REPORT NO. 2011-140
MARCH 2011

CITRUS COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Louis A. Miele, Vice Chair from 11-17-09	1
Virginia G. Bryant, Chair to 11-16-09	2
Patricia T. Deutschman, Vice Chair to 11-16-09, Chair from 11-17-09	3
Edward W. Murray	4
Linda B. Powers	5

Sandra C. Himmel, Superintendent

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

The audit team leader was Anna A. McCormick, CPA, and the audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: District procedures for reporting net asset classifications on the financial statements could be enhanced.

ADDITIONAL MATTERS

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

Finding No. 3: The District did not timely submit its group health self-insurance plan, along with a certification of actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation, contrary to Section 112.08(2)(b), Florida Statutes.

Finding No. 4: The District could improve its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 5: The District did not require its employees to sign an annual acknowledgement that they had read, understood, and agreed to abide by District information technology (IT) security policies.

Finding No. 6: The District needed to enhance its procedures to ensure timely removal of IT access privileges of former employees.

Finding No. 7: The District's IT contingency planning procedures needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; Improving Teacher Quality State Grants; and Hazard Mitigation Grant 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.

Audit Objectives and Scope

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

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

- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2010-121.**

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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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 Citrus County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 22 percent of the assets and 34 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Academy of Environmental Science, Inc. (Charter School), the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

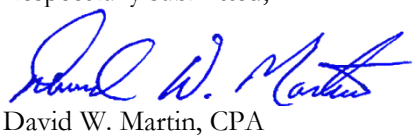
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Citrus County District School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 48 through 51) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Citrus County District School Board has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is 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 11 through 46.

FINANCIAL HIGHLIGHTS

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

- The District's total net assets increased by $2,010,124.06, which is a 1.0 percent increase from the 2008-09 fiscal year.
- General revenues totaled $146,301,727.53, which is 93.2 percent of all revenues for the 2009-10 fiscal year, as compared to $141,951,953.89, which was 91 percent for the 2008-09 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $10,657,537.92, which is 6.8 percent, compared to $14,052,908.69, which represented 9 percent for the 2008-09 fiscal year.
- Expenses total $154,949,141.39. Only $10,657,537.92 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by $2,010,124.06, as compared to the previous fiscal year when revenues exceeded expenses by $3,502,477.43.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $15,393,648.95 at June 30, 2010, which is 13.2 percent of General Fund expenditures as compared to $13,518,539.66, or 11.2 percent at June 30, 2009.
- The District's total debt increased by $46,560,000. The key factor in this increase was the first time issuance of $35,000,000 in Qualified School Construction Bonds Certificates of Participation (COPs) and $11,945,000 in other COPs.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net

assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following 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 – The District presents one separate legal entity as a discretely presented component unit, which is the Academy of Environmental Science, Inc. (Charter School). Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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

Fund Financial Statements

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

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

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary fund is maintained, an internal service fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for its employee group health self-insurance program and its wellness center. Since these services predominantly benefit governmental rather than business-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 student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses private-purpose trust funds to account for scholarship funds established by private donors.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

Net Assets, End of Year

	Governmental Activities	
	6-30-10	6-30-09
Current and Other Assets	$ 117,708,418.64	$ 63,297,288.24
Capital Assets	156,473,167.47	155,935,655.34
Total Assets	274,181,586.11	219,232,943.58
Long-Term Liabilities	64,858,131.33	14,987,155.25
Other Liabilities	8,932,856.53	5,865,314.14
Total Liabilities	73,790,987.86	20,852,469.39
Net Assets:		
Invested in Capital Assets - Net of Related Debt	150,344,902.33	152,196,223.21
Restricted	46,339,564.53	41,386,277.04
Unrestricted	3,706,131.39	4,797,973.94
Total Net Assets	$ 200,390,598.25	$198,380,474.19

The largest portion of the District's net assets (75 percent) reflects its investment in capital assets (e.g. land; buildings; furniture, fixtures, and equipment), less any 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 (23.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (1.9 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	$ 3,438,492.03	$ 3,318,150.92
Operating Grants and Contributions	4,593,362.14	8,149,502.38
Capital Grants and Contributions	2,625,683.75	2,585,255.39
General Revenues:		
Property Taxes, Levied for Operational Purposes	63,687,629.98	65,932,424.58
Property Taxes, Levied for Capital Projects	18,150,837.29	19,866,335.66
Grants and Contributions Not Restricted to Specific Programs	61,578,148.62	53,624,319.56
Unrestricted Investment Earnings	678,814.92	644,189.22
Miscellaneous	2,206,296.72	1,884,684.87
Total Revenues	156,959,265.45	156,004,862.58
Functions/Program Expenses:		
Instruction	79,347,876.02	77,231,911.13
Pupil Personnel Services	6,328,654.32	6,157,775.76
Instructional Media Services	1,982,122.99	2,304,804.05
Instruction and Curriculum Development Services	4,312,592.49	4,976,305.41
Instructional Staff Training Services	2,020,755.86	2,164,393.48
Instruction Related Technology	1,503,343.59	1,372,419.56
Board of Education	716,671.03	627,270.14
General Administration	1,313,787.79	967,149.12
School Administration	8,973,462.57	8,885,928.21
Facilities Acquisition and Construction	1,288,928.17	4,666,222.66
Fiscal Services	896,945.88	897,227.94
Food Services	5,537,441.17	5,657,195.33
Central Services	2,427,333.38	2,243,477.15
Pupil Transportation Services	8,149,633.58	8,130,253.07
Operation of Plant	10,227,593.09	10,090,607.78
Maintenance of Plant	6,819,996.77	4,211,136.50
Administrative Technology Services	1,796,615.05	1,921,203.87
Community Services	1,506,563.69	1,208,708.95
Unallocated Interest on Long-Term Debt	154,023.71	207,864.98
Unallocted Depreciation Expense	9,305,725.79	7,633,241.14
Loss on Disposal of Capital Assets	339,074.45	947,288.92
Total Functions/Program Expenses	154,949,141.39	152,502,385.15
Increase in Net Assets	$ 2,010,124.06	$ 3,502,477.43

The largest revenue sources are the State of Florida and local property taxes, which are 28.1 percent and 52.1 percent, respectively, of total revenue. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. The FEFP increase of $1,675,469 occurred primarily because the State moved the instructional materials, $1,277,773, and student transportation, $3,799,032, programs out of categorical program funding and into the base FEFP funding. This transfer offset the decline in FEFP funding due to a decrease in the District's unweighted full-time equivalent (UFTE) student count from 15,796 students in the

2008-09 fiscal year to 15,770 students in the 2009-10 fiscal year, and a reduction by the State in the base student allocation from $3,886.14 in the 2008-09 fiscal year to $3,630.62 in the 2009-10 fiscal year.

Operating grants and contributions decreased $3,556,140.24 because the State changed how student transportation funding is allocated, as previously noted. The State allowed millage rate for the Capital Projects – Local Capital Improvement Fund decreased from 1.75 mills in the 2008-09 fiscal year to 1.50 mills in the 2009-10 fiscal year. By super majority vote of the Board, a .25 critical capital outlay needs millage levy was approved for the 2009-10 fiscal year. The .25 critical capital outlay millage levy resulted in revenue of $2,438,046.36. Grants and contributions not restricted to specific programs increased $7,953,829.06 due to approximately $5.9 million from the ARRA - State Fiscal Stabilization Funds, and the instructional materials and student transportation categorical program funds moved into the base FEFP funding, as previously noted.

The increase in maintenance of plant expenses was offset by a decrease in facilities acquisition and construction expenses as maintenance-type projects that were previously recorded as facilities acquisition and construction expenses are now recorded in maintenance of plant.

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, the unreserved fund balance was $15,393,648.95, while the total fund balance was $17,698,915.43. The unreserved fund balance increased by $1,875,109.29, while the total fund balance increased by $1,660,541.42 during the fiscal year. The increase was primarily due to a decrease in instructional staff salaries and benefits, which were shifted to the Special Revenue – ARRA Economic Stimulus Fund.

The Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of $8,745,643.87 each, and the funding was mainly used for instructional staff salaries and benefits. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $42,012,532.04, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by $5,218,370.88. Fund balance is being accumulated in anticipation of building a new elementary school, as listed in the five-year work plan. It should be noted that $2,446,527.45 has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of $10,954,205.81, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by $9,559,690.24 mainly because the District received proceeds from the Certificates of Participation Series 2010B, totaling $11,945,000. Of the total fund balance, $6,995,418.70 has been encumbered for specific projects.

The Capital Projects – ARRA Economic Stimulus Fund has a total fund balance of $33,824,175.11, primarily because of receiving proceeds from the issuance of $35,000,000 of Qualified School Construction Bonds COPs for the construction and remodeling of Crystal River High School. It should be noted that $18,549,628.39 has been encumbered for this project.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $3,237,931.14, or 3 percent. At the same time, final appropriations are more than the original budgeted amounts by $3,755,549.13, or 3.1 percent. Budget revisions were necessary to recognize

increases in Medicaid revenue and the critical capital outlay property tax levy, and expenditure increases related to maintenance of plant expenditures paid directly out of the General Fund rather than out of the capital project funds as in years past.

Actual revenues are in line with the final budget amounts, while actual expenditures are $8,436,919.26, or 6.7 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $7,495,078.36.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounted to $156,473,167.47 (net of accumulated depreciation). This investment in capital assets includes 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.

Major capital asset events during the current fiscal year were the replacement of fuel tanks, and the start of remodeling, renovation, and construction at the Crystal River Primary and Crystal River High Schools.

Additional information on the District's capital assets can be found in Notes 4 and 14 to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total long-term debt of $50,405,000, comprised of $3,460,000 of State School Bonds, $35,000,000 of COPs - Qualified School Construction Bonds, and $11,945,000 of other COPs. Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

FEFP funding is partially based on student enrollment and attendance. During the 2009-10 fiscal year, student FTE was 15,770, a decrease of 26 students from the previous year. For the 2010-11 fiscal year, the FTE is expected to decline by approximately 400 students.

Effective for the 2009-10 fiscal year, the District began receiving one-time appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA). The intent of these funds is to help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. This funding was used by the District primarily to create and maintain jobs. The ARRA - State Fiscal Stabilization Fund, which was used by the State in its FEFP calculation, will end at June 30, 2011.

Beginning with the 2010-11 school year, the District will have to meet class-size amendment requirements at the classroom level, rather than at the current school-wide average. The maximum number of students in each core class will be 18 students in prekindergarten through grade 3; 22 students in grades 4 through 8; and 25 students in grades 9 through 12. The District anticipates hiring approximately 60 teachers at a cost of $2,500,000 to meet these new requirements.

The District has reserved budget for the discontinuance of the ARRA funding and for shortfalls in the FEFP due to the state of the economy.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Director of Finance, Citrus County District School Board, 1007 West Main Street, Inverness, Florida 34450.

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 49,359,798.31	$ 112,357.00
Investments	61,735,157.48	
Accounts Receivable	48,513.45	
Due from Other Agencies	3,964,008.70	
Prepaid Items	648,765.76	
Deferred Charges	582,102.17	
Inventories	557,027.97	
Capital Credits Receivable	813,044.80	
Other Assets		212.00
Capital Assets:		
Nondepreciable Capital Assets	11,629,483.14	
Depreciable Capital Assets, Net	144,843,684.33	267,612.00
TOTAL ASSETS	$ 274,181,586.11	$ 380,181.00
LIABILITIES		
Salaries and Benefits Payable	$ 150,522.62	$
Payroll Deductions and Withholdings	217,697.00	
Accounts Payable	2,109,721.84	19,610.00
Construction Contracts Payable	2,034,189.90	
Construction Contracts Payable - Retainage	328,790.00	
Due to Other Agencies	1,731.55	
Deferred Revenue	1,841,852.98	
Estimated Insurance Claims Payable	2,248,350.64	
Long-Term Liabilities:		
Portion Due Within One Year	3,375,000.00	
Portion Due After One Year	61,483,131.33	
Total Liabilities	73,790,987.86	19,610.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	150,344,902.33	267,612.00
Restricted for:		
State Required Carryover Programs	954,930.07	
Debt Service	97,085.03	
Capital Projects	43,304,425.23	76,518.00
Food Service	1,983,124.20	
Unrestricted	3,706,131.39	16,441.00
Total Net Assets	200,390,598.25	360,571.00
TOTAL LIABILITIES AND NET ASSETS	$ 274,181,586.11	$ 380,181.00

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 79,347,876.02	$ 1,586,292.85	$	$
Pupil Personnel Services	6,328,654.32			
Instructional Media Services	1,982,122.99			
Instruction and Curriculum Development Services	4,312,592.49			
Instructional Staff Training Services	2,020,755.86			
Instruction Related Technology	1,503,343.59			
School Board	716,671.03			
General Administration	1,313,787.79			
School Administration	8,973,462.57			
Facilities Acquisition and Construction	1,288,928.17			166,551.45
Fiscal Services	896,945.88			
Food Services	5,537,441.17	1,852,199.18	4,593,362.14	
Central Services	2,427,333.38			
Pupil Transportation Services	8,149,633.58			
Operation of Plant	10,227,593.09			
Maintenance of Plant	6,819,996.77			1,930,889.84
Administrative Technology Services	1,796,615.05			
Community Services	1,506,563.69			
Unallocated Interest on Long-Term Debt	154,023.71			528,242.46
Unallocated Depreciation Expense	9,305,725.79			
Loss on Disposal of Capital Assets	339,074.45			
Total Primary Government	$ 154,949,141.39	$ 3,438,492.03	$ 4,593,362.14	$ 2,625,683.75
Component Unit				
Charter School	$ 492,745.00	$ 0.00	$ 0.00	$ 57,792.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Adjustment to Restate Beginning Net Assets				
Net Assets - Beginning, Restated				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental Activities	Unit
$ (77,761,583.17)	$
(6,328,654.32)	
(1,982,122.99)	
(4,312,592.49)	
(2,020,755.86)	
(1,503,343.59)	
(716,671.03)	
(1,313,787.79)	
(8,973,462.57)	
(1,122,376.72)	
(896,945.88)	
908,120.15	
(2,427,333.38)	
(8,149,633.58)	
(10,227,593.09)	
(4,889,106.93)	
(1,796,615.05)	
(1,506,563.69)	
374,218.75	
(9,305,725.79)	
(339,074.45)	
(144,291,603.47)	
	(434,953.00)
63,687,629.98	
18,150,837.29	
61,578,148.62	437,206.00
678,814.92	
2,206,296.72	7,135.00
146,301,727.53	444,341.00
2,010,124.06	9,388.00
198,380,474.19	318,183.00
	33,000.00
198,380,474.19	351,183.00
$ 200,390,598.25	$ 360,571.00

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	$ 10,403,207.48	$ 161.18	$ 33,229,407.00
Investments	4,956,090.99		9,006,099.52
Accounts Receivable	27,621.46		
Due from Other Funds	414,887.19		
Due from Other Agencies	2,888,155.41	194,281.28	613,481.94
Prepaid Items	546,424.20	2,610.00	
Inventories	300,380.34		
TOTAL ASSETS	$ 19,536,767.07	$ 197,052.46	$ 42,848,988.46
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 149,442.42	$	$
Payroll Deductions and Withholdings	194,462.46	7,786.67	
Accounts Payable	1,488,155.09	2,490.12	297,781.09
Construction Contracts Payable			452,248.29
Construction Contracts Payable - Retainage			86,427.04
Due to Other Funds		186,507.86	
Due to Other Agencies	1,570.37	161.18	
Deferred Revenue	4,221.30	106.63	
Total Liabilities	1,837,851.64	197,052.46	836,456.42
Fund Balances:			
Reserved for State Required Carryover Programs	954,930.07		
Reserved for Encumbrances	1,049,956.07		2,446,527.45
Reserved for Inventories	300,380.34		
Reserved for Debt Service			
Unreserved:			
Undesignated, Reported in:			
General Fund	15,393,648.95		
Special Revenue Funds			
Capital Projects Funds			39,566,004.59
Total Fund Balances	17,698,915.43		42,012,532.04
TOTAL LIABILITIES AND FUND BALANCES	$ 19,536,767.07	$ 197,052.46	$ 42,848,988.46

