123,080,806.00   |
| <b>Total OPEB Liability as a Percentage<br/>of Covered-Employee Payroll</b> | 3.75%               |

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

|                                                                                                              | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    | <b>2013</b>    |
|--------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| District's Proportion of the FRS Net<br>Pension Liability                                                    | 0.401400834%   | 0.414077561%   | 0.458113222%   | 0.467015927%   | 0.474202722%   |
| District's Proportionate Share of the FRS<br>Net Pension Liability                                           | \$ 118,731,673 | \$ 104,554,909 | \$ 59,171,467  | \$ 28,494,839  | \$ 81,631,394  |
| District's Covered Payroll                                                                                   | \$ 186,245,454 | \$ 182,993,112 | \$ 186,699,223 | \$ 186,136,123 | \$ 184,215,903 |
| District's Proportionate Share of the FRS Net<br>Pension Liability as a Percentage<br>of Its Covered Payroll | 63.75%         | 57.14%         | 31.69%         | 15.31%         | 44.31%         |
| FRS Plan Fiduciary Net Position as a<br>Percentage of the Total Pension Liability                            | 83.89%         | 84.88%         | 92.00%         | 96.09%         | 88.54%         |

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –  
Florida Retirement System Pension Plan (1)**

|                                                                             | <b>2018</b>    | <b>2017</b>    | <b>2016</b>    | <b>2015</b>    | <b>2014</b>    |
|-----------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Contractually Required FRS Contribution                                     | \$ 11,220,981  | \$ 10,449,452  | \$ 10,097,942  | \$ 11,169,189  | \$ 10,229,631  |
| FRS Contributions in Relation to the<br>Contractually Required Contribution | (11,220,981)   | (10,449,452)   | (10,097,942)   | (11,169,189)   | (10,229,631)   |
| FRS Contribution Deficiency (Excess)                                        | \$ -           | \$ -           | \$ -           | \$ -           | \$ -           |
| District's Covered Payroll                                                  | \$ 186,148,834 | \$ 186,245,454 | \$ 182,993,112 | \$ 186,699,223 | \$ 186,136,123 |
| FRS Contributions as a Percentage of<br>Covered Payroll                     | 6.03%          | 5.61%          | 5.52%          | 5.98%          | 5.50%          |

(1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

|                                                                                                        | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   |
|--------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| District's Proportion of the HIS Net Pension Liability                                                 | 0.580929845%  | 0.592453790%  | 0.615229877%  | 0.625291587%  | 0.634342458%  |
| District's Proportionate Share of the HIS Net Pension Liability                                        | \$ 62,115,699 | \$ 69,048,010 | \$ 62,743,770 | \$ 58,466,289 | \$ 55,227,851 |
| District's Covered Payroll                                                                             | \$186,245,454 | \$182,993,112 | \$186,699,223 | \$186,136,123 | \$184,215,903 |
| District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll | 33.35%        | 37.73%        | 33.61%        | 31.41%        | 29.98%        |
| HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                         | 1.64%         | 0.97%         | 0.50%         | 0.99%         | 1.78%         |

(1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1)**

|                                                                          | <b>2018</b>   | <b>2017</b>   | <b>2016</b>   | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Contractually Required HIS Contribution                                  | \$ 3,090,671  | \$ 3,075,448  | \$ 3,036,702  | \$ 2,351,792  | \$ 2,142,039  |
| HIS Contributions in Relation to the Contractually Required Contribution | (3,090,671)   | (3,074,448)   | (3,036,702)   | (2,351,792)   | (2,142,039)   |
| HIS Contribution Deficiency (Excess)                                     | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's Covered Payroll                                               | \$186,148,834 | \$186,245,454 | \$182,993,112 | \$186,699,223 | \$186,136,123 |
| HIS Contributions as a Percentage of Covered Payroll                     | 1.66%         | 1.65%         | 1.66%         | 1.26%         | 1.15%         |

(1) The amounts presented for each fiscal year were determined as of June 30.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Budgetary Basis of Accounting**

The Board follows procedures established by State law and State Board of Education (SBE) 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 State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any 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.

## **2. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios**

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

*Changes of Assumptions.* The municipal rate used to determine total OPEB liability was increased from 2.85 percent to 3.58 percent.

## **3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.6 percent to 7.1 percent, and the active member mortality assumption was updated.

