



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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March 19, 2008

RECEIVED

MAR 25 2008

Superintendent's Office

The Honorable David L. Owens
Superintendent of Schools
Clay County District School Board
900 Walnut Street
Green Cove Springs, Florida 32043-3199

Dear Superintendent Owens:

Enclosed is a copy of report No. 2008-136, a Financial, Operational, and Federal Single Audit of *Clay County District School Board*, for the Fiscal Year Ended June 30, 2007.

It is requested that this report be presented to the District School Board at its next meeting and that it be ordered filed as a part of the public records of the Board, making mention of this fact in the minutes of the Board.

I am also enclosing an extra copy of the report for your school finance officer.

Sincerely,

A handwritten signature in cursive script that reads "David W. Martin".

David W. Martin, CPA

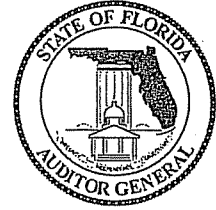
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AUDITOR GENERAL

DAVID W. MARTIN, 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, 2007, 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.

Finding No. 1: Workforce Development

Contrary to State law, the District expended workforce development project funds, totaling \$27,280, for computers that were ultimately used for the K-12 program.

Finding No. 2: Cellular Telephones

During the 2006-07 fiscal year, the District had not implemented policies and procedures requiring employees to submit records substantiating the business use of cellular telephones and to timely submit reimbursements for personal use of the cell phones. In addition, the District had not included the value of these services in the income reported on the employees' W-2 forms.

Finding No. 3: Architect Insurance

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

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and Improving Teacher Quality State Grants 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 internal control and compliance findings that are summarized below.

Federal Awards Finding No. 1: Level of Effort - Supplement Not Supplant

The District did not document that a portion of a technology specialist's salary and benefits paid from the Improving Teacher Quality State Grants program met the supplement not supplant compliance requirement, resulting in questioned costs totaling \$22,904.

Federal Awards Finding No. 2: Allowable Costs/Cost Principles – Documentation of Employee Time and Effort

Enhancements were needed in District procedures for documenting salaries and benefits charged to the Improving Teacher Quality State Grants program.

Federal Awards Finding No. 3: Allowable Costs/Cost Principles – Contract Provisions

Improvements were needed in District procedures to provide for required provisions in contracts funded with Federal moneys.

Federal Awards Finding No. 4: 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. 2007-149.

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, 2007. 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*.

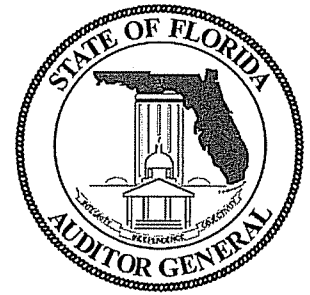
This audit was coordinated by Tracy S. Smith and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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AUDITOR GENERAL
DAVID W. MARTIN, CPA



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

For the Fiscal Year Ended June 30, 2007

Clay County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Carol A. Vallencourt, Chairman</i>	<i>1</i>
<i>Carol Y. Studdard, Vice-Chairman from 11-21-06</i>	<i>2</i>
<i>Charles E. Van Zant, Jr., Vice-Chairman to 11-20-06, member to 2-11-07 (1)</i>	<i>3</i>
<i>Charles E. Van Zant, Sr., from 5-23-07 (1)</i>	<i>3</i>
<i>Wayne Bolla</i>	<i>4</i>
<i>Lisa B. Graham</i>	<i>5</i>
 <i>David L. Owens, Superintendent</i>	

Note (1): Charles E. Van Zant, Jr., was on leave of absence beginning February 11, 2007, while deployed with the Florida National Guard. Charles E. Van Zant, Sr., was appointed as interim member for a term beginning May 23, 2007, during the leave of absence.

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.

CLAY COUNTY DISTRICT SCHOOL BOARD

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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. 2007-149.

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

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FINDINGS AND RECOMMENDATIONS

Additional Matters

Finding No. 1: Workforce Development

Contrary to State law, the District expended workforce development project funds for computers that were used for the District's K-12 programs. Chapter 2006-25, Laws of Florida, Specific Appropriation 133, provides that workforce development appropriations shall not be used to support K-12 programs or the District's K-12 administrative indirect costs. The District was appropriated workforce development funds totaling \$997,995 for the 2006-07 fiscal year.

Our review of expenditures from the District's workforce development appropriation disclosed that funds, totaling \$27,280, were used to purchase 31 computers for a recently constructed school. The District initially intended to use the computers in the adult education program; however, the program was not implemented at the school, and the computers were subsequently transferred to another school for use in the K-12 program. Subsequent to audit inquiry, the District restored the \$27,280 to the workforce development project.

Recommendation: The District should strengthen its procedures to ensure that restricted workforce development funds are not used to support K-12 programs.

Finding No. 2: Cellular Telephones

Improvements were needed in the District's monitoring of the business use of cellular telephones (cell phones) provided to employees. The District provided cell phones to certain employees for use in performing their duties. According to District records, approximately 80 cell phones were provided to District employees during the 2006-07 fiscal year at a cost of approximately \$33,000.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the District to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of such a record. In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business.

The District had not developed and implemented policies and procedures to require that employees submit records substantiating the business use of cell phones during the 2006-07 fiscal year. Reimbursements to the District were generally only required for personal use which exceeded the base monthly fees for the cell phone. Monthly cell phone itemized statements were provided to District personnel for review to ascertain whether there

were any extra charges in addition to the base monthly fee for each cell phone, and those charges were required to be reimbursed to the extent they were personal in nature. The District did not require that employees document whether individual calls within the monthly allowed base minutes were for business purposes or were personal in nature, and did not monitor the employee's review of the itemized cell phone statements. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

Effective September 1, 2007, the District revised its review procedures for cell phone billings to require that each employee review the cell phone itemized statements to identify all calls of a personal nature, and reimburse the District at a rate of \$0.15 per minute. However, the District has not established procedures to monitor the accuracy and propriety of the employee's review of the itemized cell phone statements.

Recommendation: The District should continue its efforts regarding development and implementation of cell phone policies and procedures and confer with the IRS regarding any corrective actions regarding previously unreported income.

Finding No. 3: Architect Insurance

District procedures did not ensure that contracted architectural firms were adequately and properly insured. 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 with coverages such as professional liability; errors and omissions; and general, automobile, and workers' compensation liability.

The Board approved the appointment of an architectural firm on April 19, 2007, for design services related to the \$22 million New Elementary School "Y" project. The architectural fees were estimated to be approximately \$1,230,000. As similarly noted in our report No. 2007-149, our review disclosed that 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. Subsequent to audit inquiry, the District obtained a certificate of professional liability coverage from the architectural firm in the amount of \$1 million; however, District records did not evidence the basis upon which it determined the reasonableness of the architect's insurance of \$1 million in relationship to the construction project costs which totaled \$22 million.

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.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2007-149.

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 is included in this report in the Management Response Section, beginning on page 65.

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

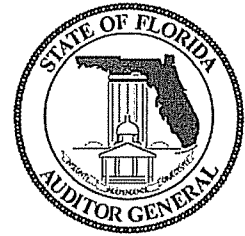
EXHIBIT – L *Budgetary Comparison Schedule – General and Major Special Revenue Funds.*



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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, 2007, which collectively comprise the District's basic financial statements as listed on page 4. 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 10 percent of the assets and 31 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, 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.