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

Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$ 655,925.18	$	$ 1,034,792.44	$ 45,323,493.28
11,894,237.89	34,322,754.39	1,555,974.69	61,735,157.48
			27,621.46
			414,887.19
		250,284.32	3,946,202.95
		49,186.52	598,220.72
		256,647.63	557,027.97
$ 12,550,163.07	$ 34,322,754.39	$ 3,146,885.60	$ 112,602,611.05
$	$	$ 1,080.20	$ 150,522.62
		15,447.87	217,697.00
112,668.31	109,781.61	98,011.68	2,108,887.90
1,275,027.55	306,914.06		2,034,189.90
208,261.40	34,101.56		328,790.00
	47,782.05	180,597.28	414,887.19
			1,731.55
		6,462.19	10,790.12
1,595,957.26	498,579.28	301,599.22	5,267,496.28
			954,930.07
6,995,418.70	18,549,628.39	89,795.32	29,131,325.93
		256,647.63	557,027.97
		97,085.03	97,085.03
			15,393,648.95
		1,983,124.20	1,983,124.20
3,958,787.11	15,274,546.72	418,634.20	59,217,972.62
10,954,205.81	33,824,175.11	2,845,286.38	107,335,114.77
$ 12,550,163.07	$ 34,322,754.39	$ 3,146,885.60	$ 112,602,611.05

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

Total Fund Balances - Governmental Funds		$ 107,335,114.77
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		156,473,167.47
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.		582,102.17
Premiums paid on long-term debt issuance are reported as revenues in the governmental funds, but as unamortized premiums in the government-wide statements and amortized over the life of the debt.		(248,625.74)
Capital credits to be received in future years are not available to liquidate liabilities in the governmental funds, but are accrued in the government-wide statements.		813,044.80
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		293,926.11
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	$ 46,945,000.00	
Bonds Payable	3,460,000.00	
Other Postemployment Benefits Payable	7,776,413.00	
Compensated Absences Payable	6,676,718.33	(64,858,131.33)
Total Net Assets - Governmental Activities		$ 200,390,598.25

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

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CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 183,860.99	$	$
Federal Through State and Local	128,474.03	8,745,643.87	
State	41,392,330.82		
Local:			
Property Taxes	66,125,676.34		15,712,790.93
Charges for Services - Food Service			
Miscellaneous	3,759,274.18		482,324.03
Total Revenues	111,589,616.36	8,745,643.87	16,195,114.96
Expenditures			
Current - Education:			
Instruction	65,844,169.94	6,320,648.57	
Pupil Personnel Services	4,588,238.59	548,370.04	
Instructional Media Services	1,921,359.74	12,331.92	
Instruction and Curriculum Development Services	1,336,215.11	757,748.28	
Instructional Staff Training Services	661,450.43	536,382.75	
Instruction Related Technology	1,459,070.53	9,893.75	
School Board	700,281.79		
General Administration	461,675.65	396,373.54	
School Administration	8,745,771.08	21,669.53	
Facilities Acquisition and Construction	619,160.83		
Fiscal Services	876,434.01		
Food Services			
Central Services	2,324,779.76	665.21	
Pupil Transportation Services	7,886,567.91	362.24	
Operation of Plant	9,993,702.67		
Maintenance of Plant	6,664,033.20		
Administrative Technology Services	1,755,529.03		
Community Services	670,278.86		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	134,366.08		4,652,845.55
Other Capital Outlay	271,926.71	141,198.04	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	116,915,011.92	8,745,643.87	4,652,845.55
Excess (Deficiency) of Revenues Over Expenditures	(5,325,395.56)		11,542,269.41
Other Financing Sources (Uses)			
Transfers In	9,296,659.79		2,438,046.36
Certificates of Participation Issued			
Premium on Certificates of Participation			
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payments to Refunded Bond Escrow Agent			
Insurance Loss Recoveries	127,323.55		4,550.00
Transfers Out	(2,438,046.36)		(8,766,494.89)
Total Other Financing Sources (Uses)	6,985,936.98		(6,323,898.53)
Net Change in Fund Balances	1,660,541.42		5,218,370.88
Fund Balances, Beginning	16,038,374.01		36,794,161.16
Fund Balances, Ending	$ 17,698,915.43	$ 0.00	$ 42,012,532.04

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

Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 950,007.98	$ 1,133,868.97
		14,522,129.81	23,396,247.71
57,792.00		2,639,209.53	44,089,332.35
			81,838,467.27
		1,852,199.18	1,852,199.18
36,567.70	168,439.52	48,367.44	4,494,972.87
94,359.70	168,439.52	20,011,913.94	156,805,088.35
		5,649,688.06	77,814,506.57
		1,047,318.42	6,183,927.05
		3,103.02	1,936,794.68
		2,120,006.28	4,213,969.67
		776,710.88	1,974,544.06
			1,468,964.28
			700,281.79
		425,694.15	1,283,743.34
		811.71	8,768,252.32
			619,160.83
			876,434.01
		5,410,807.81	5,410,807.81
		46,378.76	2,371,823.73
		76,332.97	7,963,263.12
			9,993,702.67
			6,664,033.20
			1,755,529.03
		801,831.87	1,472,110.73
2,347,290.20	909,130.91	2,138,387.06	10,182,019.80
		242,444.46	655,569.21
		350,000.00	350,000.00
202,594.48	390,219.83	190,213.33	783,027.64
2,549,884.68	1,299,350.74	19,279,728.78	153,442,465.54
(2,455,524.98)	(1,130,911.22)	732,185.16	3,362,622.81
			11,734,706.15
11,945,000.00	35,000,000.00		46,945,000.00
257,349.45			257,349.45
		350,000.00	350,000.00
		30,696.60	30,696.60
		(377,518.55)	(377,518.55)
			131,873.55
(187,134.23)	(44,913.67)	(298,117.00)	(11,734,706.15)
12,015,215.22	34,955,086.33	(294,938.95)	47,337,401.05
9,559,690.24	33,824,175.11	437,246.21	50,700,023.86
1,394,515.57		2,408,040.17	56,635,090.91
$ 10,954,205.81	$ 33,824,175.11	$ 2,845,286.38	$ 107,335,114.77

CITRUS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Governmental Funds		$ 50,700,023.86
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the 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.		876,586.58
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(339,074.45)
Capital credits to be received in future years are accrued in the government-wide statements, but the credits do not provide current financial resources and are not recognized in the governmental funds.		
Current Year Accruals	$ 813,044.80	
Less: Prior Year Accrual	(796,883.19)	
Net Increase in Capital Credits Receivable		16,161.61
Issuing long-term bonded debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. Refunded debt is an other financing use in the governmental funds, but decreases liabilities in the statement of net assets. This is the long-term debt that was issued and refunded in the current period:		
Certificates of Participation Issued	$ (46,945,000.00)	
State Board of Education Bonds Issued	(350,000.00)	
State Board of Education Bonds Defeased	385,000.00	(46,910,000.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		350,000.00
Premiums and deferred charges (debt issuance costs) are reported in the governmental funds in the year debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. The following details the effect of premiums and deferred charges in the current period:		
Deferred Charges on Certificates of Participation Issued	$ 592,814.31	
Amortization of Deferred Charges	(10,712.14)	
Premium on Certificates of Participation Issued	(257,349.45)	
Amortization of Premium	8,723.71	333,476.43
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 paid in excess of the amount earned in the current period.		122,202.92
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(3,433,179.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		293,926.11
Change in Net Assets - Governmental Activities		$ 2,010,124.06