## **4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was increased from 2.85 percent to 3.58 percent.

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# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Clay County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster   | Federal<br>CFDA<br>Number | Pass - Through<br>Entity Identifying<br>Number | Passed<br>Through to<br>Subrecipients | Total<br>Expenditures |
|---------------------------------------------------------------|---------------------------|------------------------------------------------|---------------------------------------|-----------------------|
| <b>Clustered</b>                                              |                           |                                                |                                       |                       |
| <b>Child Nutrition Cluster:</b>                               |                           |                                                |                                       |                       |
| United States Department of Agriculture:                      |                           |                                                |                                       |                       |
| Florida Department of Agriculture and Consumer Services:      |                           |                                                |                                       |                       |
| School Breakfast Program                                      | 10.553                    | 18002                                          | \$ -                                  | \$ 2,128,741.86       |
| National School Lunch Program                                 | 10.555                    | 18001, 18003                                   | -                                     | 10,782,911.24         |
| Summer Food Service Program for Children                      | 10.559                    | 17006, 17007, 18006, 18007                     | -                                     | 111,013.57            |
| <b>Total Child Nutrition Cluster</b>                          |                           |                                                | -                                     | 13,022,666.67         |
| <b>Special Education Cluster:</b>                             |                           |                                                |                                       |                       |
| United States Department of Education:                        |                           |                                                |                                       |                       |
| Special Education - Grants to States:                         | 84.027                    |                                                |                                       |                       |
| Florida Department of Education                               |                           | 262, 263                                       | -                                     | 7,741,049.39          |
| Family Support Services of North Florida, Inc.                |                           | None                                           | -                                     | 142,423.00            |
| <b>Total Special Education - Grants to States</b>             | 84.027                    |                                                | -                                     | 7,883,472.39          |
| Special Education - Preschool Grants:                         |                           |                                                |                                       |                       |
| Florida Department of Education                               | 84.173                    | 267                                            | -                                     | 167,354.72            |
| <b>Total Special Education Cluster</b>                        |                           |                                                | -                                     | 8,050,827.11          |
| <b>Not Clustered</b>                                          |                           |                                                |                                       |                       |
| <b>United States Department of Agriculture:</b>               |                           |                                                |                                       |                       |
| Florida Department of Agriculture and Consumer Services:      |                           |                                                |                                       |                       |
| Healthier US School Challenge: Smarter Lunchrooms             | 10.543                    | N/A                                            | -                                     | 7,000.00              |
| <b>United States Department of Defense:</b>                   |                           |                                                |                                       |                       |
| Navy Junior Reserve Officers Training Corps                   | 12.UNK                    | N/A                                            | -                                     | 435,830.76            |
| Competitive Grants: Promoting K-12 Student                    |                           |                                                |                                       |                       |
| Achievement at Military-Connected Schools                     | 12.556                    | N/A                                            | -                                     | 723,846.65            |
| Invitational Grants to Military-Connected Schools             | 12.557                    | N/A                                            | -                                     | 91,962.99             |
| <b>Total United States Department of Defense</b>              |                           |                                                | -                                     | 1,251,640.40          |
| <b>United States Department of Education:</b>                 |                           |                                                |                                       |                       |
| Impact Aid                                                    | 84.041                    | N/A                                            | -                                     | 435,893.67            |
| Florida Department of Education:                              |                           |                                                |                                       |                       |
| Adult Education - Basic Grants to States                      | 84.002                    | 191, 193                                       | -                                     | 224,116.12            |
| Title I Grants to Local Educational Agencies                  | 84.010                    | 212, 226                                       | -                                     | 4,638,453.99          |
| Career and Technical Education - Basic Grants to States       | 84.048                    | 161                                            | -                                     | 268,166.77            |
| Education for Homeless Children and Youth                     | 84.196                    | 127                                            | -                                     | 56,358.72             |
| Charter Schools                                               | 84.282                    | 298                                            | 232,627.36                            | 232,627.36            |
| Twenty-First Century Community Learning Centers               | 84.287                    | 244                                            | -                                     | 429,498.80            |
| English Language Acquisition State Grants                     | 84.365                    | 102                                            | -                                     | 82,005.99             |
| Supporting Effective Instruction State Grants                 | 84.367                    | 224                                            | -                                     | 886,262.38            |
| Student Support and Academic Enrichment Program               | 84.424                    | 241                                            | -                                     | 107,735.39            |
| <b>Total United States Department of Education</b>            |                           |                                                | 232,627.36                            | 7,361,119.19          |
| <b>United States Department of Health and Human Services:</b> |                           |                                                |                                       |                       |
| Extramural Research Facilities Restoration Program:           |                           |                                                |                                       |                       |
| Hurricanes Harvey, Maria, and Irma - Construction             | 93.662                    | N/A                                            | -                                     | 308,421.21            |
| <b>Total Expenditures of Federal Awards</b>                   |                           |                                                | \$ 232,627.36                         | \$ 30,001,674.58      |