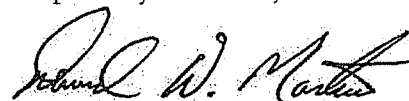
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Clay County District School Board as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Clay County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 7 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,



David W. Martin, CPA
March 11, 2008

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 49.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-07 fiscal year are as follows:

- The District's assets exceed its liabilities at June 30, 2007, by \$388,711,600.32 (net assets).
- In total, net assets increased \$72,194,854.03, which represents a 23 percent increase from the 2005-06 fiscal year.
- General revenues total \$272,348,325.04, or 77 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$81,982,040.93, or 23 percent.
- Expenses totaled \$282,135,511.94. These expenses were offset by the \$81,982,040.93 of program specific revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by \$72,194,854.03.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$23,440,455.52 at June 30, 2007, or 10 percent of total General Fund expenditures. The unreserved fund balance increased by \$6,320,759.77 from the 2005-06 fiscal year.
- The District's investment in capital assets increased by a net amount of \$24,523,861.98, or 7 percent, as compared to the June 30, 2006, balance.
- The District's long-term debt decreased by a net amount of \$2,020,782.00, or 3 percent, as compared to the June 30, 2006, 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, Special Revenue – Other Fund, Debt Service – Other Debt Service 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 and major Special Revenue 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, 2007, compared to net assets as of June 30, 2006:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 117,929,356.83	\$ 75,370,135.54
Capital Assets	376,717,345.23	352,193,483.25
Total Assets	494,646,702.06	427,563,618.79
Long-Term Liabilities	91,466,359.19	91,845,683.43
Other Liabilities	14,468,742.55	19,201,189.07
Total Liabilities	105,935,101.74	111,046,872.50
Net Assets:		
Invested in Capital Assets -		
Net of Debt	306,506,259.23	279,961,615.25
Restricted	64,515,873.25	25,184,675.68
Unrestricted	17,689,467.84	11,370,455.36
Total Net Assets	\$ 388,711,600.32	\$ 316,516,746.29

The largest portion of the District's net assets (79 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 (17 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 \$72,194,854.03 during the 2006-07 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	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 6,265,829.77	\$ 5,609,099.25
Operating Grants and Contributions	12,900,215.91	11,327,362.44
Capital Grants and Contributions	62,815,995.25	16,411,513.73
General Revenues:		
Property Tax Levied for Operational Purposes	51,473,427.92	43,292,088.76
Property Tax Levied for Capital Projects	17,749,766.87	14,410,181.13
Local Sales Taxes	1,763,982.00	1,721,659.41
Grants and Contributions Not Restricted to Specific Programs	194,660,885.88	179,813,190.11
Unrestricted Investment Earnings	4,225,053.85	3,199,269.09
Miscellaneous	2,475,208.52	2,063,375.59
Total Revenues	354,330,365.97	277,847,739.51
Functions/Program Expenses:		
Instruction	163,347,361.68	136,456,152.72
Pupil Personnel Services	13,199,930.96	11,713,274.22
Instructional Media Services	5,501,021.50	4,823,294.61
Instruction and Curriculum Development Services	4,590,171.64	4,244,480.08
Instructional Staff Training Services	3,125,315.32	2,441,494.17
Instructional Related Technology	824,294.20	527,362.93
Board of Education	665,613.77	743,153.81
General Administration	1,203,958.88	1,046,191.96
School Administration	13,777,717.11	11,964,367.49
Facilities Acquisition and Construction	6,724,393.32	4,728,120.08
Fiscal Services	684,723.57	589,549.04
Food Services	11,142,095.07	9,807,122.18
Central Services	3,344,004.75	3,123,414.99
Pupil Transportation Services	13,135,412.94	11,879,538.40
Operation of Plant	17,988,592.25	16,152,885.25
Maintenance of Plant	5,395,144.76	4,665,034.94
Administrative Technology Services	1,690,158.92	1,213,876.03
Community Services	457,497.53	331,157.46
Interest on Long-Term Debt	3,949,491.16	3,433,534.87
Unallocated Depreciation Expense	11,388,612.61	10,114,778.58
Total Functions/Program Expenses	282,135,511.94	239,998,783.81
Increase in Net Assets	\$ 72,194,854.03	\$ 37,848,955.70

The majority of the District's revenues for current operations is 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 about 77 percent of total revenues, whereas program revenues provide only about 23 percent. The majority of program revenues (98 percent) are in the facilities acquisition and construction, food services, pupil transportation services, and maintenance of plant 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 2006-07 fiscal year. Student enrollment increased by 1,422 students, from 34,198 in the 2005-06 fiscal year to 35,620 in the 2006-07 fiscal year, and FEFP funding, categorical educational program funding, and local property tax revenues increased by \$16,682,446.00, \$10,558,568.59, and \$11,520,924.90, respectively, as compared to the 2005-06 fiscal year.

Instructional activities represent the majority of the District's expenses, totaling approximately 58 percent of total governmental expenses in the 2006-07 fiscal year. Overall, total expenses increased \$42,136,728.13, or 18 percent, as compared to total revenues which increased \$76,482,626.46, or 28 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 \$23,440,455.52, while the total fund balance is \$32,671,399.84. The unreserved fund balance represents 10 percent of total General Fund expenditures, while the total fund balance represents 14 percent of such expenditures. The unreserved fund balance increased by \$6,320,759.77 while the total fund balance increased by \$7,446,518.71 during the fiscal year. Key factors are as follows:

- Total revenues exceeded total expenditures by \$4,758,099.52. Other financing sources totaled \$2,440,653.92.
- Total revenues increased by \$36,763,032.41, or 18 percent, mainly from increases in State FEFP funding, State categorical educational programs, and local property taxes.
- Total expenditures increased by \$34,189,093.00, or 17 percent, mainly due to increases in salaries and benefits expenditures.
- Other financing sources increased by \$454,624.10, or 23 percent, due mainly to increased transfers from the Capital Projects Funds.
- Inventories increased by \$247,765.27, which increased fund balance by an equal amount under the purchases method of inventory accounting used in the General Fund.

The Special Revenue – Other Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The Fund maintained a fund balance of \$314,876.25, all of which pertains to unexpended Medicaid reimbursements.

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 had a small fund balance, \$37,854.95 at June 30, 2007, all of which is reserved for the payment of debt service.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, local sales taxes, Classrooms for Kids and Class Size Reduction Construction program funds, Certificates of Participation (COP) proceeds, and other miscellaneous sources. The Fund has a total fund balance of \$43,718,731.94. The total fund balance increased by \$32,390,584.03 in the current year, mainly from unexpended Class Size Reduction Construction funding.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2006-07 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$467,543.23. Similarly, final expenditure appropriations decreased by \$393,294.54 from the original budgeted amount. These budget revisions represent less than a 1 percent decrease from the respective original budgets and were necessary to adjust planned revenues and expenditures based on actual resources and resource needs.

Actual revenues were \$1,636,688.83, or 1 percent, less than final budgeted amounts, whereas actual expenditures were \$9,079,306.35, or 4 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 \$7,692,269.71.

