

CITRUS COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Thomas Kennedy	1
Virginia Bryant, Vice Chair from 11-22-11	2
Patricia Deutschman,	3
Edward W. Murray, Chair to 11-21-11	4
Linda Powers, Vice Chair to 11-21-11, Chair from 11-22-11	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 Chris Stanisci, CPA, and the audit was supervised by Janice Priolo, CPA. For the information technology portion of this audit, the audit team leader was William Y. Marshall, and the supervisor was Heidi G. Burns, CPA, CISA. 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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in \$614,633.96 of questioned costs.

Finding No. 3: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: Some inappropriate or unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of access privileges.

Finding No. 5: District IT security controls related to user authentication, data loss prevention, and network security needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Federal Pell, Educational Technology Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: District procedures did not adequately ensure that private schools were provided the opportunity to participate in Federally-funded programs, resulting in \$7,475.25 of questioned costs.

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. 2012-152.

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, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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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, 2012, 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 16 percent of the assets and 32 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 (OMB) 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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 15, 2013

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, 2012. 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 immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- The District's total net assets decreased \$3,887,800.95, which represents a 2 percent decrease from the 2010-11 fiscal year.
- General revenues total \$132,930,059.73, which is 93 percent of all revenues for the 2011-12 fiscal year, as compared to \$149,029,087.10, which was 93.7 percent for the 2010-11 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$9,976,351.52, which is 7 percent of total revenue, compared to \$9,959,388.81, which represented 6.3 percent for the 2010-11 fiscal year.
- On the government-wide financial statements, expenses total \$146,794,212.20. Only \$9,976,351.52 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$3,887,800.95, compared to the previous fiscal year when expenses exceeded revenues by \$1,855,539.25.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$7,793,164.01 at June 30, 2012, or 6.7 percent of General Fund expenditures.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$13,347,368.64. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$9,886,373.39.

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 District's financial health. 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 Charter School is included as a component unit 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. The 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. In particular, the sum of the assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

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

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

Proprietary 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 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, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-12	6-30-11
Current and Other Assets	\$ 74,713,851.54	\$ 95,121,635.27
Capital Assets	200,533,132.41	183,910,624.58
Total Assets	275,246,983.95	279,032,259.85
Long-Term Liabilities	69,368,694.36	72,215,505.58
Other Liabilities	11,231,031.54	8,281,694.97
Total Liabilities	80,599,725.90	80,497,200.55
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	156,193,375.45	145,257,457.13
Restricted	47,297,502.21	54,725,192.61
Unrestricted Deficit	(8,843,619.61)	(1,447,590.74)
Total Net Assets	\$ 194,647,258.05	\$ 198,535,059.00

The largest portion of the District's net assets (80.2 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

Operating Results for the Fiscal Year Ended			
	Governmental		
	Activities		
	6-30-12		6-30-11
Program Revenues:			
Charges for Services	\$ 3,649,955.09	\$	3,726,949.89
Operating Grants and Contributions	4,888,477.79		4,669,829.50
Capital Grants and Contributions	1,437,918.64		1,562,609.42
General Revenues:			
Property Taxes, Levied for Operational Purposes	61,381,913.96		61,263,352.34
Property Taxes, Levied for Capital Projects	17,038,801.73		17,606,557.51
Grants and Contributions Not Restricted to Specific Programs	52,140,958.58		65,976,431.73
Unrestricted Investment Earnings	604,715.78		640,085.54
Miscellaneous	1,763,669.68		3,542,659.98
Total Revenues	142,906,411.25		158,988,475.91
Functions/Program Expenses:			
Instruction	73,751,395.33		83,724,964.72
Pupil Personnel Services	5,788,416.59		6,294,554.89
Instructional Media Services	1,620,538.45		1,875,005.91
Instruction and Curriculum Development Services	3,731,759.63		4,588,043.54
Instructional Staff Training Services	2,106,575.56		1,980,002.75
Instruction Related Technology	1,549,583.58		1,606,729.01
School Board	651,922.63		624,511.55
General Administration	978,957.95		1,297,257.28
School Administration	8,304,481.30		9,406,269.84
Facilities Acquisition and Construction	2,516,925.74		1,645,535.55
Fiscal Services	858,779.32		800,715.38
Food Services	6,714,013.37		5,875,400.32
Central Services	2,361,968.63		2,521,641.14
Pupil Transportation Services	7,862,031.93		8,324,844.59
Operation of Plant	8,912,102.15		9,894,619.41
Maintenance of Plant	5,488,925.39		6,925,157.24
Administrative Technology Services	1,789,453.89		1,885,299.40
Community Services	1,865,449.66		1,775,647.02
Unallocated Interest on Long-Term Debt	796,188.38		872,821.14
Unallocated Depreciation Expense	9,036,923.80		7,231,826.69
Loss on Disposal of Capital Assets	107,818.92		1,693,167.79
Total Functions/Program Expenses	146,794,212.20		160,844,015.16
Decrease in Net Assets	\$ (3,887,800.95)	\$	(1,855,539.25)

