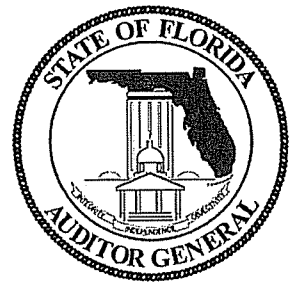




AUDITOR GENERAL
WILLIAM O. MONROE, CPA



CLAY COUNTY
DISTRICT SCHOOL BOARD
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

Clay County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District</i>
	<u>No.</u>
<i>Carol A. Vallencourt, Vice-Chairman to 11-21-05, Chairman from 11-22-05</i>	<i>1</i>
<i>Carol Y. Studdard, Chairman to 11-21-05</i>	<i>2</i>
<i>Charles E. Van Zant, Jr., Vice-Chairman from 11-22-05</i>	<i>3</i>
<i>Wayne Bolla</i>	<i>4</i>
<i>Lisa B. Graham</i>	<i>5</i>

David L. Owens, Superintendent

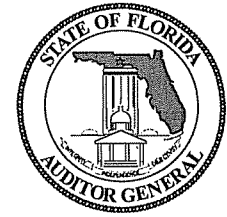
AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.



AUDITOR GENERAL

WILLIAM O. MONROE, CPA



CLAY COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Clay County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

Summary of Audit Findings

Finding No. 1: Check Collection Procedures

Improvements were needed in the District's internal control procedures over the collection of checks by the central cashier.

Finding No. 2: Fingerprinting and Background Screening

The District should enhance its procedures to ensure that documentation of background screenings and clearance is obtained for contracted vendors prior to granting them access to school grounds when students are present.

Finding No. 3: Acquisition of Registered Surveying Services

The District contracted for registered land surveying services without using the competitive selection and negotiation process for professional services required by Section 287.055, Florida Statutes.

Finding No. 4: Architect Insurance

District procedures did not ensure that its architectural firms were adequately and properly insured.

Finding No. 5: Relocatable Classroom Inspections

The District did not timely inspect foundation and tie down systems for relocatable classrooms moved to a new location.

Finding No. 6: Construction Payment and Performance Bonds

The District did not ensure that its construction manager for the Lake Asbury Junior High and Oakleaf K-8 School projects properly filed the payment and performance bonds with the Clerk of the Court.

Finding No. 7: Information Technology – Security Controls

Improvements were needed in the District's information technology security controls. Specific details of these improvements are not disclosed in this report to avoid any possibility of compromising the District's information systems data and resources.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Food Donation, Child Nutrition Cluster, and Impact Aid programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings that are summarized below.

Federal Awards Finding No. 1: Cash Management – Food Service

Contrary to the requirements of Title 7, Section 210.14(b), Code of Federal Regulations, the District had excess net cash resources of \$406,527 in its Food Service Fund at June 30, 2006.

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

The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2006-126.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was conducted by Tracy S. Smith and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site www.state.fl.us/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

CLAY COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
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- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
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- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2006-126.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

This audit was conducted by Tracy S. Smith and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

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FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Check Collection Procedures

The majority of the District's revenues are received by wire transfers and checks. We noted that improvements were needed in the District's internal controls over checks received by the District central cashier, as follows:

- The central cashier did not maintain a receipt log for checks received in the mail or from the various District departments to document receipt.
- Checks were not restrictively endorsed upon receipt, although checks were frequently held for several days before deposits were prepared.

In these circumstances, check collections were exposed to increased risk of loss or theft while awaiting deposit.

Recommendation: The District should strengthen its procedures to document checks received by the central cashier, and to restrictively endorse all checks upon receipt.

Finding No. 2: Fingerprinting and Background Screening

Section 1012.465, Florida Statutes, requires that noninstructional school district employees or contractual personnel who are permitted access on school grounds when students are present, who have direct contact with students, or who have access to or control of school funds must meet background screening requirements. This statute further provides that contractual personnel shall include any vendor, individual, or entity under contract with the school board.

Our review of District records for 21 vendors who were on school grounds when students were present during the period July 1, 2005, through June 30, 2006, indicated that documentation of background screenings for 11 vendors, including 4 construction-related vendors, was not available for one or more vendor employees. When background screenings and clearance are not performed prior to granting vendor employees access to school grounds, there is an increased risk that individuals with inappropriate backgrounds may be granted access to school grounds when students are present. A similar finding was noted in our report No. 2006-126.

Recommendation: The District should enhance its procedures to ensure that documentation of background screenings and clearance is obtained prior to granting contracted vendors access to school grounds when students are present.

Finding No. 3: Acquisition of Registered Surveying Services

The District contracted for registered land surveying services without using the competitive selection and negotiation process for professional services required by Section 287.055, Florida Statutes. Pursuant to Section 4.1(1) of the Florida Department of Education's publication, *State Requirements for Educational Facilities – 1999*, the District must adopt policies and procedures for selecting professional services, including registered land surveying services, in accordance with Section 287.055, Florida Statutes. Section 287.055, Florida Statutes, generally

requires that the District publicly announce and enter into a formal competitive selection and negotiation process for registered land surveying services on each occasion when a planning or study activity fee is estimated to exceed \$25,000. Section 287.055(4)(c), Florida Statutes, provides that the competitive selection procedures do not apply to a professional service contract for a planning or study activity when the fee for professional services is not in excess of \$25,000; however, if, in using another procurement process, the majority of the compensation proposed by firms exceeds the \$25,000 threshold amount, all proposals shall be rejected and the procurement process reinitiated pursuant to the competitive selection procedures.

The District requested and received three bids for registered land surveying services for a topographical study of property to be used for a new school utilizing its general purchasing procedures applicable to goods and services. The three bids were in the amounts of \$24,999, \$27,500, and \$40,550. The District awarded the surveying services agreement to the low bidder for \$24,999; however, because the other bids exceeded the \$25,000 threshold amount, the District should have rejected all proposals and reinitiated the procurement process using the competitive selection procedures prescribed in Section 287.055, Florida Statutes.

Recommendation: The District should strengthen its purchasing practices for the acquisition of registered surveying services to ensure compliance with the requirements of Section 287.055, Florida Statutes.

Finding No. 4: Architect Insurance

District procedures did not ensure that its architectural firms were adequately and properly insured. Section 4.1(2)(f) of the Florida Department of Education's publication, *State Requirements for Educational Facilities - 1999*, recommends that district school boards ensure that their architects carry insurance for errors and omissions or liability, either through board policy or through the advertisement for request for services. The District entered into a \$2,000,000 agreement dated May 10, 2006, for architectural services related to a \$34 million project to construct two new elementary schools. As similarly noted in our report No. 2006-126, the District did not obtain a certificate of insurance from the architectural firm, and neither the architect agreement nor the District's invitation to obtain professional services contained requirements for types and amounts of insurance that should be carried.

The District can limit its exposure to the various risks of possible loss relating to architectural services by establishing procedures to ensure that its contracted firms are adequately and properly insured for coverages such as professional liability; errors and omissions; and general, automobile, and workers' compensation liability.

Recommendation: The District should enhance its procedures to ensure that contracted architectural firms are adequately and properly insured. Additionally, the District should make a determination as to the types and limits of coverage that should be maintained by an architectural firm, such as professional liability; errors and omissions; and general, automobile, and workers' compensation liability coverages, and include those insurance requirements in all invitations to obtain professional services and in agreements for architectural services.

Finding No. 5: Relocatable Classroom Inspections

The District did not timely inspect foundation and tie down systems for relocatable classrooms moved to a new location. Section 5(2) of the Florida Department of Education's publication, *State Requirements for Educational Facilities - 1999*, and Section 423.28.2, Florida Building Code (Code), provide the minimum standards for existing relocatable classrooms for school districts. These standards require, in part, that foundations for relocatables moved to a new location comply with new construction requirements of the Code, and that foundations and tie down system plans be updated to meet wind uplift and soil conditions, be inspected by a certified inspector, and that the inspection approval document be maintained on file with the district.

Our tests of six relocatable classrooms that were moved to a new location prior to the 2006-07 school year disclosed that inspections were not performed for foundations and tie down systems prior to occupancy. Subsequent to our inquiries, the required inspections were performed and filed in District records.

Recommendation: The District should strengthen its procedures to ensure that relocatable classroom foundations and tie down systems are inspected prior to occupancy.

Finding No. 6: Construction Payment and Performance Bonds

The District did not ensure that its construction manager for the Lake Asbury Junior High and the Oakleaf School projects properly filed the payment and performance bonds with the Clerk of the Court. Section 255.05(1)(a), Florida Statutes, requires that construction contractors execute, deliver, and record a payment and performance bond in the county public records before commencing work involving the construction or repairs of a public building. Subsequent to our inquiries, we were advised by District personnel that verifying recording of the payment and performance bonds with the Clerk of the Court would be added to the District's project checklist.

Recommendation: The District should continue its efforts to ensure that payment and performance bonds for construction projects are filed with the Clerk of the Court.

Finding No. 7: Information Technology – Security Controls

Security control features are necessary to protect the integrity, confidentiality, and availability of data and information technology resources. During our audit, we identified improvements that could be made in the District's security controls. Specific details of these improvements are not disclosed in this report to avoid the possibility of compromising District data and information technology resources. However, appropriate District personnel have been notified of the needed improvements. A similar finding was noted in our report No. 2006-126.

Recommendation: The District should implement the necessary control features to enhance the security of District data and information technology resources.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2006-126.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Clay County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 62 through 71.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

EXHIBIT – D *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

EXHIBIT – E *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

EXHIBIT – F *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

EXHIBIT – G *Statement of Net Assets – Proprietary Fund.*

EXHIBIT – H *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.*

EXHIBIT – I *Statement of Cash Flows – Proprietary Fund.*

EXHIBIT – J *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

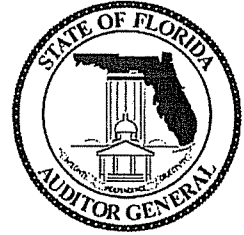
EXHIBIT – L *Budgetary Comparison Schedule – General Fund.*



WILLIAM O. MONROE, 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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 16 percent of the assets and 28 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Clay County Education Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the school internal funds and the discretely presented component unit, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds and the Clay County Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.