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, 2007, is \$376,717,345.23. 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 \$24,523,861.98, or 7 percent, as compared to the June 30, 2006, balance. Major capital asset events during the current fiscal year included construction related to the new Shadowlawn Elementary School, new Oakleaf Village Elementary School, new Elementary School "Z", new High School "QQQ", and Classroom Additions at Charles E. Bennett Elementary School. The District also completed construction of the new Coppergate Elementary School and new K-8 Oakleaf School, and purchased 57 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, 2007, the District had total long-term debt outstanding of \$70,211,086. This amount was comprised of \$60,741,086 of Certificates of Participation, \$7,680,000 of State School Bonds, and \$1,790,000 of District Revenue Bonds. The District's long-term debt decreased by a net amount of \$2,020,782, or 3 percent, during the year. The net decrease was 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, 2007**

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 3,413,462.42	\$ 44,221.00
Investments	64,670,775.69	8,643.00
Accounts Receivable	188,838.59	
Funds Held by Others		12,223.00
Due from Other Agencies	41,390,377.06	
Due from Excess Insurance Carrier	139,031.12	
Capital Credits Receivable	2,778,564.86	
Inventories	2,007,137.71	
Restricted Assets:		
Investments	3,341,169.38	
Capital Assets:		
Land	29,746,354.61	
Construction in Progress	12,245,214.62	
Improvements Other Than Buildings, Net	9,672,942.39	
Buildings and Fixed Equipment, Net	296,991,559.56	
Furniture, Fixtures, and Equipment, Net	17,395,820.70	
Motor Vehicles, Net	9,425,807.85	
Audio Visual Materials and Computer Software, Net	1,239,645.50	
TOTAL ASSETS	\$ 494,646,702.06	\$ 65,087.00
LIABILITIES		
Salaries and Benefits Payable	\$ 2,751,303.75	\$
Payroll Deductions and Withholdings	1,163,415.93	
Accounts Payable	2,405,896.91	
Construction Contracts Payable	497,996.06	
Construction Contracts Payable - Retainage	528,756.95	
Scholarships Payable		12,639.00
Due to Other Agencies	1,956,973.00	
Deferred Revenue	1,808,016.19	
Matured Certificates of Participation Payable	2,010,000.00	
Matured Interest Payable	1,331,169.38	
Estimated Liability for Arbitrage Rebate	15,214.38	
Noncurrent Liabilities:		
Portion Due Within One Year:		
Estimated Insurance Claims Payable	1,126,288.75	
Bonds Payable	715,000.00	
Certificates of Participation Payable	1,747,029.00	
Compensated Absences Payable	8,403,021.24	
Portion Due After One Year:		
Estimated Insurance Claims Payable	2,566,461.25	
Bonds Payable	8,755,000.00	
Certificates of Participation Payable	58,994,057.00	
Compensated Absences Payable	9,159,501.95	
Total Liabilities	105,935,101.74	12,639.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	306,506,259.23	
Restricted for:		
State Categorical Programs	4,838,079.59	
Debt Service	686,706.62	
Capital Projects	58,991,087.04	
Unrestricted	17,689,467.84	52,448.00
Total Net Assets	388,711,600.32	52,448.00
TOTAL LIABILITIES AND NET ASSETS	\$ 494,646,702.06	\$ 65,087.00

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

**EXHIBIT - C
CLAY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007**

	General Fund	Special Revenue - Other Fund	Debt Service - Other Debt Service Fund
ASSETS			
Cash	\$ 3,306,051.79	\$	\$
Investments	31,029,751.55	3,221,785.48	3,379,431.65
Accounts Receivable	36,197.29		
Due from Other Funds	2,790,852.29		
Due from Other Agencies	299,702.74	19,414.58	
Inventories	1,861,153.91		
TOTAL ASSETS	\$ 39,323,709.57	\$ 3,241,200.06	\$ 3,379,431.65
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 2,747,005.93	\$ 3,764.90	\$
Payroll Deductions and Withholdings	1,158,939.27	4,056.03	
Accounts Payable	575,173.90	23,647.15	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Agencies	1,956,973.00		
Due to Other Funds	214,217.63	1,124,231.54	407.32
Deferred Revenue		1,770,624.19	
Matured Certificates of Participation Payable			2,010,000.00
Matured Interest Payable			1,331,169.38
Estimated Liability for Arbitrage Rebate			
Total Liabilities	6,652,309.73	2,926,323.81	3,341,576.70
Fund Balances:			
Reserved for State Categorical Programs	4,437,013.03		
Reserved for Encumbrances	2,932,777.38		
Reserved for Inventories	1,861,153.91		
Reserved for Debt Service			37,854.95
Unreserved, Reported in:			
General Fund	23,440,455.52		
Special Revenue Funds		314,876.25	
Capital Projects Funds			
Total Fund Balances	32,671,399.84	314,876.25	37,854.95
TOTAL LIABILITIES AND FUND BALANCES	\$ 39,323,709.57	\$ 3,241,200.06	\$ 3,379,431.65

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
\$	\$	\$
9,120,376.96	67,410.63	3,373,462.42
	14,983,298.60	61,734,644.24
	429.60	36,626.89
213,717.63		3,004,569.92
36,059,533.74	5,011,726.00	41,390,377.06
	145,983.80	2,007,137.71
<u>\$ 45,393,628.33</u>	<u>\$ 20,208,848.63</u>	<u>\$ 111,546,818.24</u>
\$	\$	\$
	532.92	2,751,303.75
	420.63	1,163,415.93
	8,405.77	607,226.82
	497,996.06	497,996.06
309,657.62	219,099.33	528,756.95
		1,956,973.00
1,312,632.39	181,452.05	2,832,940.93
37,392.00		1,808,016.19
		2,010,000.00
		1,331,169.38
15,214.38		15,214.38
<u>1,674,896.39</u>	<u>907,906.76</u>	<u>15,503,013.39</u>
39,672,684.40	12,430,161.77	4,437,013.03
	89,816.36	55,035,623.55
	648,851.67	1,950,970.27
		686,706.62
		23,440,455.52
	3,178,517.45	3,493,393.70
4,046,047.54	2,953,594.62	6,999,642.16
<u>43,718,731.94</u>	<u>19,300,941.87</u>	<u>96,043,804.85</u>
<u>\$ 45,393,628.33</u>	<u>\$ 20,208,848.63</u>	<u>\$ 111,546,818.24</u>

**EXHIBIT - D
CLAY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund Balances - Governmental Funds	\$	96,043,804.85
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		376,717,345.23
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.		945,494.57
Capital credits receivable is not available to liquidate liabilities in governmental funds, but is accrued in governmental activities in the statement of net assets.		2,778,564.86
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	\$ 60,741,086.00	
Bonds Payable	9,470,000.00	
Compensated Absences Payable	17,562,523.19	
		(87,773,609.19)
Total Net Assets - Governmental Activities	\$	388,711,600.32

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, 2007

	General Fund	Special Revenue - Other Fund	Debt Service - Other Debt Service Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 860,490.86	\$ 276,951.70	\$
Federal Through State	49,970.74	11,562,479.77	
Federal Through Local		121,991.06	
State	187,598,757.34		
Local	56,264,096.23		16,180.74
Total Revenues	244,773,315.17	11,961,422.53	16,180.74
Expenditures			
Current - Education:			
Instruction	154,378,858.02	8,324,176.38	
Pupil Personnel Services	12,337,836.93	807,339.30	
Instructional Media Services	5,413,033.51	66,742.24	
Instruction and Curriculum Development Services	4,132,592.15	438,553.36	
Instructional Staff Training Services	1,565,358.80	1,553,742.52	
Instruction Related Technology	797,217.19	24,328.00	
Board of Education	668,279.67		
General Administration	838,741.03	361,796.78	
School Administration	13,715,671.14		
Facilities Acquisition and Construction	2,007,452.10		
Fiscal Services	681,782.21		
Food Services	76,905.83		
Central Services	3,488,800.84		
Pupil Transportation Services	11,691,713.87	125,249.37	
Operation of Plant	17,983,452.15		
Maintenance of Plant	5,473,810.42		
Administrative Technology Services	1,685,568.31		
Community Services	456,079.98		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	566,076.73		
Other Capital Outlay	2,055,984.77	463,147.67	
Debt Service:			
Principal			2,010,000.00
Interest and Fiscal Charges			2,680,693.14
Total Expenditures	240,015,215.65	12,165,075.62	4,690,693.14
Excess (Deficiency) of Revenues Over Expenditures	4,758,099.52	(203,653.09)	(4,674,512.40)
Other Financing Sources (Uses)			
Transfers In	2,400,000.00		4,692,101.81
Sale of Capital Assets	70,112.31		
Insurance Loss Recoveries	31,774.19		
Transfers Out	(61,232.58)		
Total Other Financing Sources (Uses)	2,440,653.92		4,692,101.81
Net Change in Fund Balances	7,198,753.44	(203,653.09)	17,589.41
Fund Balances, July 1, 2006	25,224,881.13	518,529.34	20,265.54
Increase (Decrease) in Inventory Reserve	247,765.27		
Fund Balances, June 30, 2007	\$ 32,671,399.84	\$ 314,876.25	\$ 37,854.95