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2010

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	4,036,305.03
Accounts Receivable		20,891.99
Due From Other Agencies		17,805.75
Prepaid Items		50,545.04
TOTAL ASSETS	$	4,125,547.81
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	833.94
Deferred Revenue		1,582,437.12
Estimated Insurance Claims Payable		2,248,350.64
Total Liabilities		3,831,621.70
NET ASSETS		
Unrestricted		293,926.11
TOTAL LIABILITIES AND NET ASSETS	$	4,125,547.81

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for Services	$ 70.00
Premium Revenues	5,212,062.12
Total Operating Revenues	5,212,132.12
OPERATING EXPENSES	
Salaries	1,156.45
Employee Benefits	149.52
Purchased Services	874,274.34
Energy Services	308.64
Materials and Supplies	25,072.83
Capital Outlay	217,955.41
Insurance Claims	4,105,430.76
Total Operating Expenses	5,224,347.95
Operating Loss	(12,215.83)
NONOPERATING REVENUES	
Interest Revenue	6,141.94
Gifts, Grants, and Bequests	300,000.00
Total Nonoperating Revenues	306,141.94
Change in Net Assets	293,926.11
Total Net Assets - Beginning	
Total Net Assets - Ending	$ 293,926.11

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 6,755,871.50
Cash Payments to Suppliers for Goods and Services	(1,167,322.32)
Cash Payments to Employees for Services	(1,305.97)
Cash Payments for Insurance Claims	(1,857,080.12)
Net Cash Provided by Operating Activities	3,730,163.09
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Other Grants	300,000.00
Net Cash Provided by Noncapital Financing Activities	300,000.00
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	6,141.94
Net Cash Provided by Investing Activities	6,141.94
Net Increase in Cash and Cash Equivalents	4,036,305.03
Cash and Cash Equivalents, Beginning	
Cash and Cash Equivalents, Ending	$ 4,036,305.03

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating Loss	$ (12,215.83)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(20,891.99)
Increase in Due From Other Funds	(17,805.75)
Increase in Prepaid Items	(50,545.04)
Increase in Accounts Payable	833.94
Increase in Deferred Revenue	1,582,437.12
Increase in Estimated Insurance Claims Payable	2,248,350.64
Total Adjustments	3,742,378.92
Net Cash Provided by Operating Activities	$ 3,730,163.09

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
June 30, 2010

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 256,483.67	$ 1,975,881.00
Investments	50,000.00	
Accounts Receivable		16,302.00
Inventory		124,223.00
TOTAL ASSETS	$ 306,483.67	$ 2,116,406.00
LIABILITIES		
Accounts Payable	$	$ 7,788.00
Internal Accounts Payable		2,108,618.00
Total Liabilities		$ 2,116,406.00
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	306,483.67	
Total Net Assets	306,483.67	
TOTAL LIABILITIES AND NET ASSETS	$ 306,483.67	

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

CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Private-Purpose Trust Funds
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	$ 1,210.76
DEDUCTIONS	
Scholarship Payments	7,400.00
Change in Net Assets	(6,189.24)
Net Assets - Beginning	312,672.91
Net Assets - Ending	$ 306,483.67

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ Reporting Entity

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

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

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

- Blended Component Unit. The Citrus County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Academy of Environmental Science, Inc. (Charter School). The Charter School is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The District is the sponsor for the Charter School and is responsible for monitoring and reviewing the Charter School's progress towards meeting the goals established in the charter. The Charter School is considered to be a component unit of the District because it is fiscally dependent on the District to levy taxes for its support. The financial data reported in the accompanying financial statements was derived from the audited financial records of the Charter School for the fiscal year ended June 30, 2010, which are on file at the District's administrative office.

  During the 2009-10 fiscal year, the Charter School determined that compensated absences previously reported at June 30, 2009, did not actually represent liabilities of the school, but instead represented liabilities of the District. Consequently, beginning net assets of the Charter School has been restated as follows:

Net Assets - Beginning of year, as previously reported	$ 318,183.00
Adjustment to restate beginning net assets	33,000.00
Net Assets - Beginning of year, restated	$ 351,183.00

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

- **Basis of Presentation**

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

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 is not readily associated with a particular function and is reported as unallocated.

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund - to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by proceeds from the issuance of Certificates of Participation for the construction and remodeling of Crystal River Primary School, impact fees, and other miscellaneous resources.
- Capital Projects – ARRA Economic Stimulus Capital Projects Fund - to account for the financial resources generated by proceeds from the issuance of qualified school construction bonds used for the construction and remodeling of Crystal River High School.

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

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

- Internal Service Funds – to account for the District's Employee Health Self-Insurance program and Wellness Center.
- Private-Purpose Trust Funds – to account for various endowments in the school internal funds for Citrus High School students and for the resources of the Karl C. Schulz Trust Fund which are used for student scholarships.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➢ **Basis of Accounting**

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

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

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

Proprietary funds are accounted for as proprietary activities 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 and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims, premiums for reinsurance, and operating the Wellness Center. 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.

CITRUS COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

The Academy of Environmental Science, Inc. (Charter School), shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formally known as the Local Government Surplus Funds Trust Fund Investment Pool and the Federated Prime Obligations Fund.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

Investments made locally consist of certificates of deposit, commercial paper, money market mutual funds, United States Treasury securities, and Federal Instrumentalities and are reported at fair value. 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 weighted average cost or the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

- **Prepaid Items**

Prepaid items are reported in the governmental funds under the consumption method.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

- **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 $1,000. 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. Buildings and improvements other than buildings acquired or constructed prior to July 1, 1980, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, $13,945,360.07 of stated building values and $1,232,103.37 of stated improvements other than buildings values are based on these estimates. Interest cost 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:

Description	Estimated Lives
Improvements Other than Buildings	20 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

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

- **State Revenue Sources**

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

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

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

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

- **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial

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

statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Citrus County Tax Collector at fiscal year-end but not yet remitted to the District.

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

- **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

3. INVESTMENTS

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

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (3)	46 Days	$ 5,051,736.67
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Years	382,183.66
Debt Service Accounts	6 months	97,085.03
Certificates of Deposits:		
Brannen Bank	84 Days	5,082,119.26
SunTrust (4)	1 Year	5,000,000.00
Federated Prime Obligations Fund IS (1) (3)	32 Day Average	5,013,517.41
Obligations of United States Treasury - TD Bank	1 to 2 Years	5,006,777.25
Bank of New York Mellon: (2)		
PFM Funds Government Series Money Market Fund	53 Day Average	9,731,394.41
Commercial Paper	98 Days	8,937,580.40
Federal Agency Bond/Note	281 Days	25,601,536.22
Federal Agency Discount Note	167 Days	1,946,481.25
Total Investments		$ 71,850,411.56

Notes:

(1) Federated Prime Obligations Fund IS - invests primarily in short term, high-quality, fixed income securities.

(2) At June 30, 2010, investments totaling $46,216,992.28 are held under trust agreements in connection with Certificates of Participation Series 2010A and 2010B financing agreements.

(3) Investments reported as a cash equivalents for financial reporting purposes.

(4) Investments include $50,000.00 of funds for the Karl C. Schulz Trust Fund.