In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Clay County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 8 through 14) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

January 26, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Clay County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 15 through 50.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- The District's assets exceed its liabilities at June 30, 2006, by \$316,516,746.29 (net assets).
- In total, net assets increased \$37,848,955.70, which represents a 14 percent increase from the 2004-05 fiscal year.
- General revenues total \$244,499,764.09, or 88 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$33,347,975.42, or 12 percent.
- Expenses totaled \$239,998,783.81. These expenses were offset by the \$33,347,975.42 of program specific revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by \$37,848,955.70.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$17,119,695.75 at June 30, 2006, or 8 percent of total General Fund expenditures. The unreserved fund balance increased by \$4,538,710.26 from the 2004-05 fiscal year.
- The District's investment in capital assets increased by a net amount of \$50,586,068.59, or 17 percent, as compared to the June 30, 2005, balance.
- The District's long-term debt increased by a net amount of \$13,949,362, or 24 percent, as compared to the June 30, 2005, balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the activities of the primary government presented on the accrual basis of accounting. The

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – This category includes the Clay County Education Foundation, Inc. (a direct support organization). Although a legally separate organization, this component unit is included because it meets the criteria for inclusion provided by generally accepted accounting principles. The financial information for this component unit is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental funds statements to provide information on short-term inflows and outflows of spendable resources, as well as balances of spendable resources available at fiscal year-end.

The governmental funds statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison,

both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Debt Service – Other Debt Service Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts and maintains annual budgets for its governmental funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds. Proprietary funds use the economic resources measurement focus and accrual basis of accounting. The District maintains one proprietary fund, an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its self-insurance program. Since this service predominantly benefits governmental-type functions, the Internal Service Fund has been included within governmental activities in the government-wide 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 school and activity funds, commonly called the school internal funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses its Agency Funds to account for resources held for school activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2006, compared to net assets as of June 30, 2005:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-06	6-30-05
Current and Other Assets	\$ 75,370,135.54	\$ 62,995,193.80
Capital Assets	352,193,483.25	301,607,414.66
Total Assets	427,563,618.79	364,602,608.46
Long-Term Liabilities	91,845,683.43	77,408,149.59
Other Liabilities	19,201,189.07	8,526,668.28
Total Liabilities	111,046,872.50	85,934,817.87
Net Assets:		
Invested in Capital Assets -		
Net of Debt	279,961,615.25	243,324,908.66
Restricted	25,184,675.68	26,582,839.61
Unrestricted	11,370,455.36	8,760,042.32
Total Net Assets	\$ 316,516,746.29	\$ 278,667,790.59

The largest portion of the District's net assets (88 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less related debt outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

The District's net assets increased by \$37,848,955.70 during the 2005-06 fiscal year. The increase represents the degree to which ongoing revenues have exceeded ongoing expenses. Details of the revenues and expenses comprising the increase are as follows:

Operating Results for the Fiscal Year Ended		
Governmental Activities		
	6-30-06	6-30-05
Program Revenues:		
Charges for Services	\$ 5,609,099.25	\$ 5,163,259.51
Operating Grants and Contributions	11,327,362.44	10,814,600.14
Capital Grants and Contributions	16,411,513.73	11,859,128.37
General Revenues:		
Property Tax Levied for Operational Purposes	43,292,088.76	40,329,443.37
Property Tax Levied for Capital Projects	14,410,181.13	12,440,530.10
Local Sales Taxes	1,721,659.41	1,620,192.98
Grants and Contributions Not Restricted to Specific Programs	179,813,190.11	144,421,807.94
Unrestricted Investment Earnings	3,199,269.09	1,592,019.62
Miscellaneous	2,063,375.59	1,799,696.27
Total Revenues	277,847,739.51	230,040,678.30
Functions/Program Expenses:		
Instruction	136,456,152.72	119,780,627.04
Pupil Personnel Services	11,713,274.22	10,849,707.83
Instructional Media Services	4,823,294.61	4,305,311.96
Instruction and Curriculum Development Services	4,244,480.08	5,066,581.52
Instructional Staff Training Services	2,441,494.17	2,245,247.53
Instructional Related Technology	527,362.93	
Board of Education	743,153.81	1,165,134.54
General Administration	1,046,191.96	967,823.35
School Administration	11,964,367.49	9,614,973.64
Facilities Acquisition and Construction	4,728,120.08	3,311,452.63
Fiscal Services	589,549.04	534,176.00
Food Services	9,807,122.18	8,496,263.72
Central Services	3,123,414.99	4,664,236.73
Pupil Transportation Services	11,879,538.40	10,728,144.98
Operation of Plant	16,152,885.25	12,902,074.37
Maintenance of Plant	4,665,034.94	4,223,338.98
Administrative Technology Services	1,213,876.03	
Community Services	331,157.46	330,824.74
Interest on Long-Term Debt	3,433,534.87	3,217,132.70
Unallocated Depreciation Expenses	10,114,778.58	9,354,483.98
Total Functions/Program Expenses	239,998,783.81	211,757,536.24
Increase in Net Assets	\$ 37,848,955.70	\$ 18,283,142.06

The majority of the District's revenues for current operations are provided through the State's Florida Education Finance Program (FEFP), State categorical educational programs, and local property taxes. These revenues are included in general revenues, which provide approximately 88 percent of total revenues, whereas program revenues provide only about 12 percent. The majority of program revenues (89 percent) are in the facilities acquisition and construction, food services, and pupil transportation services activities.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. The District experienced increases in student enrollment, FEFP funding, categorical educational program funding, and local property tax revenues during the 2005-06 fiscal

year. Student enrollment increased by 1,961 students, from 32,236 in the 2004-05 fiscal year to 34,197 in the 2005-06 fiscal year, and FEFP funding, categorical educational program funding, and local property tax revenues increased by \$14,985,380, \$7,943,658.26, and \$4,932,296.42, respectively, as compared to the 2004-05 fiscal year.

Instructional activities represent the majority of the District's expenses, totaling approximately 57 percent of total governmental expenses in the 2004-05 and 2005-06 fiscal years. Overall, total expenses increased \$28,241,247.57, or 13 percent, as compared to total revenues which increased \$47,807,061.21, or 21 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$17,119,695.75, while the total fund balance is \$25,224,881.13. The unreserved fund balance represents 8 percent of total General Fund expenditures, while the total fund balance represents 12 percent of such expenditures. The unreserved fund balance increased by \$4,538,710.26, while the total fund balance increased by \$4,326,395.90 during the fiscal year. Key factors are as follows:

- Total revenues exceeded total expenditures by \$2,184,160.11. Other financing sources totaled \$1,986,029.82.
- Total revenues increased by \$26,551,860.01, or 15 percent, mainly from increases in State FEFP funding, State categorical educational programs, and local property taxes.
- Total expenditures increased by \$24,415,037.80, or 14 percent, mainly due to increases in salaries and benefits expenditures.
- Other financing sources decreased by \$699,343.02, or 26 percent, due mainly to decreased transfers from the Capital Projects Funds.
- Inventories increased by \$156,205.97, which increased fund balance by an equal amount under the purchases method of inventory accounting used in the General Fund.

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 maintains a small fund balance (\$20,265.54 at June 30, 2006), all of which is reserved for the payment of debt service.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$6,917,133.98, all of which is required to be spent for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$948,562.84 during the current year.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, local sales taxes, Classrooms for Kids Program funds, Certificates of Participation (COP) proceeds, and other miscellaneous sources. The Fund has a total fund balance of \$11,328,147.91. The total fund balance decreased by \$2,546,422.95 in the current year, mainly from expenditures for new school construction.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2005-06 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$2,805,055.20. Similarly, final expenditure appropriations

increased by \$3,345,078.38 from the original budgeted amount. These budget revisions represent less than a 2 percent increase from the respective original budgets and were necessary to adjust planned revenues and expenditures based on actual resources and resource needs.

Actual revenues were slightly more than final budgeted amounts, whereas actual expenditures were \$11,706,271.35, or 5 percent, less than anticipated. Since actual expenditures were well within budgetary estimates, unexpended appropriations were available to increase fund balance. Accordingly, the actual ending fund balance exceeded the final amended budget fund balance by \$12,469,678.23.

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, 2006, is \$352,193,483.25. The capital assets include land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

The investment in capital assets increased by a net amount of \$50,586,068.59, or 17 percent, as compared to the June 30, 2005, balance. Major capital asset events during the current fiscal year included construction related to the new Coppergate Elementary and K-8 Oakleaf School. The District also purchased 126 relocatable buildings.

Additional information on the District's capital assets is shown in Note 6 to the financial statements (exhibit K).

Long-Term Debt

At June 30, 2006, the District had total long-term debt outstanding of \$72,231,868. This amount was comprised of \$62,081,868 of Certificates of Participation, \$8,270,000 of State School Bonds, and \$1,880,000 of District Revenue Bonds. The District's long-term debt increased by a net amount of \$13,949,362, or 24 percent, during the year. The net increase was comprised of the following:

- An increase of \$16,430,000 from the issuance of Certificates of Participation, Series 2005A.
- An increase of \$34,362 resulting from various debt refunding activities related to outstanding Certificates of Participation and State School Bonds.
- A decrease of \$2,515,000 from scheduled principal payments to retire long-term debt.

Additional information on the District's long-term debt is shown in Notes 7 through 10 to the financial statements (exhibit K).

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Clay County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent for Business Affairs, Clay County District School Board, 900 Walnut Street, Green Cove Springs, FL 32043.