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
\$	\$	\$
	4,966,805.92	1,137,442.56
42,994,561.38	12,831,063.53	16,579,256.43
10,117,721.77	24,529,851.35	121,991.06
<u>53,112,283.15</u>	<u>42,327,720.80</u>	<u>243,424,382.25</u>
		90,927,850.09
		352,190,922.39
		162,703,034.40
		13,145,176.23
		5,479,775.75
		4,571,145.51
		3,119,101.32
		821,545.19
		668,279.67
		1,200,537.81
295,172.28	4,417,090.92	13,715,671.14
		6,719,715.30
	11,013,142.23	681,782.21
		11,090,048.06
		3,488,800.84
		11,816,963.24
		17,983,452.15
		5,473,810.42
		1,685,568.31
		456,079.98
20,096,650.42	12,183,041.32	32,845,768.47
	103,728.52	2,622,860.96
	680,000.00	2,690,000.00
	599,580.02	3,280,273.16
<u>20,391,822.70</u>	<u>28,996,583.01</u>	<u>306,259,390.12</u>
<u>32,720,460.45</u>	<u>13,331,137.79</u>	<u>45,931,532.27</u>
37,392.00	23,840.58	7,153,334.39
		70,112.31
		31,774.19
<u>(367,268.42)</u>	<u>(6,724,833.39)</u>	<u>(7,153,334.39)</u>
<u>(329,876.42)</u>	<u>(6,700,992.81)</u>	<u>101,886.50</u>
32,390,584.03	6,630,144.98	46,033,418.77
11,328,147.91	12,701,002.66	49,792,826.58
	(30,205.77)	217,559.50
<u>\$ 43,718,731.94</u>	<u>\$ 19,300,941.87</u>	<u>\$ 96,043,804.85</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, 2007

Net Change in Fund Balances - Governmental Funds \$ 46,033,418.77

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.	22,801,244.90
Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds.	1,722,617.08
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 in the current period.	2,690,000.00
The deferred amount on refunding debt offsets the liability for certificates of participation in the statement of net assets, but the amount is amortized over the life of the debt in the statement of activities. This is the net decrease in the deferred amount on refunding debt during the current period.	(669,218.00)
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.	(987,320.76)
Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	253,853.50
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.	132,699.04
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.	217,559.50
Change in Net Assets - Governmental Activities	<u>\$ 72,194,854.03</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
June 30, 2007**

		Governmental Activities - Internal Service Fund
<hr/>		
ASSETS		
Current Assets:		
Cash	\$	40,000.00
Investments		6,277,300.83
Due from Other Funds		500.00
Due from Excess Insurance Carrier		139,031.12
		<hr/>
TOTAL ASSETS	\$	6,456,831.95
<hr/>		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	1,798,670.09
Due to Other Funds		19,917.29
Estimated Insurance Claims Payable		1,126,288.75
		<hr/>
Total Current Liabilities		2,944,876.13
		<hr/>
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		2,566,461.25
		<hr/>
TOTAL LIABILITIES		5,511,337.38
<hr/>		
NET ASSETS		
Unrestricted		945,494.57
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	6,456,831.95
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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, 2007**

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
Insurance Premiums	\$ 3,766,280.39
OPERATING EXPENSES	
Insurance Claims	1,563,392.63
Excess Insurance Premiums	1,831,603.09
State Assessments	141,062.13
Administrative Expenses	78,689.00
Purchased Services	79,921.00
Total Operating Expenses	<u>3,694,667.85</u>
Operating Income	<u>71,612.54</u>
NONOPERATING REVENUES	
Interest Income	<u>182,240.96</u>
Net Income	253,853.50
Total Net Assets, July 1, 2006	<u>691,641.07</u>
Total Net Assets, June 30, 2007	<u>\$ 945,494.57</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, 2007**

		Governmental Activities - Internal Service Fund
<hr/>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds	\$	3,766,280.39
Cash Payments to Vendors for Goods and Services		(2,512,906.37)
Cash Payments for Insurance Claims		(909,255.63)
<hr/>		
Net Cash Provided by Operating Activities		344,118.39
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(4,326,060.54)
Proceeds from Sale of Investments		3,799,701.19
Interest Income		182,240.96
<hr/>		
Net Cash Used by Investing Activities		(344,118.39)
<hr/>		
Net Increase (Decrease) in Cash		
Cash at Beginning of Year		40,000.00
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Cash at End of Year	\$	40,000.00
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Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$	71,612.54
<hr/>		
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase in Due from Other Funds		(500.00)
Decrease in Due from Excess Insurance Carrier		46,493.25
Decrease in Accounts Payable		(437,976.00)
Increase in Due to Other Funds		10,351.60
Increase in Estimated Insurance Claims Payable		654,137.00
<hr/>		
Total Adjustments		272,505.85
<hr/>		
Net Cash Provided by Operating Activities	\$	344,118.39
<hr/>		

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, 2007

		Agency Funds
ASSETS		
Cash	\$	1,072,506.15
Investments		1,871,253.32
TOTAL ASSETS	\$	2,943,759.47
LIABILITIES		
Accounts Payable	\$	89,565.85
Due to Other Funds		152,211.70
Internal Accounts Payable		2,701,981.92
TOTAL LIABILITIES	\$	2,943,759.47

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, 2007**

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 100.453, 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, 2007. 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 expense associated with the District's transportation department is allocated to the transportation function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the long-term certificates of participation.
- Capital Projects – 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.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 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 a money market fund and money market account under a trust agreement in connection with certificates of

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

participation financing arrangements. 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 cost 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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. 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, 2007

<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.

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 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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

- 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, 2007, the District's investment in the Local Government Surplus Funds Trust Fund investment pool and the Debt Service Accounts were unrated.
- The District's investment in the money market mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's Investor Service.

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 of \$3,357,389.97 in First American Treasury Obligations Money Market Fund, as well as investments in the U.S. Bank Money Market Account of \$536,772.31, are held by the safekeeping agent in the name of the District.

4. DUE FROM OTHER AGENCIES

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Fund/Source	Amount
Major Funds:	
General:	
Clay County Board of County Commissioners:	
Local Impact Fees	\$ 143,681.70
City of Green Cove Springs:	
Local Impact Fees	55,683.52
United States Department of Defense:	
Navy Junior Reserve Officers Training Corps	55,155.54
University of North Florida:	
Sprint Teachers Program	32,066.24
Clay County Sheriff's Office:	
Fuel Reimbursement	11,930.32
Other Agencies	1,185.42
Special Revenue - Other:	
Various Agencies	19,414.58
Capital Projects - Other Capital Projects:	
Florida Department of Education:	
Class Size Reduction Construction	36,000,000.00
Classrooms for Kids	37,392.00
Florida Department of Revenue:	
Gas Tax Refunds	22,141.74
Nonmajor Governmental Funds:	
Special Revenue - Food Service:	
Florida Department of Education:	
National School Lunch Program	11,726.00
Capital Projects - Public Education Capital Outlay (PECO):	
Florida Department of Education:	
State PECO Appropriations	5,000,000.00
Total Governmental Activities	\$ 41,390,377.06