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Investment Pool, which effective July 1, 2009 is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as

provided in section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to bids from qualified depositories, certificates of deposit, time deposits, Securities of the United States Government, including obligations of the United States Treasury and other federal agencies; investment pools managed and directed by an approved agency of the state; and SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's (S & P). Fund B is unrated.
- The District's investment in the Federated Prime Obligation Fund is rated AAAm by S & P and Aaa by Moody's Investors Service.
- The District's trust funds held at the Bank of New York Mellon consist of the following securities: PFM Funds Government Series Money Market Fund rated AAAm by S & P; commercial paper is rated A1+/P1 by S & P and Moody's; Federal Agency Discount Notes rated A1+/P1 by S & P and Moody's and Federal Agency Bonds/Notes rated AAA by S & P.
- The District's funds held at its third-party custodian, TD Bank,is invested in the TDAM Institutional Government Money Market Fund which is rated AAAm by S & P .
- The District's investments in certificates of deposit are in qualified public depositories.
- The District's investment in commercial paper is authorized under a forward delivery agreement with the Certificates of Participation paying agent. The forward delivery agreement authorizes the investment of the available sinking fund amount in certain eligible securities, including cash, direct obligations of the Department of Treasury of the United States of America, obligations with federal agencies which represent full faith and credit of the United States of America, senior debt obligations rated "AAA" by S & P and "Aaa" by Moody's, U. S. dollar denominated deposit accounts, commercial paper rated "A-1+" by S & P and "P-1" by Moody's, investments in a money market fund rated "AAAm" or "AAAm-G" or better by S & P, pre-refunded Municipal Obligations, an investment agreement, repurchase agreements, and any other investment agreed in writing by the Credit Facility Issuer insuring the Series of Certificates.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be

immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. More than 5 percent of the District's investments reported in the Capital Projects – Other Fund and the Capital Projects – ARRA Economic Stimulus Fund are in commercial paper. These investments are 13.4 percent and 21.4 percent of the District's total investments in these funds, respectively, and 14.5 percent of the District's total investments. Of the commercial paper, 68.2 percent is issued by Credit Agricole and 31.8 percent is issued by General Electric.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,979,829.36	$	$	$ 3,979,829.36
Construction in Progress	5,701,923.40	8,220,263.43	6,272,533.05	7,649,653.78
Total Capital Assets Not Being Depreciated	9,681,752.76	8,220,263.43	6,272,533.05	11,629,483.14
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	18,327,343.72	2,632,411.59		20,959,755.31
Buildings and Fixed Equipment	164,230,368.25	3,640,121.46		167,870,489.71
Furniture, Fixtures, and Equipment	24,165,977.41	1,451,106.87	1,605,456.03	24,011,628.25
Motor Vehicles	17,563,437.72	437,849.00	958,941.14	17,042,345.58
Audio Visual Materials and Computer Software	1,781,619.73	73,093.07	236,251.75	1,618,461.05
Total Capital Assets Being Depreciated	226,068,746.83	8,234,581.99	2,800,648.92	231,502,679.90
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	9,231,866.53	733,218.92		9,965,085.45
Buildings and Fixed Equipment	42,920,803.23	3,264,388.57		46,185,191.80
Furniture, Fixtures, and Equipment	16,911,829.20	4,195,452.15	1,416,530.69	19,690,750.66
Motor Vehicles	9,341,851.74	882,377.72	840,152.55	9,384,076.91
Audio Visual Materials and Computer Software	1,408,493.55	230,288.43	204,891.23	1,433,890.75
Total Accumulated Depreciation	79,814,844.25	9,305,725.79	2,461,574.47	86,658,995.57
Total Capital Assets Being Depreciated, Net	146,253,902.58	(1,071,143.80)	339,074.45	144,843,684.33
Governmental Activities Capital Assets, Net	$ 155,935,655.34	$ 7,149,119.63	$ 6,611,607.50	$ 156,473,167.47

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled $9,305,725.79, is charged to unallocated depreciation on the statement of activities.

CITRUS COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 3,160,000	5.0	2018
Series 2009A, Refunding	300,000	3.0 - 5.0	2019
Total Bonds Payable	$ 3,460,000		

The various bonds were issued by the State Board of Education to finance capital outlay projects 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.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	$ 531,450.00	$ 360,000.00	$ 171,450.00
2012	529,250.00	375,000.00	154,250.00
2013	530,900.00	395,000.00	135,900.00
2014	531,500.00	415,000.00	116,500.00
2015	530,750.00	435,000.00	95,750.00
2016-2019	1,633,500.00	1,480,000.00	153,500.00
Total	$ 4,287,350.00	$ 3,460,000.00	$ 827,350.00

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing agreement on April 1, 2010, which arrangement was characterized as a lease-purchase agreement, with the Citrus County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of $46,945,000.

The financing was accomplished through the issuance of Certificates of Participation (COPS), Series 2010A-Qualified School Construction Bonds in the amount of $35,000,000 and Series 2010B in the amount of $11,945,000, to be repaid from the proceeds of rent payments paid by the District.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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The American Recovery and Reinvestment Act (ARRA) of 2009, signed into law on February 17, 2009, created a new category of direct subsidy debt for school districts known as QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $1 per year. The initial term of the lease for the Series 2010A-QSCB is 10 years commencing on April 1, 2010 and the initial term for the Series 2010B is 22 years commencing on April 1, 2010. 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 a period of time specified by the arrangement which may be up to 22 years from the date of inception of the arrangement.

The Leasing Corporation issued Certificate Series 2010A-QSCB in the amount of $35,000,000 to finance the cost of additions and renovations to Crystal River High School.

The Leasing Corporation issued Certificate Series 2010B in the amount of $11,945,000 to finance the cost of additions and renovations to Crystal River Primary School.

For the Series 2010A-QSCB, the principal portion of the basic lease payment, $35,000,000, is due on April 1, 2027. The interest portion of the basic lease payments is due on each April 1 and October 1, commencing October 1, 2010. The sinking fund payments, which are subject to change, are due on April 1 during each period, commencing on April 1, 2016. The sinking fund payments to be made by the District with respect to the Series 2010A-QSCB will be deposited by the Trustee into the Series 2010A Sinking Fund Account pursuant to the Trust Agreement. Such funds will be invested in Investment Securities in accordance with the Trust Agreement. The Board may offset sinking fund payments with the interest earnings on amounts in the Series 2010A Sinking Fund Account, provided that the sinking fund payments will be funded at a rate not more rapid than equal, annual installments in an aggregate amount not in excess of the principal component due at maturity. Sinking fund payments on deposit in the Series 2010A Sinking Fund Account will be retained therein until transferred to the Series 2010A Lease Payment Account and applied to the payment of the $35,000,000 principal component due on the Series 2010A Certificates at maturity (April 1, 2027) or upon earlier prepayment.

For the Series 2010B, the lease payments are payable by the District semiannually, on October 1 and April 1 at interest rates ranging from 2.25 percent to 4.00 percent.

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

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

Fiscal Year Ending June 30	Total	Series 2010A-QSCB Principal Component	Series 2010A-QSCB Interest Component	Series 2010B Principal Component	Series 2010B Interest Component
2011	$ 4,628,417.00	$	$ 2,174,877.00	$ 2,090,000.00	$ 363,540.00
2012	5,019,800.00		2,358,300.00	2,330,000.00	331,500.00
2013	5,016,600.00		2,358,300.00	2,420,000.00	238,300.00
2014	5,019,800.00		2,358,300.00	2,520,000.00	141,500.00
2015	5,018,350.00		2,358,300.00	2,585,000.00	75,050.00
2016-2020	11,791,500.00		11,791,500.00		
2021-2025	11,791,500.00		11,791,500.00		
2026-2027	39,716,600.00	35,000,000.00	4,716,600.00		
Total Minimum Lease Payments	$ 88,002,567.00	$ 35,000,000.00	$ 39,907,677.00	$ 11,945,000.00	$ 1,149,890.00

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 3,845,000.00	$ 350,000.00	$ 735,000.00	$ 3,460,000.00	$ 360,000.00
Certificates of Participation Payable		46,945,000.00		46,945,000.00	2,090,000.00
Compensated Absences Payable	6,798,921.25	978,047.08	1,100,250.00	6,676,718.33	925,000.00
Other Postemployment Benefits Payable	4,343,234.00	4,087,769.00	654,590.00	7,776,413.00	
Total Governmental Activities	$ 14,987,155.25	$ 52,360,816.08	$ 2,489,840.00	$ 64,858,131.33	$ 3,375,000.00

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

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 414,887.19	$
Special Revenue:		
ARRA Economic Stimulus		186,507.86
Capital Projects:		
ARRA Economic Stimulus		47,782.05
Nonmajor Governmental		180,597.28
Total	$ 414,887.19	$ 414,887.19

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

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09, Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 9,296,659.79	$ 2,438,046.36
Capital Projects:		
Local Capital Improvement	2,438,046.36	8,766,494.89
Other		187,134.23
ARRA Economic Stimulus		44,913.67
Nonmajor Governmental		298,117.00
Total	$ 11,734,706.15	$ 11,734,706.15

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from capital projects funds to the General Fund to reimburse the General Fund for allowable maintenance expenditures, capital and capital-related expenditures, and property and casualty insurance premiums. The .25 Critical Capital Outlay Needs levy was recorded in the General Fund and transferred to the Capital Fund.