**EXHIBIT - A
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2006**

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 4,202,443.47	\$ 35,338.00
Investments	55,491,843.13	21,117.00
Accounts Receivable	181,620.70	
Prepaid Expenses		1,000.00
Due from Other Agencies	7,632,394.40	
Due from Excess Insurance Carrier	185,524.37	
Capital Credits Receivable	2,645,865.82	
Inventories	1,787,873.01	
Restricted Assets:		
Investments	3,242,570.64	
Capital Assets:		
Land	28,583,927.11	
Construction in Progress	29,048,603.28	
Improvements Other Than Buildings, Net	9,492,490.73	
Buildings and Fixed Equipment, Net	261,497,729.13	
Furniture, Fixtures, and Equipment, Net	15,902,621.02	230.00
Motor Vehicles, Net	6,521,843.67	
Audio Visual Materials and Computer Software, Net	1,146,268.31	
TOTAL ASSETS	\$ 427,563,618.79	\$ 57,685.00
LIABILITIES		
Salaries and Benefits Payable	\$ 2,270,423.31	\$
Payroll Deductions and Withholdings	944,050.27	
Accounts Payable	2,774,616.46	10,750.00
Construction Contracts Payable	2,381,643.81	
Construction Contracts Payable - Retainage	1,352,405.61	
Deposits Payable	956.85	
Deferred Revenue	6,178,456.08	
Matured Certificates of Participation Payable	1,870,000.00	
Matured Interest Payable	1,372,570.64	
Estimated Liability for Arbitrage Rebate	56,066.04	
Noncurrent Liabilities:		
Portion Due Within One Year:		
Estimated Insurance Claims Payable	1,084,784.84	
Bonds Payable	680,000.00	
Certificates of Participation Payable	1,340,782.00	
Compensated Absences Payable	7,313,554.35	
Portion Due After One Year:		
Estimated Insurance Claims Payable	1,953,828.16	
Bonds Payable	9,470,000.00	
Certificates of Participation Payable	60,741,086.00	
Compensated Absences Payable	9,261,648.08	
Total Liabilities	111,046,872.50	10,750.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	279,961,615.25	
Restricted for:		
State Categorical Programs	4,646,712.99	
Debt Service	727,920.49	
Capital Projects	19,810,042.20	
Unrestricted	11,370,455.36	46,935.00
Total Net Assets	316,516,746.29	46,935.00
TOTAL LIABILITIES AND NET ASSETS	\$ 427,563,618.79	\$ 57,685.00

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

EXHIBIT - B
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 136,456,152.72	\$ 479,633.71	\$	\$
Pupil Personnel Services	11,713,274.22			
Instructional Media Services	4,823,294.61			
Instruction and Curriculum Development Services	4,244,480.08			
Instructional Staff Training Services	2,441,494.17			
Instruction Related Technology	527,362.93			
Board of Education	743,153.81			
General Administration	1,046,191.96			
School Administration	11,964,367.49			
Facilities Acquisition and Construction	4,728,120.08			13,308,846.53
Fiscal Services	589,549.04			
Food Services	9,807,122.18	5,129,465.54	4,415,822.44	
Central Services	3,123,414.99			
Pupil Transportation Services	11,879,538.40		6,911,540.00	
Operation of Plant	16,152,885.25			
Maintenance of Plant	4,665,034.94			2,106,819.00
Administrative Technology Services	1,213,876.03			
Community Services	331,157.46			
Interest on Long-Term Debt	3,433,534.87			995,848.20
Unallocated Depreciation Expenses	10,114,778.58			
Total Primary Government	\$ 239,998,783.81	\$ 5,609,099.25	\$ 11,327,362.44	\$ 16,411,513.73
Component Unit				
Clay County Education Foundation, Inc.	\$ 116,803.00	\$ 0.00	\$ 98,155.00	\$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Local Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - July 1, 2005				
Net Assets - June 30, 2006				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (135,976,519.01)	\$
(11,713,274.22)	
(4,823,294.61)	
(4,244,480.08)	
(2,441,494.17)	
(527,362.93)	
(743,153.81)	
(1,046,191.96)	
(11,964,367.49)	
8,580,726.45	
(589,549.04)	
(261,834.20)	
(3,123,414.99)	
(4,967,998.40)	
(16,152,885.25)	
(2,558,215.94)	
(1,213,876.03)	
(331,157.46)	
(2,437,686.67)	
<u>(10,114,778.58)</u>	
<u>(206,650,808.39)</u>	
	<u>(18,648.00)</u>
43,292,088.76	
14,410,181.13	
1,721,659.41	
179,813,190.11	
3,199,269.09	1,127.00
<u>2,063,375.59</u>	
<u>244,499,764.09</u>	<u>1,127.00</u>
37,848,955.70	(17,521.00)
<u>278,667,790.59</u>	<u>64,456.00</u>
<u>\$ 316,516,746.29</u>	<u>\$ 46,935.00</u>

**EXHIBIT - C
CLAY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006**

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 2,911,223.25	\$	\$
Investments	22,318,162.67	3,258,085.69	7,518,500.27
Accounts Receivable	31,938.50		
Due from Other Funds	1,243,703.84	75,582.95	
Due from Other Agencies	845,873.75		
Inventories	1,613,388.64		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 28,964,290.65</u>	<u>\$ 3,333,668.64</u>	<u>\$ 7,518,500.27</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 2,266,390.51	\$	\$
Payroll Deductions and Withholdings	940,465.02		
Accounts Payable	531,597.14		
Construction Contracts Payable			385,314.39
Construction Contracts Payable - Retainage			216,051.90
Deposits Payable	956.85		
Due to Other Funds		70,832.46	
Deferred Revenue			
Matured Certificates of Participation Payable		1,870,000.00	
Matured Interest Payable		1,372,570.64	
Estimated Liability for Arbitrage Rebate			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>3,739,409.52</u>	<u>3,313,403.10</u>	<u>601,366.29</u>
Fund Balances:			
Reserved for State Categorical Programs	4,323,931.75		
Reserved for Encumbrances	2,167,864.99		5,231,428.94
Reserved for Inventories	1,613,388.64		
Reserved for Debt Service		20,265.54	
Unreserved:			
Designated, Reported in General Fund:			
Designated for Special Programs	411,626.68		
Undesignated, Reported in:			
General Fund	16,708,069.07		
Special Revenue Funds			
Capital Projects Funds			1,685,705.04
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>25,224,881.13</u>	<u>20,265.54</u>	<u>6,917,133.98</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,964,290.65</u>	<u>\$ 3,333,668.64</u>	<u>\$ 7,518,500.27</u>

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

EXHIBIT - C

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,228,052.04	\$ 23,168.18	\$ 4,162,443.47
12,888,627.91	7,000,095.75	52,983,472.29
	1,725.85	33,664.35
		1,319,286.79
5,991,607.76	794,912.89	7,632,394.40
	174,484.37	1,787,873.01
<u>\$ 20,108,287.71</u>	<u>\$ 7,994,387.04</u>	<u>\$ 67,919,134.31</u>
\$	\$ 4,032.80	\$ 2,270,423.31
	3,585.25	944,050.27
	6,373.23	537,970.37
1,996,329.42		2,381,643.81
1,131,122.46	5,231.25	1,352,405.61
		956.85
1,012,050.88	78,881.41	1,161,764.75
4,584,571.00	1,593,885.08	6,178,456.08
		1,870,000.00
		1,372,570.64
56,066.04		56,066.04
<u>8,780,139.80</u>	<u>1,691,989.02</u>	<u>18,126,307.73</u>
8,491,598.25	1,370,931.64	4,323,931.75
	120,022.13	17,261,823.82
	707,654.95	1,733,410.77
		727,920.49
		411,626.68
		16,708,069.07
	3,830,158.12	3,830,158.12
2,836,549.66	273,631.18	4,795,885.88
<u>11,328,147.91</u>	<u>6,302,398.02</u>	<u>49,792,826.58</u>
<u>\$ 20,108,287.71</u>	<u>\$ 7,994,387.04</u>	<u>\$ 67,919,134.31</u>

**EXHIBIT - D
CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Governmental Funds	\$	49,792,826.58
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		352,193,483.25
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		691,641.07
Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets.		2,645,865.82
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Certificates of Participation Payable	\$ 62,081,868.00	
Bonds Payable	10,150,000.00	
Compensated Absences Payable	16,575,202.43	
		(88,807,070.43)
Total Net Assets - Governmental Activities	\$	316,516,746.29

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

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EXHIBIT - E
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 784,393.77	\$	\$
Federal Through State	135,121.01		
Federal Through Local State	160,144,203.72		
Local	46,946,564.26	28,333.32	14,815,603.56
Total Revenues	208,010,282.76	28,333.32	14,815,603.56
Expenditures			
Current - Education:			
Instruction	127,621,713.28		
Pupil Personnel Services	10,915,232.92		
Instructional Media Services	4,760,727.38		
Instruction and Curriculum Development Services	3,008,585.34		
Instructional Staff Training Services	1,096,149.18		
Instruction Related Technology	526,664.77		
Board of Education	690,227.40		
General Administration	657,449.81		
School Administration	11,948,146.41		
Facilities Acquisition and Construction	1,095,315.65		1,131,061.35
Fiscal Services	588,756.31		
Food Services	53,502.83		
Central Services	3,123,544.60		
Pupil Transportation Services	10,688,873.29		
Operation of Plant	15,722,830.13		
Maintenance of Plant	4,627,409.55		
Administrative Technology Services	1,212,856.76		
Community Services	330,815.25		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	4,928,158.13		7,108,103.71
Other Capital Outlay	2,229,163.66		
Debt Service:			
Principal		1,870,000.00	
Interest and Fiscal Charges		2,659,526.96	
Total Expenditures	205,826,122.65	4,529,526.96	8,239,165.06
Excess (Deficiency) of Revenues Over Expenditures	2,184,160.11	(4,501,193.64)	6,576,438.50
Other Financing Sources (Uses)			
Transfers In	1,801,794.34	4,240,760.13	
Certificates of Participation Issued		18,545,000.00	
Refunding Bonds Issued			
Premium on Debt Issued		682,020.30	
Discount on Debt Issued		(69,936.55)	
Payment to Escrow Agent for Refunded Debt		(18,886,614.00)	
Sale of Capital Assets	84,858.55		
Insurance Loss Recoveries	99,376.93		
Transfers Out			(5,627,875.66)
Total Other Financing Sources (Uses)	1,986,029.82	4,511,229.88	(5,627,875.66)
Net Change in Fund Balances	4,170,189.93	10,036.24	948,562.84
Fund Balances, July 1, 2005	20,898,485.23	10,229.30	5,968,571.14
Increase in Inventory Reserve	156,205.97		
Fund Balances, June 30, 2006	\$ 25,224,881.13	\$ 20,265.54	\$ 6,917,133.98