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

5. CAPITAL CREDITS RECEIVABLE

The District participates in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata basis to its members. The policy of the Clay Electric Cooperative Inc., is to credit the excess revenues to the members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2006-07 fiscal year, the District received \$69,103.90 related to portions of capital credits earned from the 1985 through 2005 fiscal years. At June 30, 2007, the accumulated credits to the District's accounts were \$2,778,564.86.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 28,583,927.11	\$ 1,162,427.50	\$	\$ 29,746,354.61
Construction in Progress	29,048,603.28	26,024,324.51	42,827,713.17	12,245,214.62
Total Capital Assets Not Being Depreciated	57,632,530.39	27,186,752.01	42,827,713.17	41,991,569.23
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	19,461,571.13	953,888.24		20,415,459.37
Buildings and Fixed Equipment	325,240,981.18	42,062,730.93		367,303,712.11
Furniture, Fixtures, and Equipment (1)	32,484,997.18	5,161,788.01	6,836,004.11	30,810,781.08
Motor Vehicles (1)	15,222,666.49	4,182,736.10	923,680.96	18,481,721.63
Audio Visual Materials and Computer Software (1)	3,141,621.87	471,064.39	343,671.55	3,269,014.71
Total Capital Assets Being Depreciated	395,551,837.85	52,832,207.67	8,103,356.62	440,280,688.90
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,969,080.40	773,436.58		10,742,516.98
Buildings and Fixed Equipment	63,743,252.05	6,568,900.50		70,312,152.55
Furniture, Fixtures, and Equipment (1)	16,582,376.16	3,668,588.33	6,836,004.11	13,414,960.38
Motor Vehicles (1)	8,700,822.82	1,278,771.92	923,680.96	9,055,913.78
Audio Visual Materials and Computer Software (1)	1,995,353.56	377,687.20	343,671.55	2,029,369.21
Total Accumulated Depreciation	100,990,884.99	12,667,384.53	8,103,356.62	105,554,912.90
Total Capital Assets Being Depreciated, Net	294,560,952.86	40,164,823.14		334,725,776.00
Governmental Activities Capital Assets, Net	\$ 352,193,483.25	\$ 67,351,575.15	\$ 42,827,713.17	\$ 376,717,345.23

Note (1): District changed its capitalization policy for tangible personal property from \$500 to \$750 during the 2006-07 fiscal year. As a result, the Furniture, Fixtures, and Equipment, Motor Vehicles, and Audio Visual Materials and Computer Software deletions include adjustments of \$3,189,372.87, \$1,999.25, and \$134,000.69, respectively.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,278,771.92
Unallocated	11,388,612.61
Total Depreciation Expense - Governmental Activities	\$12,667,384.53

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

7. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2007, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2000 (Partially Refunded)	\$ 2,735,000	5.1 - 5.2	2010	\$ 24,980,000
Series 2003	15,495,000	3.875 - 5.000	2025	15,495,000
Series 2004, Refunding	9,310,000	2.000 - 3.625	2017	9,900,000
Series 2005A	16,165,000	3.0 - 4.6	2027	16,430,000
Series 2005B, Refunding	<u>18,095,000</u>	3.0 - 5.0	2025	18,545,000
Subtotal	61,800,000			
Less: Deferred Amount on Refunding Debt (1)	<u>(1,058,914)</u>			
Total Certificates of Participation	<u>\$ 60,741,086</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, that was 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 lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for the remaining term of the ground leases.

A summary of the lease terms are as follows

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

<u>Certificates</u>	<u>Description of Properties</u>
Series 2004, Refunding	Acquisition of approximately 42 acres of land adjacent to the former Ridgeview Junior High School and conversion of the facility to a senior high school.
Series 2000 and Series 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 agreement 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>
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	4,671,766.26	2,410,000.00	2,261,766.26
2013-2017	23,369,756.34	13,440,000.00	9,929,756.34
2018-2022	23,373,857.52	16,560,000.00	6,813,857.52
2023-2027	23,367,931.26	20,530,000.00	2,837,931.26
Subtotal	93,475,381.42	61,800,000.00	31,675,381.42
Less: Deferred Amount on Refunding Debt	(1,058,914.00)	(1,058,914.00)	
Total Minimum Lease Payments	<u>\$ 92,416,467.42</u>	<u>\$ 60,741,086.00</u>	<u>\$ 31,675,381.42</u>

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

8. BONDS PAYABLE

Bonds payable at June 30, 2007, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A (partially refunded)	\$ 60,000	4.5	2008
Series 1999A	410,000	4.00 - 4.75	2019
Series 2002B	1,875,000	3.375 - 5.375	2015
Series 2003A	625,000	3.00 - 4.25	2023
Series 2005A	3,970,000	5.0	2017
Series 2005B	740,000	5.0	2020
District Revenue Bonds:			
Series 1995	<u>1,790,000</u>	5.600 - 5.875	2020
Total Bonds Payable	<u>\$ 9,470,000</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, 2007, are as follows:

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	986,058.75	740,000.00	246,058.75
2013-2017	4,444,536.25	3,780,000.00	664,536.25
2018-2022	519,250.00	460,000.00	59,250.00
2023	67,762.50	65,000.00	2,762.50
Total State School Bonds	9,961,955.00	7,680,000.00	2,281,955.00
District Revenue Bonds:			
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	200,781.25	120,000.00	80,781.25
2013-2017	1,004,637.50	715,000.00	289,637.50
2018-2020	604,625.00	540,000.00	64,625.00
Total District Revenue Bonds	2,609,482.50	1,790,000.00	819,482.50
Total	\$12,571,437.50	\$9,470,000.00	\$ 3,101,437.50

9. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 1998A, were defeased in substance by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the in-substance defeased bonds are not included in the District's financial statements. On June 30, 2007, State School Bonds, Series 1998A, totaling \$745,000 outstanding, are considered defeased in substance.

10. CHANGES IN LONG-TERM LIABILITIES

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$63,810,000.00	\$	\$ 2,010,000.00	\$61,800,000.00	\$ 2,100,000.00
Less Deferred Amount on Refunding Debt	(1,728,132.00)		(669,218.00)	(1,058,914.00)	(352,971.00)
Net Certificates of Participation Payable	62,081,868.00		1,340,782.00	60,741,086.00	1,747,029.00
Bonds Payable	10,150,000.00		680,000.00	9,470,000.00	715,000.00
Estimated Insurance Claims Payable	3,038,613.00	1,563,392.63	909,255.63	3,692,750.00	1,126,288.75
Compensated Absences Payable	16,575,202.43	9,390,342.00	8,403,021.24	17,562,523.19	8,403,021.24
Total Governmental Activities	<u>\$91,845,683.43</u>	<u>\$10,953,734.63</u>	<u>\$11,333,058.87</u>	<u>\$91,466,359.19</u>	<u>\$11,991,338.99</u>

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

11. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, 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 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

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 \$1,847,623.71 at June 30, 2007.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$351,842.05 at June 30, 2007.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

12. ADJUSTMENT TO BEGINNING NET ASSETS

As of July 1, 2006, the beginning net assets of the Clay County Education Foundation, Inc., a discretely presented component unit, was increased by \$20,534 to correctly report amounts on deposit with local community colleges. These amounts are reported as Funds Held by Others and represent advances to the colleges for scholarships.