9. 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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

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

10. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	$20,586,272.00
Categorical Education Program - Class Size Reduction	16,139,399.00
Workforce Development Program	2,509,824.00
Gross Receipts Tax (Public Education Capital Outlay)	1,930,889.84
School Recognition	675,381.00
Voluntary Prekindergarten	647,355.20
Motor Vehicle License Tax (Capital Outlay and Debt Service)	637,001.91
Adults with Disabilities	118,111.00
Mobile Home License Tax	98,467.57
Food Service Supplement	80,764.00
Workforce Education Performance	60,078.00
Charter School Capital Outlay	57,792.00
Full Service Schools	51,815.50
Discretionary Lottery Funds	42,043.00
State Forest Funds	41,793.98
Miscellaneous	412,344.35
Total	$44,089,332.35

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.317	$57,633,046.68
Basic Discretionary Local Effort	0.748	8,107,865.13
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	16,259,087.84
Critical Capital Outlay Needs	0.250	2,709,847.97
Total	7.815	$84,709,847.62

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

12. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service.

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

FRS Retirement Contribution Rates

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $8,104,972.32, $7,935,196.37, and $7,971,791.51, respectively, which were equal to the required contributions for each fiscal year. There were 229 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled $780,402.04.

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.

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District, or its component unit, Academy of Environmental Science, Inc., are eligible to participate in the District's health and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their

primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established, and may be amended through recommendations of the administration and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 250 retirees received other postemployment benefits. The District provided required contributions of $654,590 toward the annual OPEB cost, net of retiree contributions totaling $1,294,758, which represents 2.1 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's Annual OPEB cost (expense) is calculated on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	$ 1,868,352
Amortization of Unfunded Actuarial Accrued Liability	1,864,397
Annual Required Contribution	3,732,749
Interest on Net OPEB Obligation	130,297
Adjustment to Annual Required Contribution	224,723
Annual OPEB Cost (Expense)	4,087,769
Contribution Toward the OPEB Cost	(654,590)
Increase in Net OPEB Obligation	3,433,179
Net OPEB Obligation, Beginning of Year	4,343,234
Net OPEB Obligation, End of Year	$ 7,776,413

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

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	2,837,552	23.7%	2,164,668
2008-09	2,936,691	25.8%	4,343,234
2009-10	4,087,769	16.0%	7,776,413

Funded Status and Funding Progress. As of January 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was $36,033,256, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $36,033,256 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $63,014,758, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57.18 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of January 1, 2010, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2010 and the District's 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an annual healthcare cost trend rate of 6 percent initially for the 2009 year, increasing by 0.3 percent for each of the next four years, and then reduced by various increments, to an ultimate rate of 5.9% in year 2050. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 27 years.

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

14. 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
Crystal River Primary School			
Architect	$ 662,798.00	$ 550,122.34	$ 112,675.66
Contractor	7,645,855.01	2,082,613.96	5,563,241.05
Crystal River High School			
Architect	1,796,546.00	1,461,546.00	335,000.00
Contractor	20,725,121.00	341,015.62	20,384,105.38
Total	$ 30,830,320.01	$ 4,435,297.92	$ 26,395,022.09

15. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc. (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 on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2010, the accumulated credits to the District's account are $813,044.80. During the 2009-10 fiscal year, the District received $33,367.18 in capital credits.

16. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Citrus County District School Board is a member of the Florida School Boards Insurance Trust (Trust) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Trust is composed of one board member from each participating district and a superintendent and a district-level business officer selected from one of the participating districts. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

Through December 30, 2009, health and hospitalization coverage was provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks did not exceed commercial coverage in any of the past three fiscal years.

Effective January 1, 2010, the District's health insurance program is being provided on a self-insured basis up to specific limits. The District entered into an agreement with Symetra Financial to provide individual and aggregate excess coverage. Symetra will reimburse 100 percent of individual claims in excess of $150,000 and the aggregate reimbursement maximum is $1,000,000 per policy period. Blue Cross Blue Shield of Florida administers this self-insurance program, including the processing, investigation and payment of claims. The lifetime maximum for each individual covered is $5,000,000.

Additionally, the District has entered into a contract with CareHere! to operate a wellness center. Employees who have District health insurance may see a doctor free of charge and may receive stocked generic medicines free of charge.

Settled claims resulting from the health insurance risks described above have not exceeded commercial insurance coverage in the past six months.

A liability in the amount of $2,248,350.64, represents estimated incurred, but not reported insurance claims payable at June 30, 2010.

The following schedule represents the changes in claims liability for the past six months for the District's health self-insurance program:

	Fiscal-Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-End
2009-2010	$ 0	$4,105,430.76	$ (1,857,080.12)	$2,248,350.64

17. LITIGATION

The District has been notified that a lawsuit may be filed regarding an incident with a student and a teacher. At this time, the nature of the lawsuit and the counts that may be filed are unknown, but they have the potential of having an adverse affect on the District's financial condition.

The District is currently owed $678,288.69, plus interest, form eRate Consulting Services, LLC (hereinafter, "ERC") and $79,453.99 from Jonathan Slaughter, its President, pursuant to judgments obtained against ERC. The District has not recorded a receivable in regard to the judgments from ERC. Currently, the District has filed a lawsuit against Regions Bank based upon Regions Bank's allowing the deposit of checks made pending in Montgomery County, Alabama Circuit Court.

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REQUIRED SUPPLEMENTARY INFORMATION

CITRUS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 180,000.00	$ 183,860.99	$ 183,860.99	$
Federal Through State and Local	150,000.00	606,219.51	128,474.03	(477,745.48)
State	42,711,537.43	41,883,110.55	41,392,330.82	(490,779.73)
Local:				
Property Taxes	62,715,494.00	66,125,676.34	66,125,676.34	
Miscellaneous	3,264,541.60	3,460,636.78	3,759,274.18	298,637.40
Total Revenues	109,021,573.03	112,259,504.17	111,589,616.36	(669,887.81)
Expenditures				
Current - Education:				
Instruction	70,698,966.46	71,206,482.27	65,844,169.94	5,362,312.33
Pupil Personnel Services	4,591,333.42	4,677,290.32	4,588,238.59	89,051.73
Instructional Media Services	2,070,683.93	2,083,223.38	1,921,359.74	161,863.64
Instruction and Curriculum Development Services	1,616,063.12	1,461,005.81	1,336,215.11	124,790.70
Instructional Staff Training Services	460,534.67	724,121.54	661,450.43	62,671.11
Instruction Related Technology	1,314,562.15	1,459,861.36	1,459,070.53	790.83
School Board	627,021.53	733,442.47	700,281.79	33,160.68
General Administration	440,653.30	476,935.83	461,675.65	15,260.18
School Administration	8,663,381.45	8,759,409.25	8,745,771.08	13,638.17
Facilities Acquisition and Construction	609,454.20	650,488.09	619,160.83	31,327.26
Fiscal Services	904,201.30	896,863.51	876,434.01	20,429.50
Food Services				
Central Services	2,135,430.08	2,426,632.94	2,324,779.76	101,853.18
Pupil Transportation Services	8,594,931.46	8,309,705.06	7,886,567.91	423,137.15
Operation of Plant	10,086,141.07	10,114,574.76	9,993,702.67	120,872.09
Maintenance of Plant	6,021,787.95	7,819,407.48	6,664,033.20	1,155,374.28
Administrative Technology Services	1,948,117.07	1,965,447.72	1,755,529.03	209,918.69
Community Services	813,118.86	776,852.42	670,278.86	106,573.56
Fixed Capital Outlay:				
Facilities Acquisition and Construction		404,911.94	134,366.08	270,545.86
Other Capital Outlay		405,275.03	271,926.71	133,348.32
Total Expenditures	121,596,382.02	125,351,931.18	116,915,011.92	8,436,919.26
Excess (Deficiency) of Revenues Over Expenditures	(12,574,808.99)	(13,092,427.01)	(5,325,395.56)	7,767,031.45
Other Financing Sources (Uses)				
Transfers In	8,246,357.68	9,806,969.33	9,296,659.79	(510,309.54)
Insurance Loss Recoveries		36,060.74	127,323.55	91,262.81
Transfers Out		(2,585,140.00)	(2,438,046.36)	147,093.64
Total Other Financing Sources (Uses)	8,246,357.68	7,257,890.07	6,985,936.98	(271,953.09)
Net Change in Fund Balances	(4,328,451.31)	(5,834,536.94)	1,660,541.42	7,495,078.36
Fund Balances, Beginning	14,902,303.33	16,038,374.01	16,038,374.01	
Fund Balances, Ending	$ 10,573,852.02	$ 10,203,837.07	$ 17,698,915.43	$ 7,495,078.36