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Clay County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$1,219,249.05 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid. Expenditures include \$340,675.01 from grant number S041B-2018-1240 and \$95,218.66 for grant number S014B-2016-1240.
- (6) Competitive Grants – Promoting K-12 Student Achievement at Military-Connected Schools. Expenditures include \$439,528.18 for grant number HE-1254-13-1-0022 and \$284,318.47 for grant number HE-1254-15-1-0052.



Sherrill F. Norman, CPA  
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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2019



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722  
Fax: (850) 488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Report on Compliance for the Major Federal Program

We have audited the Clay County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2018. The District's major Federal program is identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### ***Management's Responsibility***

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major Federal program based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2018-001. Our opinion on the major Federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Federal Awards Finding No. 2018-001 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a small initial in the middle.

Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2019

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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### **SECTION I – SUMMARY OF AUDITOR'S RESULTS**

#### **Financial Statements**

|                                                                                                                    |               |
|--------------------------------------------------------------------------------------------------------------------|---------------|
| Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified    |
| Internal control over financial reporting:                                                                         |               |
| Material weakness(es) identified?                                                                                  | No            |
| Significant deficiency(ies) identified?                                                                            | None reported |
| Noncompliance material to financial statements noted?                                                              | No            |

#### **Federal Awards**

|                                                                                                    |                                                                |
|----------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| Internal control over the major Federal program:                                                   |                                                                |
| Material weakness(es) identified?                                                                  | No                                                             |
| Significant deficiency(ies) identified?                                                            | None reported                                                  |
| Type of auditor's report issued on compliance for the major Federal program:                       | Unmodified                                                     |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes                                                            |
| Identification of the major Federal program:                                                       |                                                                |
| CFDA Numbers:<br>10.553, 10.555, and 10.559                                                        | Name of Federal Program or Cluster:<br>Child Nutrition Cluster |
| Dollar threshold used to distinguish between type A and type B programs:                           | \$900,050                                                      |
| Auditee qualified as low risk auditee?                                                             | No                                                             |

## SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

## SECTION III – FEDERAL AWARDS FINDING AND QUESTIONED COSTS

### U.S. DEPARTMENT OF EDUCATION

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Finding Number</b>                               | <b>2018-001</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>CFDA Number</b>                                  | 84.010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Program Title</b>                                | <b>Nonmajor Federal Program: Title I Grants to Local Educational Agencies</b><br>(Title I Program)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Compliance Requirement</b>                       | Allowable Costs/Cost Principles – Contributions to Self-Insurance Program                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Pass-Through Entity</b>                          | Florida Department of Education (FDOE)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Federal Grant/Contract Number and Grant Year</b> | S010A170009 – 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Statistically Valid Sample</b>                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Finding Type</b>                                 | Nonmajor Federal Program, Noncompliance and Questioned Costs Greater Than \$25,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Questioned Costs</b>                             | \$157,143                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Prior Year Finding</b>                           | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Finding</b>                                      | The District did not comply with Federal regulations and follow a consistent costing policy for contributions to the District workers' compensation self-insurance program, resulting in Title I Program questioned costs totaling \$157,143.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Criteria</b>                                     | Title 2, Sections 200.431(e) and 200.447(d), Code of Federal Regulations, provide that employers' contributions to a reserve for a workers' compensation self-insurance program must be based on sound actuarial principles using historical experience and reasonable assumptions, and that actual claims paid to or on behalf of employees or former employees are allowable in the year of payment provided the governmental unit follows a consistent costing policy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Condition</b>                                    | <p>The District established a Risk Management Internal Service Fund to account for and finance various uninsured risks, including workers' compensation. For the 2017-18 fiscal year, the District reported \$2.6 million in workers' compensation self-insurance program expenditures. To determine the total contributions necessary to meet the fiscal demands of the self-insurance program for that year, the District estimated the funding needed and calculated a contribution amount based on a percentage of salary expenditures that, when applied to District salaries paid from all funds, would provide sufficient premium contributions.</p> <p>The District did not comply with Federal regulations and follow a consistent costing policy for allocating District contributions to the District workers' compensation self-insurance program. According to District records, the District charged the Title I Program \$187,573, or 6.95 percent of the Title I Program salary expenditures, for contributions to the workers' compensation self-insurance program. However, that percent was significantly more than the 1.3 percent charged to the General Fund for contributions to the self-insurance program.</p> |
| <b>Cause</b>                                        | According to District records and discussions with District personnel, when the District implemented a new enterprise resource planning system in November 2017, the workers' compensation allocations were no longer automatically calculated based on a percentage of salary expenditures, and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