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:		
General	\$ 2,790,852.29	\$ 214,217.63
Special Revenue:		
Other		1,124,231.54
Debt Service:		
Other Debt Service		407.32
Capital Projects:		
Other Capital Projects	213,717.63	1,312,632.39
Nonmajor Governmental		181,452.05
Internal Service	500.00	19,917.29
Fiduciary		152,211.70
Total	<u>\$ 3,005,069.92</u>	<u>\$ 3,005,069.92</u>

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:		
General	\$ 2,400,000.00	\$ 61,232.58
Debt Service:		
Other Debt Service	4,692,101.81	
Capital Projects:		
Other Capital Projects	37,392.00	367,268.42
Nonmajor Governmental	23,840.58	6,724,833.39
Total	<u>\$ 7,153,334.39</u>	<u>\$ 7,153,334.39</u>

Interfund transfers represent permanent transfers of money between funds. The transfers out of the General Fund were to provide funding for certain class size reduction capital outlays and food service costs

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

of the voluntary pre-K program. The transfers out of the Capital Projects – Other Capital Projects Fund were to provide for debt service payments. The transfers out of the Nonmajor Governmental Funds were to provide funding for certain General Fund maintenance expenditures and to provide for debt service payments.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2006-07 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 140,619,293.00
Categorical Educational Programs:	
Class Size Reduction	27,954,734.00
Transportation	7,829,414.00
Instructional Materials	3,843,176.00
School Recognition	2,679,309.00
Excellent Teaching Program	1,123,917.76
Florida Teacher Lead Program	605,231.00
Voluntary Prekindergarten Program	42,613.39
Class Size Reduction Construction	38,315,599.00
Gross Receipts Tax (Public Education Capital Outlay)	11,110,811.00
High Growth District Capital Outlay Assistance Grant	3,184,671.00
Discretionary Lottery Funds	1,403,542.00
Classrooms for Kids	1,399,900.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,373,336.36
Workforce Development Program	1,032,560.00
Racing Commission Funds	223,250.00
Food Service Supplement	103,995.99
Miscellaneous	<u>579,028.75</u>
 Total	 <u><u>\$243,424,382.25</u></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 2006 tax roll for the 2006-07 fiscal year:

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.019	\$46,398,963.00
Basic Discretionary Local Effort	0.510	4,714,778.00
Supplemental Discretionary Local Effort	0.250	2,311,166.00
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>18,489,326.00</u>
 Total	 <u>7.779</u>	 <u>\$71,914,233.00</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 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 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 2006-07 fiscal year, contribution rates were as follows:

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
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	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment 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 retirement class or plan 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 employee contributions, for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$9,176,155.16, \$10,495,122.19, and \$14,898,016.74, 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 FRS defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular 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 592 District participants during the 2006-07 fiscal year. Required employer contributions made to PEORP for the fiscal year ending June 30, 2007, totaled \$1,792,665.97.

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

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

17. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
New Shadowlawn Elementary:			
Architect	\$ 1,055,160.72	\$ 701,839.55	\$ 353,321.17
Construction Manager	16,600,364.00	1,451,743.00	15,148,621.00
Direct Materials	6,900,000.00		6,900,000.00
New Oakleaf Village Elementary:			
Architect	1,107,542.15	899,878.00	207,664.15
Construction Manager	16,827,707.00	3,215,691.68	13,612,015.32
Direct Materials	6,000,000.00	151,844.07	5,848,155.93
Charles E. Bennett Elementary - Classroom Additions:			
Architect	525,628.67	445,761.90	79,866.77
Construction Manager	5,568,815.18	2,973,547.15	2,595,268.03
Direct Materials	1,912,479.00	950,000.00	962,479.00
Electric Contractor	382,044.00	382,044.00	
New Elementary School "Z":			
Architect	1,000,000.00	776,365.27	223,634.73
Construction Manager	139,000.00	139,000.00	
New High School "QQQ":			
Architect	2,250,000.00	157,500.00	2,092,500.00
Construction Manager	300,000.00		300,000.00
Total	\$ 60,568,740.72	\$ 12,245,214.62	\$ 48,323,526.10

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

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.

EXHIBIT - K (Continued)
CLAY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

A liability in the amount of \$3,692,750 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2007.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	\$2,803,064.00	\$1,467,818.61	\$(1,232,269.61)	\$3,038,613.00
2006-07	3,038,613.00	1,563,392.63	(909,255.63)	3,692,750.00

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.

19. LITIGATION

The District is involved in pending and threatened legal actions. In the opinion of District management, based upon consultation with legal counsel, the potential loss for such actions should not materially affect the financial condition of the District.

20. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the District had \$65,781,612.84 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had \$40,879,346.78 invested in the Pool as of March 11, 2008.

EXHIBIT - L
CLAY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 930,978.62	\$ 730,979.00	\$ 860,490.86	\$ 129,511.86
Federal Through State		49,971.00	49,970.74	(0.26)
Federal Through Local				
State	193,027,692.81	189,663,257.00	187,598,757.34	(2,064,499.66)
Local	52,918,875.80	55,965,797.00	56,264,096.23	298,299.23
Total Revenues	246,877,547.23	246,410,004.00	244,773,315.17	(1,636,688.83)
Expenditures				
Current - Education:				
Instruction	159,296,079.27	158,828,474.10	154,378,858.02	4,449,616.08
Pupil Personnel Services	11,376,604.47	12,359,355.62	12,337,836.93	21,518.69
Instructional Media Services	5,200,523.76	5,554,090.57	5,413,033.51	141,057.06
Instruction and Curriculum Development Services	2,971,525.21	4,292,079.07	4,132,592.15	159,486.92
Instructional Staff Training Services	1,569,914.91	1,790,404.85	1,565,358.80	225,046.05
Instruction Related Technology	801,268.42	803,196.00	797,217.19	5,978.81
Board of Education	2,244,972.26	2,159,472.00	668,279.67	1,491,192.33
General Administration	820,459.45	853,380.38	838,741.03	14,639.35
School Administration	12,490,378.12	13,736,950.63	13,715,671.14	21,279.49
Facilities Acquisition and Construction	2,266,614.98	2,523,224.18	2,007,452.10	515,772.08
Fiscal Services	622,870.79	690,787.00	681,782.21	9,004.79
Food Services		76,926.00	76,905.83	20.17
Central Services	3,442,520.45	3,678,839.00	3,488,800.84	190,038.16
Pupil Transportation Services	12,171,688.51	11,818,177.21	11,691,713.87	126,463.34
Operation of Plant	18,422,539.10	18,147,910.72	17,983,452.15	164,458.57
Maintenance of Plant	4,693,425.58	5,676,628.33	5,473,810.42	202,817.91
Administrative Technology Services	1,529,066.22	1,730,781.26	1,685,568.31	45,212.95
Community Services	521,481.01	511,761.31	456,079.98	55,681.33
Fixed Capital Outlay:				
Facilities Acquisition and Construction	6,400,263.24	824,285.82	566,076.73	258,209.09
Other Capital Outlay	2,645,620.79	3,037,797.95	2,055,984.77	981,813.18
Total Expenditures	249,487,816.54	249,094,522.00	240,015,215.65	9,079,306.35
Excess (Deficiency) of Revenues Over Expenditures	(2,610,269.31)	(2,684,518.00)	4,758,099.52	7,442,617.52
Other Financing Sources (Uses)				
Operating Transfers In	1,500,000.00	2,400,000.00	2,400,000.00	
Sale of Capital Assets	60,000.00	60,000.00	70,112.31	10,112.31
Insurance Loss Recoveries	40,000.00	40,000.00	31,774.19	(8,225.81)
Operating Transfers Out		(61,233.00)	(61,232.68)	0.42
Total Other Financing Sources (Uses)	1,600,000.00	2,438,767.00	2,440,653.92	1,886.92
Net Change in Fund Balances	(1,010,269.31)	(245,751.00)	7,198,753.44	7,444,504.44
Fund Balances, July 1, 2006	25,224,881.13	25,224,881.13	25,224,881.13	
Increase in Inventory Reserve			247,765.27	247,765.27
Adjustment to Restate Beginning Fund Balance				
Fund Balances, June 30, 2007	\$ 24,214,611.82	\$ 24,979,130.13	\$ 32,671,399.84	\$ 7,692,269.71