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 10,261,812.86	$ 12,193,323.92	$ 8,745,643.87	$ (3,447,680.05)
10,261,812.86	12,193,323.92	8,745,643.87	(3,447,680.05)
7,941,531.89	9,299,759.85	6,320,648.57	2,979,111.28
524,732.40	605,305.09	548,370.04	56,935.05
	12,331.92	12,331.92	
542,274.26	926,064.86	757,748.28	168,316.58
706,785.34	637,083.15	536,382.75	100,700.40
	66,246.40	9,893.75	56,352.65
250,939.69	422,710.91	396,373.54	26,337.37
96,398.23	21,669.53	21,669.53	
97,332.86			
96,818.19	665.21	665.21	
5,000.00	5,109.66	362.24	4,747.42
	69.38		69.38
	196,107.96	141,198.04	54,909.92
10,261,812.86	12,193,123.92	8,745,643.87	3,447,480.05
0.00	200.00		(200.00)
0.00	200.00		(200.00)
$ 0.00	$ 200.00	$ 0.00	$ (200.00)

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 35,031,570	$ 35,031,570	0.00%	$ 65,884,150	53.17%
January 1, 2010	0	36,033,256	36,033,256.00	0.00%	63,014,758	57.18%

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

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2010, unfunded actuarial accrued liability of $36,033,256 was significantly higher than the October 1, 2007, liability of $35,031,570 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Effective January 1, 2010, the District moved from a fully insured medical plan to a self-insured medical plan.
- The District's OPEB actuarial valuation as of January 1, 2010, used the projected unit credit actuarial cost method, while the valuation as of October 1, 2007, used the entry age normal cost method.
- In the previous valuation, the actuarial assumptions included a 4 percent rate of return on invested assets. In the current valuation, the actuarial assumptions included a 3 percent rate of return on invested assets.
- The number of enrolled retirees decreased from 280 in the October 1, 2007, valuation to 250 in the January 1, 2010, valuation. Similarly, the number of active employees decreased from 1,835 to 1,752 in the current valuation.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to be 12 percent in the first year, decreasing by 1 percent for each of the next 2 years, then decreasing by 0.5 percent each of the next 10 years, to an ultimate rate of 5 percent after 12 years. In the current valuation, the trend is assumed to be 6 percent for the 2009 year, increasing by 0.3 percent for each of the next four years, and then reduced by various increments, to an ultimate rate of 5.9 percent in year 2050.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 774,684.50	$
National School Lunch Program	10.555	300, 350	3,127,065.02	
Summer Food Service Program for Children	10.559	323	36,780.88	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	428,274.64	
Total Child Nutrition Cluster			4,366,805.04	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	92,924.40	
Total United States Department of Agriculture			4,459,729.44	
United States Department of Labor:				
Indirect:				
Florida Department of Education:				
Incentive Grants - WIA Section 503	17.267	408	13,388.84	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	801,831.87	
Fund for the Improvement of Education	84.215	N/A	148,176.11	
Total Direct			950,007.98	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,522,503.24	
Special Education - Preschool Grants	84.173	266, 267	142,087.56	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	1,568,297.20	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	39,465.02	
Total Special Education Cluster			5,272,353.02	
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	4,326,807.29	63,788.00
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	1,100,157.54	
Total Title I, Part A Cluster			5,426,964.83	63,788.00
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	38,581.32	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	45,046.48	
Total Education for Homeless Children and Youth Cluster			83,627.80	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	32,814.01	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	10,419.10	
Total Educational Technology State Grants Cluster			43,233.11	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	5,121,745.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	767,589.13	2,607.18
Total State Fiscal Stabilization Fund Cluster			5,889,334.13	2,607.18
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	232,296.65	
Career and Technical Education - Basic Grants to States	84.048	151	275,951.64	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	76,755.26	
Even Start - State Educational Agencies	84.213	219	202,101.81	
Twenty First Century Community Learning Centers	84.287	243	314,750.83	
Rural Education	84.358	110	119,428.60	
English Language Acquisition Grants	84.365	102	22,038.16	
Improving Teacher Quality State Grants	84.367	224	782,950.86	
Total Indirect			18,741,786.70	66,395.18
Total United States Department of Education			19,691,794.68	66,395.18

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Homeland Security:				
Indirect:				
Florida Division of Emergency Management:				
Hazard Mitigation Grant	97.039 (2)(B)	None	856,646.62	
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	55,888.11	
Army Junior Reserve Officers Training Corps	None	N/A	63,969.57	
Navy Junior Reserve Officers Training Corps	None	N/A	64,003.31	
Total United States Department of Defense			183,860.99	
Total Expenditures of Federal Awards			$ 25,205,420.57	$ 66,395.18

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

(2) Noncash Assistance.
(A) National School Lunch Program - Represents the amount of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
(B) Hazard Mitigation Grant - Represents the Federally-paid portion of emergency shelter generator totaling $112,586.37 and Federally-paid installation costs of $744,060.25.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Citrus County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Citrus County District School Board's financial statements. For the school internal funds and the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

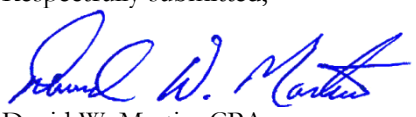
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 4, 2011

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Citrus County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing

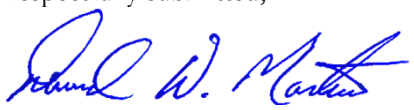
our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 4, 2011

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA); Improving Teacher Quality State Grants (CFDA No. 84.367); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	$756,162
Auditee qualified as low-risk auditee?	Yes

CITRUS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles.

Our review of the District's 2009-10 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. On the government-wide statement of net assets, District personnel understated invested in capital assets, net of related debt by approximately $44.3 million; overstated net assets - restricted for capital projects by approximately $15.6 million; and overstated unrestricted net assets by approximately $28.7 million. These misclassifications occurred because District personnel did not consider the appropriate net asset classification for significant unspent debt proceeds. Misreporting net asset classifications may cause financial statement users to incorrectly assess the District's financial position.

We were able to extend our audit procedures to determine the adjustments necessary to properly report these amounts on the financial statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.

Recommendation: The District should enhance its procedures to ensure that net asset classifications are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2, Florida Statutes provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)(4), Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on

District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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

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

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

  The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the regular school day, such as for athletic coaches and band directors; and for critical shortage areas, such as psychologists and speech/language pathologists, based on the low number of applicants qualified for these areas. The union contract also evidenced consideration of school demographics differentiated pay if more than 75 percent of a school's student population was eligible for free and reduced-price meals; however, because no schools met this designation, no one received differentiated pay based on school demographics. In addition, the contract indicated if a school was a "F" school for two years in succession, a plan addressing level of job performance difficulties differentiated pay would be negotiated; however, because no schools met this designation, no one received differentiated pay based on level of job performance difficulties. Consequently, the usefulness and relevance of the established differentiated pay factors for school demographics and level of job performance difficulties was not readily apparent.