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

EXHIBIT - E

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	784,393.77	16,823,792.16
	16,688,671.15	141,046.01
467,077.78	5,184,081.71	165,795,363.21
13,800,719.01	5,226,925.26	80,818,145.41
<u>14,267,796.79</u>	<u>27,240,724.13</u>	<u>264,362,740.56</u>
	8,136,481.08	135,758,194.36
	783,381.37	11,698,614.29
	56,932.45	4,817,659.83
	1,230,636.79	4,239,222.13
	1,343,573.54	2,439,722.72
		526,664.77
		690,227.40
	387,995.83	1,045,445.64
		11,948,146.41
532,265.34	1,968,261.74	4,726,904.08
		588,756.31
	9,778,728.30	9,832,231.13
		3,123,544.60
	112,625.19	10,801,498.48
		15,722,830.13
		4,627,409.55
		1,212,856.76
		330,815.25
31,962,275.59	1,663,376.62	45,661,914.05
	1,171,375.22	3,400,538.88
	645,000.00	2,515,000.00
260,734.70	377,899.86	3,298,161.52
<u>32,755,275.63</u>	<u>27,656,267.99</u>	<u>279,006,358.29</u>
<u>(18,487,478.84)</u>	<u>(415,543.86)</u>	<u>(14,643,617.73)</u>
		6,042,554.47
16,430,000.00		34,975,000.00
	740,000.00	740,000.00
1,601.30	72,031.44	755,653.04
(175,866.60)		(245,803.15)
	(809,247.24)	(19,695,861.24)
		84,858.55
		99,376.93
<u>(314,678.81)</u>	<u>(100,000.00)</u>	<u>(6,042,554.47)</u>
<u>15,941,055.89</u>	<u>(97,215.80)</u>	<u>16,713,224.13</u>
		2,069,606.40
(2,546,422.95)	(512,759.66)	47,536,162.31
13,874,570.86	6,784,305.78	187,057.87
	30,851.90	
<u>\$ 11,328,147.91</u>	<u>\$ 6,302,398.02</u>	<u>\$ 49,792,826.58</u>

**EXHIBIT - F
CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Governmental Funds \$ 2,069,606.40

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	37,746,872.67
Land acquired in exchange for impact fee credits increases net assets in the government-wide statements, but is not a financial resource and, therefore, is not reported in the governmental funds.	12,555,000.00
Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds.	308,775.92
Proceeds from the sale of land are included in the governmental funds. However, the cost of the land sold is removed from capital assets and offset against the sale proceeds in the government-wide statements.	(24,580.00)
Issuing long-term bonded debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. This is the amount of long-term bonded debt that was issued during the current period.	(35,715,000.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of long-term debt repaid and other debt service activity in the current period.	2,715,000.00
Refunded long-term debt is removed from long-term liabilities in the statement of net assets and, therefore, decreases long-term liabilities in the statement of net assets. This is the amount of long-term debt that was refunded during the current period.	17,955,000.00
The net change in deferred amounts on refunding long-term debt is reported in the statement of activities, but is not a current financial resource and, therefore, is not reported in the governmental funds. This is the net increase in deferred amounts on refunding long-term debt for certificates of participation during the current period.	1,095,638.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current period.	(252,622.84)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities.	(877,794.70)
The District accrues capital credits to be received in future years in the statement of activities, but the revenue does not provide current financial resources and is not reported in the governmental funds.	86,002.38
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.	187,057.87
Change in Net Assets - Governmental Activities	<u><u>\$ 37,848,955.70</u></u>

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

**EXHIBIT - G
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash	\$	40,000.00
Investments		5,750,941.48
Due from Excess Insurance Carrier		185,524.37
TOTAL ASSETS	\$	5,976,465.85
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	2,236,646.09
Due to Other Funds		9,565.69
Estimated Insurance Claims Payable		1,084,784.84
Total Current Liabilities		3,330,996.62
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,953,828.16
TOTAL LIABILITIES		5,284,824.78
NET ASSETS		
Unrestricted		691,641.07
TOTAL LIABILITIES AND NET ASSETS	\$	5,976,465.85

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

**EXHIBIT - H
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Insurance Premiums	\$ 2,927,134.82
OPERATING EXPENSES	
Insurance Claims	1,467,818.61
Excess Insurance Premiums	2,249,951.49
State Assessments	116,116.74
Administrative Expenses	74,235.00
Purchased Services	72,372.85
Total Operating Expenses	<u>3,980,494.69</u>
Operating Loss	<u>(1,053,359.87)</u>
NONOPERATING REVENUES	
Interest Income	<u>175,565.17</u>
Net Loss	(877,794.70)
Total Net Assets, July 1, 2005	<u>1,569,435.77</u>
Total Net Assets, June 30, 2006	<u>\$ 691,641.07</u>

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

**EXHIBIT - I
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds	\$	2,927,134.82
Cash Payments to Vendors for Goods and Services		(1,636,609.57)
Cash Payments for Insurance Claims		(1,232,269.61)
		58,255.64
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(3,378,057.38)
Proceeds from Sale of Investments		3,144,236.57
Interest Income		175,565.17
		(58,255.64)
Net Cash Used by Investing Activities		
Net Increase in Cash		
Cash at Beginning of Year		40,000.00
Cash at End of Year	\$	40,000.00
 Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$	(1,053,359.87)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Increase in Due from Excess Insurance Carrier		(100,076.47)
Increase in Accounts Payable		974,334.09
Increase in Due to Other Funds		1,808.89
Increase in Estimated Insurance Claims Payable		235,549.00
		1,111,615.51
Total Adjustments		1,111,615.51
Net Cash Provided by Operating Activities	\$	58,255.64

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

EXHIBIT - J
CLAY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2006

		Agency Funds
ASSETS		
Cash	\$	1,022,639.96
Investments		1,693,468.06
TOTAL ASSETS		\$ 2,716,108.02
LIABILITIES		
Accounts Payable	\$	145,838.80
Due to Other Funds		147,956.35
Internal Accounts Payable		2,422,312.87
TOTAL LIABILITIES	\$	2,716,108.02

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

EXHIBIT – K
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Blended Component Unit.** The Clay School Board Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Clay County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Clay County Education Foundation, Inc. (Foundation). The Foundation was organized and operated in accordance with Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property, and to make expenditures to, or for the benefit of, public prekindergarten through twelfth grade education in Clay County. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the Foundation for the fiscal year ended June 30, 2006. A copy of the separate financial statements for the Foundation is filed with the District.

➤ **Basis of Presentation**

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the long-term certificates of participation.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.
- Capital Projects – Other Capital Projects Fund – to account mainly for the financial resources received from certificates of participation proceeds, local sales taxes, local impact fees, and other miscellaneous sources, to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

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

➤ **Basis of Accounting**

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

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

The Internal Service Fund is accounted for as a proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the District for workers' compensation, automobile liability, general liability, and property loss insurance premiums. The principal operating expenses include insurance claims, insurance premiums for excess insurance, and administrative expenses and fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

➤ **Deposits and Investments**

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

Investments made locally are reported at fair value and consist of amounts placed in money market funds and Obligations of United States Government Agencies and Instrumentalities. Investments for the discretely presented component unit consist of moneys placed in certificates of deposit.

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

➤ **Inventories**

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

➤ **Restricted Assets**

Certain invested assets held by a trustee under a trust agreement, in the name of the District, in connection with certificates of participation financing arrangements are classified as restricted assets on the statement of net assets because they are set aside for repayment of maturing debt as required by applicable debt covenants. These assets are restricted for the repayment of matured certificates of participation principal and interest reported as current liabilities on the statement of net assets and are payable on July 1.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land, improvements other than buildings, and buildings acquired or constructed prior to July 1, 1968, are stated at appraised value when historical costs could not be determined.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms for Kids Program and the High Growth County District Capital Outlay Assistance Grant Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay, Classrooms for Kids, and High Growth County District Capital Outlay Assistance Grant funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2005 tax levy on September 8, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Clay County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

➤ **Federal Revenue Sources**

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2006, the District has the following investments and maturities:

Investment	Maturities	Fair Value
First American Treasury Obligations Money Market Fund (1) State Board of Administration Local Government	1 Day Average	\$ 2,169,095.05
Surplus Funds Trust Fund Investment Pool (1)(2)	27 Day Average	54,465,285.00
Evergreen Institutional Treasury Money Market Fund (1) Obligations of United States Government	41 Day Average	1,082,830.18
Agencies and Instrumentalities (1)	17 to 46 Days	2,399,368.94
State Board of Administration Debt Service Accounts	6 Months	<u>311,302.66</u>
Total Investments, Primary Government		<u>\$ 60,427,881.83</u>

Notes: (1) At June 30, 2006, investments totaling \$5,787,565.35 were held under a trust agreement in connection with Certificates of Participation financing arrangements as follows: \$136,271.18 in the State Board of Administration Local Government Surplus Funds Trust Fund; \$3,251,925.23 invested in money market funds; and \$2,399,368.94 invested in Obligations of United States Government Agencies and Instrumentalities.

(2) Includes Fiduciary Fund investments of \$1,693,468.06.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates, but generally requires shorter-term investment maturities that are matched with cash flow needs to avoid selling securities prior to maturity.

Credit Risk

- The District's investment policy limits investments to the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts held in qualified public depositories; direct obligations of the United States Treasury, Federal agencies, and instrumentalities; any open-end or closed-end management-type investment company or registered investment trust investing in, or repurchase agreements collateralized by, obligations of the United States Government or any agency or instrumentality; and commercial paper and bankers' acceptances with quality credit ratings.
- The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- As of June 30, 2006, the District's investments in the Local Government Surplus Funds Trust Fund investment pool and the Debt Service Accounts were unrated.
- The District's investments in money market funds and Obligations of United States Government Agencies and Instrumentalities were rated AAAM by Standard & Poor's and Aaa by Moody's Investor Services.