Total revenues declined by \$16,082,064.66 or 10.1 percent. The greatest decrease was in Federal revenues accounted for as grants and contributions not restricted, which declined by \$7,985,258.42 due mainly to the absence of most Federal economic stimulus funds in the current fiscal year. The largest revenue sources are the State of Florida and local property taxes, which are 26.9 percent and 54.9 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 revenue decreased by \$4,786,810 due to a decrease in base student allocation from \$3,623.76 to \$3,479.22, and a decrease of 259.04 in District's unweighted full-time equivalent (FTE) students. The taxable value of property in the District declined from \$10,382,158,375 to \$10,088,233,325, while the millage rate increased from 7.840 mills to 8.054 mills.

The decrease in the revenue was offset, in part, by a decrease in expenses. As of July 1, 2011, the State began requiring employees to contribute 3 percent of their salaries to the Florida Retirement System and reduced overall contribution rates, which resulted in a reduction in the District's contribution for regular employees from 10.77 percent to 4.91 percent.

Facilities, acquisition and construction costs increased by \$871,390.19 or 53 percent, primarily due to costs associated with the second phase of remodeling and renovation at Crystal River High School.

Unallocated depreciation expense increased by \$1,805,097.11 or 25 percent, mainly due to the increase in computers, which are 5-year assets. Loss on disposal of capital assets decreased by \$1,585,348.87 due to a large number of assets disposed during the previous fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total of assigned and unassigned fund balance is \$7,793,164.01, while the total fund balance is \$11,560,457.27. Total fund balance decreased by \$4,721,213.69 during the fiscal year. The decrease was primarily due to a decrease in State revenue of \$5,274,243.69, partially offset by decreases in expenditures.

The Special Revenue – Other Fund has total revenues and expenditures of \$12,080,604.88 each, and the funding was mainly used for instructional staff salaries and benefits. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$1,754,535.12 each, and the funding was mainly used for instructional staff salaries, benefits, and training. This activity represents a significant decline from the prior fiscal year where revenues and expenditures were \$10,968,964.24 each. The decrease is due to the expiration of most of the Federal stimulus grants. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate fund balances.

The Debt Service – ARRA Economic Stimulus Fund has total expenditures of \$335,148.18 used for the payment of interest on the qualified school construction bonds.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$41,660,033.88, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$2,442,703.51 primarily from a transfers out increase from \$10,106,334.70 to \$14,040,928.63. This increase was primarily from an increase of \$2,659,336.68 in the transfer to debt service. It should be noted that \$2,999,512 of total fund balance has been encumbered for specific projects.

The Capital Projects – ARRA Economic Stimulus Fund has a total fund balance of \$3,244,650.81. During the 2009-10 fiscal year, this fund received proceeds from the issuance of \$35,000,000 of Qualified School Construction Bonds (QSCBs) for the construction and remodeling of Crystal River High School, of which \$13,871,896.49 was

expended on the project for the current fiscal year and \$16,891,253.26 was expended in the previous fiscal year. It should be noted that \$5,261,212 of total fund balance has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2011-12 fiscal year, the District revised its budget several times, with amendments taken to the Board for approval. Final budget amounts were in line with original budget amounts. The Board approves the final budget amendment after year-end.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$8,162,494.47, or 6.5 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 \$4,196,253.18.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities at June 30, 2012, is \$200,533,132.41 (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; property under capital lease; construction in progress; and audio visual material and computer software.

Major capital asset events during the current fiscal year was the remodeling, renovation, and construction at Crystal River High School.

Additional information on the District's capital assets can be found in notes 4 and 15 to the financial statements.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$50,449,185.82, comprised of \$2,725,000 of State school bonds; \$35,000,000 of COPs QSCBs, Series 2010A, and \$7,525,000 of other COPs; and obligations under capital lease of \$5,199,185.82. Additional information on the District's long-term debt can be found in notes 5 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The end of most Federal economic stimulus funds resulted in the loss of approximately \$5,000,000 in Federally-funded positions. This resulted in a reduction of 36 positions and leaving 72 positions vacant.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances. Questions concerning 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, 2012