EXHIBIT - L

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 341,363.75	\$ 341,364.00	\$ 276,951.70	\$ (64,412.30)
12,963,183.55	12,697,107.00	11,562,479.77	(1,134,627.23)
	9,492.00	121,991.06	121,991.06
			(9,492.00)
<u>13,304,547.30</u>	<u>13,047,963.00</u>	<u>11,961,422.53</u>	<u>(1,086,540.47)</u>
7,832,718.96	8,938,515.68	8,324,176.38	614,339.30
1,043,256.70	857,730.09	807,339.30	50,390.79
64,398.96	66,868.00	66,742.24	125.76
1,252,903.01	483,238.18	438,553.36	44,684.82
2,086,479.73	1,770,144.97	1,553,742.52	216,402.45
	24,328.00	24,328.00	
396,482.96	381,893.00	361,796.78	20,096.22
147,594.54	126,380.00	125,249.37	1,130.63
<u>540,147.74</u>	<u>721,663.08</u>	<u>463,147.67</u>	<u>258,515.41</u>
<u>13,363,982.60</u>	<u>13,370,761.00</u>	<u>12,165,075.62</u>	<u>1,205,685.38</u>
<u>(59,435.30)</u>	<u>(322,798.00)</u>	<u>(203,653.09)</u>	<u>119,144.91</u>
(59,435.30)	(322,798.00)	(203,653.09)	119,144.91
518,529.34	518,529.34	518,529.34	
	3,390.82		(3,390.82)
<u>\$ 459,094.04</u>	<u>\$ 199,122.16</u>	<u>\$ 314,876.25</u>	<u>\$ 115,754.09</u>

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

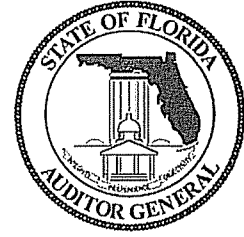
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of and for the fiscal year ended June 30, 2007, 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 a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Clay County District School Board's financial statements. The financial statements of the school internal funds and the Clay County Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the

District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

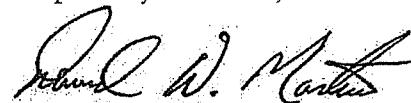
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have 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*** and in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA

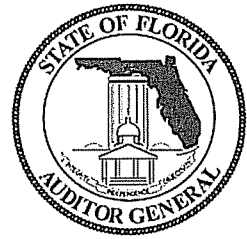
March 11, 2008



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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's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S 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 compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS** as Federal Awards Finding Nos. 1 through 3. In addition, our auditing procedures disclosed instances of noncompliance with requirements applicable to Federal programs which were not major programs, that are required to be reported in accordance with OMB *Circular A-133*, and which are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS** as Federal Awards Finding Nos. 3 and 4.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

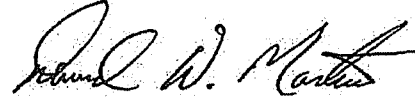
A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS** as Federal Awards Finding No. 1 to be a significant deficiency.

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

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

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,



David W. Martin, CPA

March 11, 2008

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

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	\$ 766,509.20
Florida Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	321	597,232.97
National School Lunch Program	10.555	300	3,601,358.55
Total Child Nutrition Cluster			4,198,591.52
Total United States Department of Agriculture			4,965,100.72
United States Department of Justice:			
Indirect:			
Clay County Board of County Commissioners: Part E - State Challenge Activities	16.549	5138076	64,734.42
United States Department of Labor:			
Indirect:			
Northeast Builders Association: WIA Youth Activities	17.259	AN145270560	10,623.89
United States General Services Administration:			
Indirect:			
Florida Department of Management Services: Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	932.00
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	607,960.71
Fund for the Improvement of Education	84.215	N/A	276,951.70
Total Direct			884,912.41
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	6,728,366.41
Special Education - Preschool Grants	84.173	267	174,696.08
Duval County District School Board:			
Special Education - Grants to States	84.027	48405	3,116.69
University of Florida:			
Special Education - Grants to States	84.027	00050736	1,837.70
Washington County District School Board:			
Special Education - Grants to States	84.027	7629002, 7629005	1,805.24
Total Special Education Cluster			6,909,822.12
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 228	2,634,537.21
Vocational Education - Basic Grants to States	84.048	151	162,862.91
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	113,219.45
Education for Homeless Children and Youth	84.196	127	62,904.24
State Grants for Innovative Programs	84.298	113	69,639.75
Education Technology State Grants	84.318	121	27,254.55
Reading First State Grants	84.357	211	192,222.13
English Language Acquisition Grants	84.365	102	36,045.34
Improving Teacher Quality State Grants	84.367	224	1,017,890.53
Hurricane Education Recovery	84.938	104	49,970.74
St. Johns County District School Board:			
Tech-Prep Education	84.243	603307	44,795.05
Total Indirect			11,321,164.02
Total United States Department of Education			12,206,076.43
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education: Learn and Serve America - School and Community Based Programs	94.004	234	1,568.27
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	300,546.62
Total Expenditures of Federal Awards			\$ 17,549,582.35

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2006-07 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 2006-07 fiscal year including cash in lieu of donated food of \$85,832.40. 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 2006-07 fiscal year.

**CLAY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SUMMARY OF AUDITOR'S 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, 2007:

- An unqualified opinion was issued on the financial statements.
- No matters involving the internal control and its operation were considered to be significant deficiencies.
- No noncompliance was reported which is material to the financial statements.
- A significant deficiency in internal control over major Federal programs was reported, but it was not considered a material weakness.
- 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: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)] and Improving Teacher Quality State Grants (CFDA No. 84.367).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$526,487.47.
- 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, 2007**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Improving Teacher Quality State Grants (CFDA No. 84.367)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$22,904

Level of Effort - Supplement Not Supplant. The District did not document that a portion of a technology specialist's salary and benefits paid from the Improving Teacher Quality State Grants program met the supplement not supplant compliance requirement, resulting in questioned costs totaling \$22,904. Public Law 107-110, United States Code, provides, in part, that Improving Teacher Quality State Grants program funds shall be used to supplement the funds that would, in the absence of such Federal funds, be made available from non-Federal sources for the education of pupils participating in programs assisted under this part, and not to supplant such funds. The United States Office of Management and Budget *Circular A-133* provides that it is presumed supplanting has occurred if the local education agency (LEA) has used the Federal funds to provide services that the LEA provided with non-Federal funds in the prior year.

The District paid a technology specialist 100 percent from Improving Teacher Quality State Grants program funds during the 2006-07 fiscal year; however, during the 2005-06 fiscal year, the technology specialist was paid 70 percent from another Federal grant (Education Technology State Grants) and 30 percent from the General Fund. According to the District, Education Technology State Grants funding for the 2006-07 fiscal year decreased substantially and could no longer support the technology specialist position. As a result, the position was funded by the Improving Teacher Quality State Grants program. In these circumstances, 30 percent of the technology specialist's salaries and benefits paid from Federal Improving Teacher Quality State Grants program funds, totaling \$22,904, are presumed to have supplanted because the salaries and benefits were provided from non-Federal funds in the prior year and, therefore, represent questioned costs.

Recommendation: The District should document to the grantor (United States Department of Education) the allowability of the questioned costs of approximately \$22,904, or these moneys should be restored to the program.