Custodial Credit Risk

- The District's investment policy requires that all securities purchased and collateral obtained be held by a third-party custodial institution and be properly designated as an asset of the School Board.
- The District's investments in money market funds of \$3,251,925.23, as well as investments in Obligations of United States Government Agencies and Instrumentalities of \$2,399,368.94, are held by the safekeeping agent in the name of the District.

4. DUE FROM OTHER AGENCIES

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Funds/Source	Amount
Major Funds:	
General:	
United States Department of Education:	
Impact Aid	\$ 548,068.29
Florida Department of Education:	
Voluntary Pre-Kindergarten	199,078.38
Excellent Teaching Program	77.15
Florida Department of Children and Families:	
Case Review Committee Grant	15,471.37
United States Department of Defense:	
Navy JROTC	55,346.86
Clay County Sheriff's Office:	
Fuel Reimbursement	23,837.61
University of North Florida:	
Sprint Teachers Program	3,994.09
Capital Projects - Other Capital Projects:	
Florida Department of Education:	
High Growth District Capital Outlay Assistance Grant	3,184,671.00
Classrooms for Kids	1,399,900.00
Clay County Board of County Commissioners:	
Impact Fees	1,390,075.58
Florida Department of Revenue:	
Gas Tax Refunds	16,961.18
Nonmajor Governmental Funds:	
Special Revenue - Food Service:	
Florida Department of Education:	
National School Lunch Program	19,466.50
Special Revenue - Other:	
Florida Department of Juvenile Justice:	
Clay Cares Grant	31,665.82
Duval County District School Board:	
FDLRS Grant	13,746.22
St. Johns County District School Board:	
Tech-Prep Grant	260.33
Capital Projects - Capital Outlay and Debt Service (CO&DS):	
Florida Department of Education:	
Motor Vehicle License Tax (CO&DS)	16,930.69
Capital Projects - Public Education Capital Outlay (PECO):	
Florida Department of Education:	
State PECO Appropriations	712,843.33
Total	\$7,632,394.40

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

EXHIBIT - K (Continued)
CLAY COUNTY
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5. CAPITAL CREDITS RECEIVABLE

The District participates in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata basis to its members. The policy of the Clay Electric Cooperative, Inc., is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2005-06 fiscal year, the District received \$65,668.93 related to portions of capital credits earned from the 1985 through 2004 fiscal years. At June 30, 2006, the accumulated credits to the District's accounts were \$2,645,865.82.

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 15,738,026.41	\$ 12,870,480.70	\$ 24,580.00	\$ 28,583,927.11
Construction in Progress	2,034,369.98	41,573,822.26	14,559,588.96	29,048,603.28
Total Capital Assets Not Being Depreciated	<u>17,772,396.39</u>	<u>54,444,302.96</u>	<u>14,584,168.96</u>	<u>57,632,530.39</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	18,100,916.07	1,360,655.06		19,461,571.13
Buildings and Fixed Equipment	312,042,047.28	13,198,933.90		325,240,981.18
Furniture, Fixtures, and Equipment	30,257,078.22	5,548,860.07	3,320,941.11	32,484,997.18
Motor Vehicles	13,641,245.94	1,656,288.25	74,867.70	15,222,666.49
Audio Visual Materials and Computer Software	3,002,337.43	276,777.57	137,493.13	3,141,621.87
Total Capital Assets Being Depreciated	<u>377,043,624.94</u>	<u>22,041,514.85</u>	<u>3,533,301.94</u>	<u>395,551,837.85</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,245,043.76	724,036.64		9,969,080.40
Buildings and Fixed Equipment	58,037,816.85	5,705,435.20		63,743,252.05
Furniture, Fixtures, and Equipment	16,589,331.06	3,313,986.21	3,320,941.11	16,582,376.16
Motor Vehicles	7,574,888.84	1,200,801.68	74,867.70	8,700,822.82
Audio Visual Materials and Computer Software	1,761,526.16	371,320.53	137,493.13	1,995,353.56
Total Accumulated Depreciation	<u>93,208,606.67</u>	<u>11,315,580.26</u>	<u>3,533,301.94</u>	<u>100,990,884.99</u>
Total Capital Assets Being Depreciated, Net	<u>283,835,018.27</u>	<u>10,725,934.59</u>		<u>294,560,952.86</u>
Governmental Activities Capital Assets, Net	<u>\$ 301,607,414.66</u>	<u>\$ 65,170,237.55</u>	<u>\$ 14,584,168.96</u>	<u>\$ 352,193,483.25</u>

EXHIBIT - K (Continued)
CLAY COUNTY
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Depreciation expenses were charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,200,801.68
Unallocated	<u>10,114,778.58</u>
 Total Depreciation Expenses - Governmental Activities	 <u><u>\$11,315,580.26</u></u>

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2006, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 1997 (Partially Refunded)	\$ 640,000	5.05 - 5.50	2007	\$ 13,680,000
Series 2000 (Partially Refunded)	3,560,000	5.0 - 6.0	2010	24,980,000
Series 2003	15,495,000	3.875 - 5.000	2025	15,495,000
Series 2004, Refunding	9,465,000	2.000 - 3.625	2017	9,900,000
Series 2005A	16,430,000	3.0 - 4.5	2027	16,430,000
Series 2005B, Refunding	<u>18,220,000</u>	3.0 - 5.0	2025	18,545,000
 Subtotal	 63,810,000			
Less: Deferred Amount on Refunding Debt (1)	<u>(1,728,132)</u>			
 Total Certificates of Participation	 <u><u>\$ 62,081,868</u></u>			

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

The District entered into a master financing arrangement on May 15, 1997, characterized as a lease purchase agreement, with the Clay School Board Leasing Corporation whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District properties to the Clay School Board Leasing Corporation, with a rental fee of \$10 per year. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the Ground Lease Agreements for the benefit of the securers of the Certificates for the remaining term of the ground leases.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
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A summary of the lease terms are as follows:

<u>Certificates</u>	<u>Lease Term</u>
Series 1997	Earlier of date paid in full or June 30, 2017
Series 2000	Earlier of date paid in full or June 30, 2025
Series 2003	Earlier of date paid in full or June 30, 2025
Series 2004, Refunding	Earlier of date paid in full or June 30, 2017
Series 2005A	Earlier of date paid in full or June 30, 2027
Series 2005B, Refunding	Earlier of date paid in full or June 30, 2025

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

<u>Certificates</u>	<u>Description of Properties</u>
Series 1997 and 2004, Refunding	Acquisition of approximately 42 acres of land adjacent to the former Ridgeview Junior High School and conversion of the facility to a senior high school.
Series 2000 and 2005B, Refunding	Construction of a new senior high school in the Fleming Island area.
Series 2003	Construction of a new junior high school in the Lake Asbury area.
Series 2005A	Construction of a kindergarten through 8th grade school in the Oakleaf area.

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,672,338.76	\$ 2,010,000.00	\$ 2,662,338.76
2008	4,673,648.76	2,100,000.00	2,573,648.76
2009	4,675,733.76	2,175,000.00	2,500,733.76
2010	4,671,433.76	2,250,000.00	2,421,433.76
2011	4,671,253.76	2,335,000.00	2,336,253.76
2012-2016	23,369,150.08	12,950,000.00	10,419,150.08
2017-2021	23,371,840.04	15,850,000.00	7,521,840.04
2022-2026	20,107,656.26	16,540,000.00	3,567,656.26
2027	7,934,665.00	7,600,000.00	334,665.00
Subtotal	98,147,720.18	63,810,000.00	34,337,720.18
Less: Deferred Amount on Refunding Debt	<u>(1,728,132.00)</u>	<u>(1,728,132.00)</u>	
Total Minimum Lease Payments	<u>\$ 96,419,588.18</u>	<u>\$ 62,081,868.00</u>	<u>\$ 34,337,720.18</u>

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
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8. BONDS PAYABLE

Bonds payable at June 30, 2006, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1997A (Partially Refunded)	\$ 305,000	6.0	2007
Series 1998A (Partially Refunded)	115,000	4.5	2008
Series 1999A	435,000	4.00 - 4.75	2019
Series 2002B	2,055,000	3.375 - 5.375	2015
Series 2003A	650,000	3.0 - 5.0	2023
Series 2005A	3,970,000	5.0	2017
Series 2005B, Refunding	740,000	5.0	2020
District Revenue Bonds:			
Series 1995	<u>1,880,000</u>	5.500 - 5.875	2020
Total Bonds Payable	<u>\$ 10,150,000</u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1971A, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 65-1383, Laws of Florida, and Chapter 70-631, Laws of Florida, which provide that the bonds be secured by the portion of the racetrack and jai alai fronton funds distributed annually to Clay County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes), and Chapter 65-1164, Laws of Florida. The annual distribution is remitted by the Florida Department of Financial Services to the District and the Board has established a sinking fund as required by the bond resolution.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

EXHIBIT - K (Continued)
CLAY COUNTY
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NOTES TO FINANCIAL STATEMENTS
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Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2007	\$ 991,927.50	\$ 590,000.00	\$ 401,927.50
2008	989,902.50	620,000.00	369,902.50
2009	983,140.00	640,000.00	343,140.00
2010	984,902.50	670,000.00	314,902.50
2011	986,402.50	705,000.00	281,402.50
2012-2016	4,693,938.75	3,840,000.00	853,938.75
2017-2021	1,190,593.75	1,080,000.00	110,593.75
2022-2023	133,075.00	125,000.00	8,075.00
Total State School Bonds	10,953,882.50	8,270,000.00	2,683,882.50
District Revenue Bonds:			
2007	199,338.75	90,000.00	109,338.75
2008	199,388.75	95,000.00	104,388.75
2009	199,068.75	100,000.00	99,068.75
2010	198,443.75	105,000.00	93,443.75
2011	202,537.50	115,000.00	87,537.50
2012-2016	1,004,293.75	675,000.00	329,293.75
2017-2020	805,750.00	700,000.00	105,750.00
Total District Revenue Bonds	2,808,821.25	1,880,000.00	928,821.25
Total	<u>\$ 13,762,703.75</u>	<u>\$ 10,150,000.00</u>	<u>\$ 3,612,703.75</u>

9. DEFEASED DEBT

State School Bonds. The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance refund callable portions of the District's State School Bonds, Series 1998A. The Refunding Bonds are being issued to advance refund the \$745,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009. The District's pro rata share of net proceeds totaling \$809,247.24 (after deduction of \$2,784.20 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result, \$745,000 of the State School Bonds, Series 1998A, are considered to be in substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

EXHIBIT - K (Continued)
CLAY COUNTY
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The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$43,934 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$42,811.53.