- **School-based Administrators**. District personnel indicated that the salary schedule for school-based administrators included consideration for additional responsibilities, school demographics, and level of job performance difficulties by providing differing administrative pay grades for elementary, middle, and high schools based on the type school. District personnel further indicated that they considered school demographics and level of job performance difficulties for the exceptional education center (Crest School) and alternative school (Renaissance Center) by providing additional staffing at these schools instead of additional compensation for the administrators. However, the salary schedule did not evidence consideration of critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

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

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

Finding No. 3: Group Health Self-Insurance Plan

On January 1, 2010, the District began providing for employee health and hospitalization insurance through a self-insurance plan pursuant to Section 112.08, Florida Statutes. Section 112.08(2)(b), Florida Statutes, requires the District to submit its plan, along with a certification as to the actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation (OIR) for plan approval. The statute further provides that OIR will not approve the self-insured plan unless it determines that the plan is designed to provide sufficient revenues to pay current and future liabilities as determined according to generally accepted actuarial principles. After implementation of the approved plan, the District must annually submit to OIR a report that includes a statement prepared by an actuary as to the actuarial soundness of the plan.

The District had not, as of the time of our inquiry in October 2010, submitted its plan and actuarial certification to OIR. Subsequent to our inquiry, the District submitted its plan and actuarial certification to OIR, and OIR's approval of the initial filing of the plan was dated November 22, 2010, or 326 days after the initial plan start date. District personnel indicated that they relied on their broker/consultant to guide them in this process, and the broker/consultant was unaware of the statutory approval requirement. Without obtaining initial approval of the plan from OIR, the District may limit OIR's ability to provide proper monitoring of the District's plan.

Recommendation: The District should enhance its procedures to ensure that annual self-insurance plan reports are timely filed with, and approved by, OIR.

Finding No. 4: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2009-081, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures further stated that a student must have at least 12 hours of instructional activity in a program before the enrollment hours for the student can be reported.

For the 2009-10 fiscal year, the District reported 176,876 adult general education contact hours for 1,318 students to FDOE. Our tests of 853 hours reported for 10 students enrolled in 24 adult general education courses held in spring 2010 disclosed that the District misreported contact hours of 4 students in 6 classes, ranging from 32 hours underreported to 58 hours overreported, or 79 net hours overreported. A similar finding was noted in our report No. 2010-121. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to FDOE. The District should also contact FDOE for resolution of the misreported hours.

Finding No. 5: Security Awareness Training Program

A comprehensive security awareness training program apprises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and information technology (IT) resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District had an Acceptable Use Policy containing guidelines on the use of IT resources, the District did not require employees to sign an annual acknowledgement that they had read, understood, and agreed to abide by the applicable policies. The District's failure to require annual employee acknowledgements of their security responsibilities increases the risk that employees may not understand the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them.

Recommendation: The District should require all employees to acknowledge their understanding and acceptance of security-related policies on an annual basis.

Finding No. 6: Timely Removal of Access Privileges

Effective management of IT access privileges includes the timely removal of employee IT access privileges when employment is terminated. Prompt action is necessary to ensure that IT access privileges are not misused by former employees or others.

Our test of 21 former employees who terminated employment during the 2009-10 fiscal year disclosed that 19 former employees retained access to certain IT resources from 5 to 317 days after the employees' termination dates. Although our tests did not disclose any inappropriate activity, without timely removal of former employees' access privileges, the risk is increased that access privileges could be misused.

Recommendation: The District should enhance its procedures to ensure timely removal of IT access privileges of former employees.

Finding No. 7: Contingency Plan

Contingency planning is an element of IT controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. The primary objective of contingency planning is to provide the entity a plan for continuing critical operations. The success and effectiveness of a contingency plan requires elements such as alternate site processing arrangements and testing.

The District's Contingency Plan for Continued Essential Data Processing Operations (Contingency Plan) provided for using another facility within the District as an alternate processing site and to use weekly system backups stored at this site to continue essential operations until facilities at the District's main data center could be restored. Additionally, the Contingency Plan includes a provision to maintain a written usage agreement with a school board that has similar systems in the identified critical areas. The District provided a copy of its most recent written usage agreement, dated May 7, 2004, which is with a neighboring school board. The District's last test of the alternate processing site within the District was completed on April 8, 2009, and the written usage agreement with the neighboring school board has not been tested in accordance with scenarios defined in the Contingency Plan and written usage agreement. Additionally, the District's Contingency Plan did not identify an alternate processing site outside of the District's proximity.

Subsequent to our inquiry, District personnel performed a test at the alternate processing site within the District on January 18, 2011. District personnel stated that the alternate site agreement with the neighboring school board has not been tested in years because they feel the alternate processing site within the District is the better plan. Periodic testing of the provisions of a contingency plan is necessary for the District to efficiently and effectively continue operations with minimal loss in the event of a processing disruption.

Recommendation: The District should conduct periodic testing of Contingency Plan elements to promote readiness, prove feasibility, and prevent omission of key procedures or decision points. Additionally, the District should identify an alternate processing site outside of the District's proximity in the event of a disaster affecting the entire local area.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-121.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

CITRUS COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-121		No prior Federal audit findings.		

EXHIBIT A

MANAGEMENT'S RESPONSE

SANDRA "SAM" HIMMEL – SUPERINTENDENT OF SCHOOLS

"Where Learning is the Expectation And Caring is a Commitment"

THOMAS KENNEDY
DISTRICT 1

VIRGINIA BRYANT
DISTRICT 2

PATRICIA DEUTSCHMAN
DISTRICT 3

BILL MURRAY
DISTRICT 4

LINDA B. POWERS
DISTRICT 5

March 04, 2011

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

Re: Citrus County School District Audit Response for the Fiscal Year Ended June 30, 2010

Dear Mr. Martin:

Please find below the response and corrective action on the preliminary and tentative findings for the financial, operational and Federal audit of the Citrus County School District for the Year Ended June 30, 2010.

Finding No. 1: Financial Reporting

In response to finding number 1, the District will implement procedures for reporting net assets according to Generally Accepted Accounting Principles.

Finding No. 2: Compensation and Salary Schedules

The District has not adopted formal procedures and policies to address performance pay. As a district participating in the Race to the Top initiative, our instructional and administrative evaluation system will more specifically address the performance pay issue in this audit finding. In addition, differentiated pay will be more clearly defined through Race to the Top requirements. The Race to the Top initiative requires districts and unions to collectively bargain a performance pay salary schedule. The performance pay and differentiated pay issues will be more clearly identified in subsequent union contracts.

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www.citrusschools.org
Equal Opportunity Employer

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 3: Group Health Insurance

In response to finding number 3, the District did receive approval from the Department of Insurance on November 22, 2010. In their letter it stated that our filing is accepted as being in compliance with the requirements of Section 112.08 F.S. In addition the District will continue to meet the requirements by filing the actuarial soundness report 90 days after the close of the plan year.

Finding No. 4: Adult General Education Courses

In response to finding number 4, the District will improve its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education by changing the scheduling procedures to schedule classes for each WDIS reporting window and not have classes in multiple reporting periods. Also, the software vendor has provided corrections to the program to calculate contact hours correctly.

Finding No.5: Information Technology- Security Awareness Training Program

In response to finding number 5, the District currently displays an Acceptable Use Policy to the user prior to logging onto the network. In addition, the District will require all employees to sign an annual acknowledgement of Security Awareness and an understanding of our Telecommunications Policy and Guidelines.

Finding No. 6: Information Technology- Timely Removal of Access Privileges

In response to finding number 6, the District will modify procedures to ensure timely removal of access privileges.

Finding No. 7: Information Technology- Contingency Plan

In response to finding number 7, the District will enhance its current backup system that it has at an alternative site within the district by entering into an agreement with a 3rd party vendor to provide off-site storage of our backup data in Wisconsin as we move to a new system in 2012. Also, the District is exploring other options for off-site tape storage.

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EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Please review the corrective action plan above and determine if the plan is adequate to overcome the deficiencies as noted in the tentative and preliminary findings. If further information is needed, please contact Kenny Blocker, Executive Director of Business Services.

Sincerely,

Sandra "Sam" Himmel

Superintendent

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