District Contact Person: Alisa Jones, Supervisor of Instructional Support Services

Federal Awards Finding No. 2:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Improving Teacher Quality State Grants (CFDA No. 84.367)****Finding Type: Noncompliance****Questioned Costs: Not Applicable**

Allowable Costs/Cost Principles – Documentation of Employee Time and Effort. Enhancements were needed in District procedures for documenting salaries and benefits charged to the Improving Teacher Quality State Grants program. The United States Office of Management Budget *Circular A-87* provides that, where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semi-annually, that the employees worked solely on that program for the period of the certification.

Our review of District procedures disclosed that each employee prepared an annual certification of the time worked on the Improving Teacher Quality State Grants program, rather than the required semi-annual certifications. Although we were able to satisfy ourselves that the employees worked solely on the program based on the annual certifications prepared and other available records, such as payroll time sheets, preparation of semi-annual certifications is necessary to comply with the Federal requirement.

Recommendation: The District should enhance procedures to ensure appropriate documentation is prepared to support salary charges to Federal programs.

District Contact Person: Alisa Jones, Supervisor of Instructional Support Services

Federal Awards Finding No. 3:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education**

Programs: Title I Grants to Local Educational Agencies (CFDA No. 84.010); State Grants for Innovative Programs (CFDA No. 84.298); Education Technology State Grants (CFDA No. 84.318); Improving Teacher Quality State Grants (CFDA No. 84.367)

Finding Type: Noncompliance**Questioned Costs: Not Applicable**

Allowable Costs/Cost Principles – Contract Provisions. Improvements were needed in District procedures to provide for required provisions in contracts funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires that District contracts involving Federal funds contain certain provisions. These provisions include requiring access to contractor records that are directly pertinent to the contract and retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

For the 2006-07 fiscal year, our review of Federal program contract agreements and related procurement documentation disclosed that the agreements did not contain these provisions for purchases, totaling \$286,145.16,

from eight vendors. Failure to include the required contract provisions could limit the District's actions if disputes arose with the contractor and could result in disallowance of grant expenditures by the grantor.

Recommendation: The District should ensure that all future contracts involving Federal Funds include the required provisions.

District Contact Person: Alisa Jones, Supervisor of Instructional Support Services
Sandra Emory, Title I Supervisor

Federal Awards Finding No. 4:

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 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, Florida Administrative Code, provides that carbonated beverages may be sold at any time in high schools by a school activity or organization authorized by the principal if a beverage of 100 percent fruit juice is sold at each location where carbonated beverages are sold.

Our review of the District's compliance with the competitive food and beverage sales requirements at Fleming Island High and Middleburg High schools during October and December 2007 disclosed that carbonated beverages were sold to students throughout the school day; however, not all locations had 100 percent fruit juice available for sale where the carbonated beverages were sold. A similar finding was noted in our report No. 2007-149.

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: Wimberly Brackett, Director, Food and Nutrition

*CLAY COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-149 (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 \$406,527 in its Food Services Fund at June 30, 2006.	Corrected.	
2007-149 (2)	National School Lunch Program (CFDA 10.555) - Special Tests and Provisions - Competitive Food Sales	The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.	Not corrected.	The District will require that its beverage contractor routinely monitor to ensure that where carbonated beverages are made available to students, 100 percent fruit juice is also available.

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MANAGEMENT RESPONSE SECTION



David Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

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

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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 25, 2008

David Martin, 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, 2007

Dear Mr. Martin:

Please find enclosed the District's responses to the 2006-2007 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,

George F. Copeland, CPA
Assistant Superintendent of Business Affairs

GFC/sn

pc: David Owens, Superintendent
Denise Adams, Deputy Superintendent

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David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street
Green Cove Springs, Florida 32043
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Wayne Bolla
District 4
Lisa Graham
District 5

February 8, 2008

David W. Martin
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

RE: Clay County District School Board Audit ending June 30, 2007

Please be advised, effective immediately, any/all equipment purchased with Workforce Development funds will have the approval of the CTE Director BEFORE relocation.

Sincerely,

Paul E. Parker, Director
Career & Technical Education

PEP:mrg

Cc: John Chappell, Supervisor, Adult Education
Tom Moore, Chief Information Officer, I.S.



David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

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

January 31, 2008

David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Auditor General,

I am in receipt of your Preliminary and Tentative Audit Findings for the Fiscal Year Ended June 30, 2007. I am responding to Finding No. 2 Cellular Telephones procedures for the 2006-07 fiscal year and agree that you have a correct understanding.

In reviewing the Information Services procedure in place I believe that the monitoring aspects of the law have not been adequately addressed. Your review of the bills has identified a hole in the process. I will be changing the procedure so that the phone calls declared by the employee to be business related will be randomly reviewed. We will not be questioning every number but will sample some of the calls on some of the bills.

We have met with the employees that appear to be in violation of our procedure and have already recovered costs identified by the auditor.

Sincerely,

A handwritten signature in cursive script that reads "Tom W. Moore".

Tom W. Moore, Chief Information Officer

Cc: George Copeland, Assistant Superintendent, Business Affairs Division

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David Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

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BOARD MEMBERS

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District 5

February 28, 2008

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

Dear Mr. Martin:

I have listed below my response to your preliminary and tentative audit findings and recommendations for Finding Number 3 for the School District of Clay County.

Finding No. 3: Architect Insurance

Issue:

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

Response:

While there is still no regulatory requirement for the District to obtain insurance certificates from Architects or for Architects to carry Professional Liability Insurance, the District is currently developing a policy that will address this issue and set criteria for determining adequate and proper insurance requirements.

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

Sincerely,

James A. Connell
Director of Facility Planning and Construction

/jm

" An Equal Opportunity Employer "



David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street
Green Cove Springs, Florida 32043

Instructional Support Services
23 South Green Street
Green Cove Springs, FL 32043
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District 5

February 13, 2008

David W. Martin
G74 Claude Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

After further review, we have come to a consensus to move money from our general fund to cover the 30% charge to Title II Part A, in order to fund our district technology specialist's salary. We are optimistic that this action will remedy the situation.

Sincerely,

A handwritten signature in cursive script that reads "Alisa B. Jones".

Alisa B. Jones, Supervisor
Instructional Support Services

"An Equal Opportunity Employer"



David L. Owens
Superintendent of Schools

SCHOOL DISTRICT OF CLAY COUNTY

**900 Walnut Street
Green Cove Springs, Florida 32043**

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BOARD MEMBERS:

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February 13, 2008

David W. Martin
G74 Claude Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The SDCC has implemented procedures requiring completion of semi-annual time certifications for employees working solely on the Improving Teacher Quality State Grants program as required documentation by the District.

Sincerely,

Alisa B. Jones, Supervisor
Instructional Support Services

/ld

"An Equal Opportunity Employer"



SCHOOL DISTRICT OF CLAY COUNTY

BOARD MEMBERS

PURCHASING AND ACCOUNTS PAYABLE
814 Walnut Street
Green Cove Springs, Florida 32043

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Carol Studdard
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To: Mr. David W. Martin
Auditor General
State of Florida
Tallahassee, Florida 32399-1450

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

Via: Nancy G. Racine, Director of Purchasing, Accounts Payable & Materials Management

Re: AUDIT RESPONSE TO FINDING #3 – ALLOWABLE COST/COST PRINCIPLE – CONTRACT PROVISIONS

Date: February 6, 2008

Effective January 1, 2008, all contracts shall include an addendum that addresses Title 32, Section 80.36(i). The District is also reviewing how to incorporate these provisions onto our purchase order.

"An Equal Opportunity Employer"



David Owens
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

BUSINESS AFFAIRS DIVISION
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District 5

To: David W. Martin
Auditor General
State of Florida
Jacksonville, Florida 32399-1450

From: George F. Copeland
Assistant Superintendent of Business Affairs

Re: Audit Response to Finding Federal Awards Finding No. 4:
Special Tests and Provisions – Competitive Food Sales

Date: February 7, 2008

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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