In prior years, portions of the State School Bonds, Series 1997A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2005A, in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2006, State School Bonds, Series 1997A, totaling \$4,170,000 outstanding, are considered defeased in substance.

Certificates of Participation. On September 28, 2005, the Clay School Board Leasing Corporation issued \$18,545,000 in Refunding Certificates of Participation, Series 2005B, with an average interest rate of 4.535 percent, to advance-refund a portion of the District's Certificates of Participation, Series 2000. The Refunding Certificates were issued to advance-refund the \$17,210,000 principal amount of the Series 2000 Certificates that mature on or after July 1, 2010. The net proceeds of \$18,886,614 (after payment of \$270,469.75 in underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for future debt service payments on the Series 2000 Certificates. As a result, \$17,210,000 of the Series 2000 Certificates liability has been removed from the government-wide financial statements.

The Certificates of Participation, Series 2005B, were issued to reduce the District's total debt service payments over the next 19 years by \$1,183,284.96 and to obtain an economic gain of \$805,634.06.

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-01-05	Additions	Deductions	Balance 6-30-06	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 47,915,000.00	\$ 34,975,000.00	\$ 19,080,000.00	\$ 63,810,000.00	\$ 2,010,000.00
Less Deferred Amount on Refunding Debt	(632,494.00)	(1,676,614.00)	(580,976.00)	(1,728,132.00)	(669,218.00)
Net Certificates of Participation Payable	47,282,506.00	33,298,386.00	18,499,024.00	62,081,868.00	1,340,782.00
Bonds Payable	11,000,000.00	740,000.00	1,590,000.00	10,150,000.00	680,000.00
Estimated Insurance Claims Payable	2,803,064.00	1,467,828.61	1,232,279.61	3,038,613.00	1,084,784.84
Compensated Absences Payable	16,322,579.59	7,566,177.19	7,313,554.35	16,575,202.43	7,313,554.35
Total Governmental Activities	<u>\$ 77,408,149.59</u>	<u>\$ 43,072,391.80</u>	<u>\$ 28,634,857.96</u>	<u>\$ 91,845,683.43</u>	<u>\$ 10,419,121.19</u>

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

11. ESTIMATED LIABILITY FOR ARBITRAGE REBATE

The District has determined its compliance with Federal arbitrage regulations and has determined an estimated liability for arbitrage rebate of \$56,066.04 as of June 30, 2006.

12. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

Pursuant to provisions of Section 1006.40(6), Florida Statutes, the District is authorized to issue purchase orders for instructional materials in anticipation of the subsequent year's legislative appropriations. Because revenues for these appropriations are not available at fiscal year-end, a reserve for encumbrances is not shown for these outstanding purchase orders. However, purchase orders outstanding in the General Fund for these instructional materials total \$2,913,474.61 at June 30, 2006.

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 1,243,703.84	\$
Debt Service - Other	75,582.95	70,832.46
Capital Projects - Other		1,012,050.88
Nonmajor Governmental		78,881.41
Internal Service		9,565.69
Fiduciary		147,956.35
Total	<u>\$ 1,319,286.79</u>	<u>\$ 1,319,286.79</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 1,801,794.34	\$
Debt Service - Other	4,240,760.13	
Capital Projects:		
Local Capital Improvement		5,627,875.66
Other Capital Projects		314,678.81
Nonmajor Governmental		100,000.00
Total	\$ 6,042,554.47	\$ 6,042,554.47

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects Funds were to provide for debt service payments, to fund equipment purchases, and to provide for certain expenditures of the District's maintenance and technology departments. The transfers out of the Nonmajor Governmental Funds were to provide funding for certain expenditures of the District's maintenance department.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2005-06 fiscal year:

EXHIBIT - K (Continued)
CLAY COUNTY
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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 123,936,847.00
Categorical Educational Programs:	
Class Size Reduction	18,809,413.00
Transportation	6,911,540.00
Instructional Materials	3,486,862.00
School Recognition	1,936,050.00
Discretionary Lottery Funds	1,599,243.00
Excellent Teaching Program	989,619.88
Public School Technology	642,742.00
Voluntary Pre-K Program	286,235.68
Teacher Training	233,173.00
Teacher's Lead Program	224,191.00
Gross Receipts Tax (Public Education Capital Outlay)	3,506,719.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,343,760.84
Workforce Development Program	700,939.00
Classroom for Kids	392,827.00
Racing Commission Funds	223,250.00
Food Service Supplement	105,566.00
Miscellaneous	466,384.81
	<hr/>
Total	<u>\$ 165,795,363.21</u>

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

15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.215	\$ 39,022,604
Basic Discretionary Local Effort	0.510	3,816,209
Supplemental Discretionary Local Effort	0.250	1,870,691
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>14,965,524</u>
Total	<u>7.975</u>	<u>\$ 59,675,028</u>

16. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement

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CLAY COUNTY
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plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS.

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

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2005-06 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including

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CLAY COUNTY
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employee contributions) for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$8,849,401.99, \$9,176,155.16, and \$10,495,122.19, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 464 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$1,029,509.36.

Pension Reporting. The financial statements and other supplementary information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

17. CONSTRUCTION CONTRACT COMMITMENTS

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

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Project	Contract Amount	Completed to Date	Balance Committed
New Coppergate Elementary:			
Architect	\$ 690,900.00	\$ 613,173.75	\$ 77,726.25
General Contractor	9,519,179.48	5,344,639.88	4,174,539.60
Direct Materials	4,900,000.00	2,661,208.88	2,238,791.12
New K-8 Oakleaf School:			
Architect	1,146,583.92	1,021,102.34	125,481.58
Construction Manager	13,362,409.87	12,264,847.06	1,097,562.81
Direct Materials	7,924,404.95	5,894,533.89	2,029,871.06
Charles E. Bennett Elementary - Classroom Additions:			
Architect	441,000.00	132,300.00	308,700.00
Construction Manager	51,000.00		51,000.00
Specialty Contractor	375,082.00	187,341.00	187,741.00
New Elementary Schools W and Z:			
Architect	2,000,000.00	190,000.00	1,810,000.00
Construction Manager	278,000.00		278,000.00
Total	\$ 40,688,560.22	\$ 28,309,146.80	\$ 12,379,413.42

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, and property loss coverages are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

The District's liability is limited to \$100,000 per occurrence for automobile liability, general liability, and property loss coverages. The District's liability for workers' compensation is limited from \$125,000 to \$500,000 per occurrence, depending on the year of occurrence.

A liability in the amount of \$3,038,613 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2006.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-05	\$ 2,427,412.00	\$ 1,514,604.24	\$ (1,138,952.24)	\$ 2,803,064.00
2005-06	2,803,064.00	1,467,818.61	(1,232,269.61)	3,038,613.00

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

EXHIBIT - L
CLAY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 930,000.00	\$ 930,979.00	\$ 784,393.77	\$ (146,585.23)
Federal Through State			135,121.01	135,121.01
State	158,362,311.00	159,964,019.00	160,144,203.72	180,184.72
Local	45,296,684.80	46,499,053.00	46,946,564.26	447,511.26
Total Revenues	204,588,995.80	207,394,051.00	208,010,282.76	616,231.76
Expenditures				
Current - Education:				
Instruction	135,475,420.57	132,080,987.77	127,621,713.28	4,459,274.49
Pupil Personnel Services	10,181,496.74	10,997,890.08	10,915,232.92	82,657.16
Instructional Media Services	4,473,859.94	4,832,018.59	4,760,727.38	71,291.21
Instruction and Curriculum Development Services	2,637,410.17	3,094,369.49	3,008,585.34	85,784.15
Instructional Staff Training Services	1,300,682.88	1,532,518.95	1,096,149.18	436,369.77
Instruction Related Technology	621,827.21	556,986.00	526,664.77	30,321.23
Board of Education	2,188,223.64	2,063,193.00	690,227.40	1,372,965.60
General Administration	635,846.82	675,317.60	657,449.81	17,867.79
School Administration	11,150,555.52	11,971,413.41	11,948,146.41	23,267.00
Facilities Acquisition and Construction	2,134,661.88	1,564,382.13	1,095,315.65	469,066.48
Fiscal Services	560,824.10	596,267.05	588,756.31	7,510.74
Food Services		57,970.00	53,502.83	4,467.17
Central Services	3,151,124.18	3,246,586.15	3,123,544.60	123,041.55
Pupil Transportation Services	11,626,910.76	10,747,902.22	10,688,873.29	59,028.93
Operation of Plant	14,482,936.05	15,732,479.50	15,722,830.13	9,649.37
Maintenance of Plant	4,502,008.57	4,680,841.82	4,627,409.55	53,432.27
Administrative Technology Services	1,428,206.38	1,318,837.75	1,212,856.76	105,980.99
Community Services	403,733.41	428,030.01	330,815.25	97,214.76
Fixed Capital Outlay:				
Facilities Acquisition and Construction	1,899,838.93	5,198,114.87	4,928,158.13	269,956.74
Other Capital Outlay	5,331,747.87	6,156,287.61	2,229,163.66	3,927,123.95
Total Expenditures	214,187,315.62	217,532,394.00	205,826,122.65	11,706,271.35
Excess (Deficiency) of Revenues Over Expenditures	(9,598,319.82)	(10,138,343.00)	2,184,160.11	12,322,503.11
Other Financing Sources				
Operating Transfers In	1,680,000.00	1,780,000.00	1,801,794.34	21,794.34
Sale of Capital Assets	25,000.00	117,523.75	84,858.55	(32,665.20)
Insurance Loss Recoveries	20,000.00	97,536.93	99,376.93	1,840.00
Total Other Financing Sources	1,725,000.00	1,995,060.68	1,986,029.82	(9,030.86)
Net Change in Fund Balance	(7,873,319.82)	(8,143,282.32)	4,170,189.93	12,313,472.25
Fund Balance, July 1, 2005	20,898,485.22	20,898,485.22	20,898,485.23	0.01
Increase in Inventory Reserve			156,205.97	156,205.97
Fund Balance, June 30, 2006	\$ 13,025,165.40	\$ 12,755,202.90	\$ 25,224,881.13	\$ 12,469,678.23