inadvertent errors were made in the manually calculated allocations prepared at fiscal year-end.

**Effect**

The Title I Program workers' compensation contributions in excess of the 1.3 percent charged to the General Fund, or \$157,143, including indirect costs of \$4,470, represent Title I Program questioned costs.

**Recommendation**

The District should enhance procedures to ensure that only allowable costs are charged to the Title I Program and that contributions to the workers' compensation self-insurance program follow a consistent costing policy. In addition, the District should document the allowability of the questioned costs for the Title I Program to the FDOE or restore the applicable unallowable amounts to the Title I Program.

**District Response**

The District will enhance procedures to ensure that only allowable cost are charged to the Title I program and that contributions to the workers' compensation self-insurance program follow a consistent costing policy. The District will restore the questioned costs in the amount of \$157,143, including indirect costs of \$4,470, to the Title I program during the 2018-2019 fiscal year.

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for the Federal awards audit finding included in the prior audit report.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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## CLAY COUNTY DISTRICT SCHOOLS

900 WALNUT STREET, GREEN COVE SPRINGS, FL 32043

P (904) 336-6500 F (904) 336-6536 W oneclay.net

SUPERINTENDENT OF SCHOOLS

Addison G. Davis

### BOARD MEMBERS:

Janice Kerekes, District 1  
Carol Studdard, District 2  
Tina Bullock, District 3  
Mary Bolla, District 4  
Ashley Gilhousen, District 5

March 18, 2018

| Audit Report No.<br>(Finding No.)    | Program/Area                                                                                                          | Brief Description                                                                                                                                   | Status          | Comments                                                                                                                                  |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Purvis Gray &<br>Company<br>(2017-1) | Competitive Grants:<br>Promoting K-12<br>Student Achievement<br>at Military-Connected<br>Schools (CFDA No.<br>12.556) | District procedures need improvement to<br>ensure reimbursable expenditures are<br>properly recorded in the appropriate<br>general ledger accounts. | Fully Corrected | The District reimbursed the Department of<br>Defense for the amount identified as<br>unallowable in Federal Awards Finding No.<br>2017-1. |

# CORRECTIVE ACTION PLAN

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## CLAY COUNTY DISTRICT SCHOOLS

900 WALNUT STREET, GREEN COVE SPRINGS, FL 32043

P (904) 336-6500 F (904) 336-6536 W [oneclay.net](http://oneclay.net)

### SUPERINTENDENT OF SCHOOLS

Addison G. Davis

### BOARD MEMBERS:

Janice Kerekes, District 1  
Carol Studdard, District 2  
Tina Bullock, District 3  
Mary Bolla, District 4  
Ashley Gilhousen, District 5

3/26/2019

### Clay County District School Board Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2018

Finding Number: 2018-001.

Planned Corrective Action: The District will restore the questioned costs in the amount of \$157,143 including indirect costs of \$4,470 to the Title I program during the 2018-2019 fiscal year. By April 15, 2019, an accounting entry will be completed to document a debit to the General Fund and a credit to the Title I program which ultimately restore the question cost back to the Title I program.

Anticipated Completion Date: 04/15/2019

Responsible Contact Person: Susan M. Legutko, Assistant Superintendent Business Affairs

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**DISCOVERING ENDLESS POSSIBILITIES**

*Clay County District Schools is an Equal Opportunity Employer.*