FEDERAL REPORTS AND SCHEDULES

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading *INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS*. Our report on the basic financial statements was modified to include references to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the school internal funds and the Clay County Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's basic financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report and certain instances of noncompliance related to Federal programs which are discussed in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** section of this audit report.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

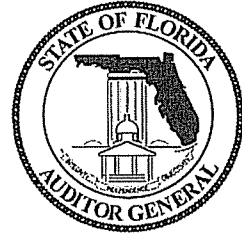
January 26, 2007



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
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850/488-5534/SC 278-5534
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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 COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB *CIRCULAR A-133***

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2006. The District's major Federal programs are identified in the ***SUMMARY OF AUDIT RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006. However, as discussed in the accompanying *SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*, the results of our auditing procedures disclosed some instances of noncompliance with those requirements which are required to be reported in accordance with OMB *Circular A-133*.

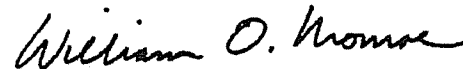
Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

January 26, 2007

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550 (2)(A)	None	\$ 632,050.93
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	528,483.09
National School Lunch Program	10.555	300	3,227,353.22
Total Child Nutrition Cluster			3,755,836.31
Total United States Department of Agriculture			4,387,887.24
United States Department of Justice:			
Indirect:			
Clay County Board of County Commissioners:			
Part E - State Challenge Activities	16.549	5138075, 5138076	123,714.53
United States Department of Labor:			
Indirect:			
Northeast Florida Builders Association:			
WIA Youth Activities	17.259	AN145270560	827.65
United States General Services Administration:			
Indirect:			
Florida Department of Management Services:			
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	1,882.41
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	548,068.29
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	7,536,190.01
Special Education - Preschool Grants	84.173	267	171,969.92
Duval County District School Board:			
Special Education - Grants to States	84.027	48405	10,629.53
University of Florida:			
Special Education - Grants to States	84.027	00050736	8.00
Total Special Education Cluster			7,718,797.46
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212	2,464,374.04
Vocational Education - Basic Grants to States	84.048	151	204,103.11
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	117,966.68
Education for Homeless Children and Youth	84.196	127	54,481.72
State Grants for Innovative Programs	84.298	113	97,563.28
Education Technology State Grants	84.318	121	49,380.37
Reading First State Grants	84.357	211	163,202.37
English Language Acquisition Grants	84.365	102	24,764.88
Improving Teacher Quality State Grants	84.367	224	1,070,594.53
Hurricane Education Recovery	84.938	None	135,121.01
St. Johns County District School Board:			
Tech-Prep Education	84.243	603306	2,749.61
Washington County District School Board:			
Reading First State Grants	84.357	7429003	15,000.00
Total Indirect			12,118,099.06
Total United States Department of Education			12,666,167.35
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	6,274.14
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	258,259.10
Total Expenditures of Federal Awards			\$ 17,445,012.42

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2005-06 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.

(A) Food Donation - Represents the amount of donated food used during the 2005-06 fiscal year, including cash in lieu of donated food of \$57,765.47. Donated foods are valued at fair value as determined at the time of donation.

(B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of donated Federal surplus personal property obtained during the 2005-06 fiscal year.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Clay County District School Board for the fiscal year ended June 30, 2006:

- An unqualified opinion was issued on the financial statements.
- No reportable conditions involving the internal control and its operation were reported.
- No noncompliance was reported which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Food Donation (CFDA No. 10.550); Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553) and National School Lunch Program (CFDA No. 10.555)]; and Impact Aid (CFDA No. 84.041).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$523,350.37.
- The low risk entity threshold was applied.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Cash Management – Food Service. Title 7, Section 210.14(b), Code of Federal Regulations (CFR), states that the school food service authority (Clay County District School Board) shall limit its net cash resources to an amount that does not exceed three months' average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency (Florida Department of Education) in accordance with Title 7, Section 210.19(a), CFR. Title 7, Section 210.19(a)(2), CFR, in part, requires that in the event that net cash resources exceed three months' average expenditures for the school food authority's nonprofit school food service or such other amount as may be approved in accordance with this paragraph, the State agency may require the school food authority to reduce the price charged to children for lunches, or to improve food quality, or to take action designed to improve the nonprofit school food service. In the absence of any such action, the State agency shall make adjustments in the rate of reimbursement under the Program.

As similarly noted in our report No. 2006-126, the District's net cash resources at June 30, 2006, exceeded the average three months' expenditures. The District reported expenditures of \$9,683,673 in its Food Service Fund for the 2005-06 fiscal year, and the average three months' expenditures totaled \$2,905,102. The net cash resources for the Food Service Fund at June 30, 2006, totaled \$3,311,629, which exceeded the average three months' expenditures by \$406,527.

In a letter to the Florida Department of Education's Office of Food and Nutrition Management, dated November 21, 2006, District personnel indicated that the excess net cash resources have declined from \$1,717,797 at June 30, 2004, to \$406,527 at June 30, 2006. Additionally, the District advised Department personnel of its future improvement plans to further reduce the excess net cash resources, including the purchase of an online meal payment system, a free and reduced application scanning program, replacement equipment, and the hiring of additional staff.

Recommendation: The District should continue its efforts to ensure that net cash resources of its Food Service Fund are maintained within the level prescribed in the Federal regulations.

District Contact Person: Wimberly Brackett, Director of Food and Nutrition Service

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

Special Tests and Provisions – Competitive Food Sales. The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items. Title 7, Section 210.11, Code of Federal Regulations, requires that State agencies and school food authorities shall establish such rules or regulations as are necessary to control the sale of foods in competition with lunches served under the National School Lunch Program. State Board of Education Rule 6A-7.0411(2)(c), Florida Administrative Code, provides that competitive food and beverage items may be sold at any time in high schools by a school activity or organization authorized by the principal if a beverage of 100 percent fruit juice is sold at each location where carbonated beverages are sold. Our review of the District's compliance with the competitive food and beverage sales requirements at two high schools during April 2006 disclosed that carbonated beverages were sold to students throughout the school day; however, neither school had 100 percent fruit juice available for sale where the carbonated beverages were sold.

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

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

*CLAY COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2006-126 (1)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Cash Management - Food Service	Contrary to Federal regulations, the District had excess net cash resources of \$767,441 in its Food Services Fund at June 30, 2005.	Not Corrected	The District reduced the excess net cash resources in its Food Services Fund to \$406,527 at June 30, 2006.

 MANAGEMENT RESPONSE



David Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

BUSINESS AFFAIRS DIVISION
900 Walnut Street
Green Cove Springs, Florida 32043

Telephones:

904/284-6501 (GCS) 904/272-8100 (OP)
1-888-633-2529 (KH)
FAX 904/284-6525 TDD 904/284-6584

BOARD MEMBERS

Carol Vallencourt
District 1
Carol Studdard
District 2
Charles Van Zant, Jr.
District 3
Wayne Bolla
District 4
Lisa Graham
District 5

February 27, 2007

William O. Monroe, CPA
Auditor General
3974 Woodcock Drive
Suite 101A
Jacksonville, Florida 32207

RE: Audit Findings, Corrective Actions, and Management
Letter From the Clay County School Board for Fiscal
Year Ended June 30, 2006

Dear Mr. Monroe:

Please find enclosed the District's responses to the 2005-2006 audit findings. We are confident that our corrective actions to the findings will be an acceptable approach in improving our management of district resources.

The audit of the Clay County School District was done in a professional manner, and the audit personnel were courteous and helpful during the audit process. We look forward to your next audit review of the district.

If these responses and corrective actions need further clarification please contact me at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "George F. Copeland".

George F. Copeland, CPA
Assistant Superintendent of Business Affairs

GFC/sn

pc: David Owens, Superintendent
Ben Wortham, Deputy Superintendent

" An Equal Opportunity Employer "

MANAGEMENT RESPONSE (CONTINUED)



David Owens
Superintendent of Schools

Business Affairs Division
900 Walnut Street
Green Cove Springs, FL 32043

Telephones:
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1-888-633-2529 (KH)
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To: William O. Monroe
Auditor General
State of Florida
Tallahassee, Florida 32399-1450

From: Dr. George Copeland, Assistant Superintendent of Business Affairs

Via: Sonya Findley, Director of Finance

Re: AUDIT RESPONSE TO FINDING #1 – CHECK COLLECTION PROCEDURES

Date: February 15, 2007

Effective December 1, 2006, the District implemented new control procedures providing for restrictively endorsing checks upon receipt and for maintaining a receipt log for checks received by mail or from District departments.

"An Equal Opportunity Employer"

MANAGEMENT RESPONSE (CONTINUED)



David L. Owens
Superintendent of Schools


SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street
Green Cove Springs, Florida 32043
Telephones:
904/284-6500 (GCS) 904/272-8100 (OP)
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BOARD MEMBERS:

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TO: William O. Monroe, CPA
Auditor General
State of Florida
Jacksonville, Florida 32299-1450

FROM: Ira W. Strickland 
Assistant Superintendent for Human Resources

RE: Audit Response to Finding No. 2 – Fingerprinting and Background Screening

DATE: February 15, 2007

The district, through Human Resources, has implemented the following procedure to ensure that documentation of background screenings and clearance is obtained prior to granting contract vendors access to school grounds when students are present.

- (1) Employers are informed that no employees are allowed on school grounds until a Level II background screening is performed and clearance granted.
- (2) After a Level II background screening is performed, the employer is notified which employees have passed and are therefore allowed on campus. They are also notified which employees have failed and are not allowed.
- (3) Those who have passed are issued an identification card which must be carried and presented before access to school property is granted.
- (4) All vendors must present to the school office the presentation of a county clearance card before they are allowed to proceed onto school grounds. If the vendor has no school district issued clearance identification, said vendor is not allowed on campus.
- (5) Construction company employees, tradesmen, craftsmen, subcontractor employees, laborers, and other similar workers must carry a school district issued clearance card and photograph identification, both of which must be presented to and checked by a school district employee before entry upon school grounds/ construction site when students are present.
- (6) Closer monitoring of all the above has been implemented to ensure compliance.

BB:IWS/sh

"An Equal Opportunity Employer"

 MANAGEMENT RESPONSE (CONTINUED)



David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

DIVISION OF SUPPORT SERVICES
 925 West Center Street
 Green Cove Springs, Florida 32043
 Telephones:
 904/284-6500 (GCS) 904/272-8100 (OP)
 1-888-663-2529 (KH)
 FAX 904/284-6566 TDD 904/284-6584

BOARD MEMBERS:

Carol Vallencourt
District 1
 Carol Studdard
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 Charles Van Zant, Jr.
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 Wayne Bolla
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District 5

February 27, 2007

Mr. William O. Monroe
 Auditor General
 State of Florida
 G74 Claude Pepper Building
 111 W. Madison Street
 Tallahassee, FL 32399-1450

Dear Mr. Monroe:

I have listed below my responses to your preliminary and tentative audit findings and recommendations for Findings Number 3, 4, and 6 for the School District of Clay County.

Finding No. 3: Acquisition of Registered Surveying Services

Issue: The District contracted for registered land surveying services without using the competitive selection and negotiation process for professional services required by Section 287.055, Florida Statutes.

Response: As a long standing procedure, we have obtained registered land surveying services by obtaining quotes for services estimated to be less than the District's bid limit. The total requirements for registered land survey services during fiscal year 2006 exceeded the District's bid limit. We will select a registered land surveyor using the procedures in Florida Statutes 287.055 for District-wide surveying services.

Finding No. 4: Architect Insurance

Issue: District procedures did not ensure that its architectural firms were adequately and properly insured.

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MANAGEMENT RESPONSE (CONTINUED)

Mr. William O. Monroe
February 27, 2007
Page 2

Response: The SREF Reference cited (Section 4.1(2) (f), 1999 SREF) is not a requirement. The reference is printed in italics and uses the phrase "should." The preface to the SREF states in part, "language in italics, which includes "may," "optional," "should," and "recommended," are recommendations, suggestions, and good practices provided for the new facilities administrator or the consultant unfamiliar with statutes, federal laws, building codes, fire codes, or other regulations applicable to public facilities construction programs." While I agree it is worthwhile to investigate this issue for consideration in future projects, it is not a requirement at this time.

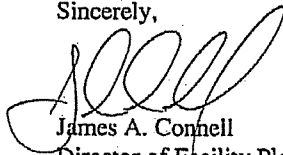
Finding No. 6: Construction Payment and Performance Bonds

Issue: The District did not ensure that its construction manager for the Lake Asbury Junior High and Oakleaf K-8 School projects properly filed the payment and performance bonds with the Clerk of the Court.

Response: We will add an item to the project checklist to ensure that the Payment and Performance Bonds are properly recorded. This issue has been discussed with all Project Managers.

Please contact me at (904) 284-6517 if you need any additional information.

Sincerely,



James A. Connell
Director of Facility Planning and Construction

/jm

cc: Michael J. Elliott

 MANAGEMENT RESPONSE (CONTINUED)


SCHOOL DISTRICT OF CLAY COUNTY

925 West Center Street
Green Cove Springs, Florida 32043

Telephones

904/284-6500 (GCS) - 904/272-8100 (OP)
1-888-633-2529 (KH)
FAX: 904/284-6525 - TDD: 904/284-6584

David L. Owens
Superintendent of Schools

BOARD MEMBERS

Carol Vallencourt
District 1
Carol Studdard
District 2
Charles Van Zant, Jr.
District 3
Wayne Bolla
District 4
Lisa Graham
District 5

February 27, 2007

Mr. William Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: 2005-06 Preliminary Audit Finding #5

Dear Mr. Monroe:

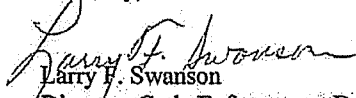
Thank you for your recommendation to strengthen our procedures regarding tie down inspections on relocatable classrooms.

Since this item was brought to our attention we have implemented a new procedure to ensure compliance with Section 423.28.2 of the Florida Building Code.

When the relocatable classroom has been disconnected, the Project Manager will remove the existing Occupancy Certificate and replace it with a red tag stating this unit cannot be occupied until the Code Enforcement Department has certified the unit for occupancy.

I hope this will eliminate any further issues.

Sincerely,


Larry F. Swanson
Director, Code Enforcement Department

LFS/kpg

Enclosures

cc: David L. Owens, Superintendent of Schools
Michael J. Elliott, Assistant Superintendent of Support Services

MANAGEMENT RESPONSE (CONTINUED)



David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street
Green Cove Springs, Florida 32043
Telephones:
904/284-6500 (GCS) 904/272-8100 (OP)
1-888-663-2529 (KH)
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BOARD MEMBERS:

Carol Vallencourt
District 1
Carol Studdard
District 2
Charles Van Zant, Jr.
District 3
Wayne Bolla
District 4
Lisa Graham
District 5

February 9, 2007

William O. Monroe, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Re: Finding No. 7: Information Technology – Security Controls

Dear Mr. Monroe,

In reference to the Preliminary and Tentative Audit Findings for the Clay County School Board Item No. 7 I offer the following response.

The Clay County School Board will implement necessary control features to enhance the security of District data where appropriate as resources and funding become available.

Sincerely,

Tom W. Moore
Chief Information Officer

cc Dr. George Copeland, Asst. Superintendent of Business Affairs
cc Mr. Ben Wortham, Deputy Superintendent

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MANAGEMENT RESPONSE (CONTINUED)



David L. Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

900 Walnut Street
Green Cove Springs, Florida 32043

Telephones:
904/284-6500 (GCS) 904/272-8100 (OP)
1-888-663-2629 (KH)
FAX 904/284-6525 TDD 904/284-6584

BOARD MEMBERS
Carol Vallencourt
District 1
Carol Studdard
District 2
Charles Van Zant, Jr.
District 3
Wayne Bolla
District 4
Lisa Graham
District 5

MEMORANDUM

TO: Dr. George Copeland, Assistant Superintendent of Business Affairs
Mr. William Monroe, CPA, Auditor General of State of Florida

FROM: Wimberly Brackett, MS, RD, LD
Director of Food and Nutrition Service

SUBJECT: Cash Management - Food Service

DATE: February 13, 2007

Cash Management - Food Service

In response to Audit Finding Federal Awards Finding No. 1 Cash Management – Food Service, I would like to inform you of additional information regarding our fund balance. We recognize that the District's fund balance exceeded the three month expenditure limit prior to June 30, 2006. However, we feel we have made progress in decreasing this overage. For the fiscal year ending June 30, 2004, we exceeded federal limitations by \$1,717,797. For the fiscal year ending June 30, 2005, we exceeded federal limitations by \$804,714. Currently, this amount is \$406,527. Based on this two year pattern we feel our plan of action is appropriate for meeting federal limitations. I have listed below estimated costs and time frames for spending or encumbering the monies.

The following is currently in process to decrease the Net Cash Resources (NCR) to an acceptable amount:

- Improving food quality by purchasing costlier items – estimated cost - \$250,000
- Replaced and upgraded large food service equipment throughout the District – estimated cost - \$100,000
- Purchased new vehicle for satellite purposes – \$20,000
- Addition of staff (Manager Intern and Administrative Assistant) – \$45,000
- Providing FCAT snacks to all students in District - \$40,000

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MANAGEMENT RESPONSE (CONTINUED)

Memorandum
February 13, 2007
Page 2

Future 5 year improvement plans include:

- Improvement of cafeteria/dining facilities - SY 2006-07; estimated cost - \$30,000
- Purchase of free and reduced application scanning program – SY 2006-07 – estimated cost - \$15,000
- Hiring additional staff (i.e., computer tech and/or food service specialist) – SY 2007-08; estimated cost – \$45,000
- Online meal payment system – SY 2007-08; estimated cost – \$25,000
- Additional equipment replacement – continuous; estimated cost - \$50,000 per year

As stated previously, this improvement plan is ongoing and is expected to last a few years.

Please let me know if you have any questions or need additional information.

WB/dc

MANAGEMENT RESPONSE (CONTINUED)



David Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

BUSINESS AFFAIRS DIVISION
900 Walnut Street
Green Cove Springs, Florida 32043

Telephones:

904/284-6501 (GCS) 904/272-8100 (OP)
1-888-633-2529 (KH)
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BOARD MEMBERS

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Wayne Bolla
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Lisa Graham
District 5

To: William O. Monroe, CPA
Auditor General
State of Florida
Jacksonville, Florida 32399-1450

From: George F. Copeland *GFC*
Assistant Superintendent of Business Affairs

Re: Audit Response to Finding Federal Awards Finding No. 2:
Special Tests and Provisions – Competitive Food Sales

Date: February 13, 2007

The School District of Clay County continues to work diligently to ensure compliance with the Federal regulations and State rules relating to the sale of foods and beverages in competition with the National School Lunch Program.

The Pepsi Bottling Company will make routine checks to ensure that where carbonated beverages are made available to students these vending machines will also contain 100% fruit juice.

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