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 43,675,779.59	\$ 185,398.00
Investments	24,678,686.89	
Accounts Receivable	34,975.10	
Due from Other Agencies	3,761,170.88	
Prepaid Items	556,543.75	3,924.00
Inventories	663,011.96	
Deferred Charges	453,556.49	
Capital Credits Receivable	890,126.88	
Capital Assets:		
Nondepreciable Capital Assets	39,011,138.13	
Depreciable Capital Assets, Net	161,521,994.28	265,230.00
TOTAL ASSETS	\$ 275,246,983.95	\$ 454,552.00
LIABILITIES		
Payroll Deductions and Withholdings	\$ 324,628.30	\$
Accounts Payable	4,045,262.39	5,539.00
Construction Contracts Payable	1,294,499.28	
Construction Contracts Payable - Retainage	1,364,233.77	
Due to Other Agencies	8,517.12	
Deferred Revenue	2,081,294.26	
Estimated Insurance Claims Payable	2,112,596.42	
Long-Term Liabilities:		
Portion Due Within One Year	6,041,641.35	
Portion Due After One Year	63,327,053.01	
Total Liabilities	80,599,725.90	5,539.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	156,193,375.45	265,230.00
Restricted for:		
State Required Carryover Programs	2,879,415.58	
Debt Service	79,108.80	
Capital Projects	41,982,469.16	119,483.00
Food Service	2,356,228.53	
Other Purposes	280.14	
Unrestricted (Deficit)	(8,843,619.61)	64,300.00
Total Net Assets	194,647,258.05	449,013.00
TOTAL LIABILITIES AND NET ASSETS	\$ 275,246,983.95	\$ 454,552.00

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

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**CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 73,751,395.33	\$ 1,282,633.35	\$	\$
Pupil Personnel Services	5,788,416.59			
Instructional Media Services	1,620,538.45			
Instruction and Curriculum Development Services	3,731,759.63			
Instructional Staff Training Services	2,106,575.56			
Instruction Related Technology	1,549,583.58			
School Board	651,922.63			
General Administration	978,957.95			
School Administration	8,304,481.30			
Facilities Acquisition and Construction	2,516,925.74			917,481.42
Fiscal Services	858,779.32			
Food Services	6,714,013.37	1,733,934.01	4,888,477.79	
Central Services	2,361,968.63			
Pupil Transportation Services	7,862,031.93			
Operation of Plant	8,912,102.15			
Maintenance of Plant	5,488,925.39			
Administrative Technology Services	1,789,453.89			
Community Services	1,865,449.66	633,387.73		
Unallocated Interest on Long-Term Debt	796,188.38			520,437.22
Unallocated Depreciation Expense	9,036,923.80			
Loss on Disposal of Capital Assets	107,818.92			
Total Primary Government	\$ 146,794,212.20	\$ 3,649,955.09	\$ 4,888,477.79	\$ 1,437,918.64
Component Unit				
Charter School	\$ 561,169.00	\$ 0.00	\$ 0.00	\$ 49,606.00
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				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (72,468,761.98)	\$
(5,788,416.59)	
(1,620,538.45)	
(3,731,759.63)	
(2,106,575.56)	
(1,549,583.58)	
(651,922.63)	
(978,957.95)	
(8,304,481.30)	
(1,599,444.32)	
(858,779.32)	
(91,601.57)	
(2,361,968.63)	
(7,862,031.93)	
(8,912,102.15)	
(5,488,925.39)	
(1,789,453.89)	
(1,232,061.93)	
(275,751.16)	
(9,036,923.80)	
(107,818.92)	
(136,817,860.68)	
	(511,563.00)
61,381,913.96	
17,038,801.73	
52,140,958.58	486,838.00
604,715.78	
1,763,669.68	4,644.00
132,930,059.73	491,482.00
(3,887,800.95)	(20,081.00)
198,535,059.00	469,094.00
\$ 194,647,258.05	\$ 449,013.00

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and Cash Equivalents	\$ 6,763,918.99	\$	\$ 150.04	\$ 31,957,208.84
Investments	2,590,946.78			10,732,529.04
Accounts Receivable	13,783.97			
Due from Other Funds	1,548,179.89			
Due from Other Agencies	1,925,364.59	1,244,826.76	96,558.73	468,457.32
Prepaid Items	500,961.14	2,640.61		
Inventories	386,916.54			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 13,730,071.90</u>	<u>\$ 1,247,467.37</u>	<u>\$ 96,708.77</u>	<u>\$ 43,158,195.20</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 302,174.56	\$ 4,588.09	\$ 2,030.10	\$
Accounts Payable	1,838,990.76	225,256.99	16,403.60	1,414,541.51
Construction Contracts Payable				
Construction Contracts Payable - Retainage				83,619.81
Due to Other Funds		1,017,342.15	78,275.07	
Due to Other Agencies	8,517.12			
Deferred Revenue	19,932.19			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,169,614.63</u>	<u>1,247,187.23</u>	<u>96,708.77</u>	<u>1,498,161.32</u>
Fund Balances:				
Nonspendable:				
Inventory	386,916.54			
Prepaid Amounts	500,961.14	2,640.61		
Total Nonspendable Fund Balance	<u>887,877.68</u>	<u>2,640.61</u>	<u> </u>	<u> </u>
Restricted for:				
Federal Required Carryover Programs		280.14		
State Required Carryover Programs	2,879,415.58			
Debt Service				
Capital Projects				41,660,033.88
Food Service				
Total Restricted Fund Balance	<u>2,879,415.58</u>	<u>280.14</u>	<u> </u>	<u>41,660,033.88</u>
Assigned For:				
Budget Shortfalls 2012-13	2,750,995.94			
Carryover Programs	1,173,590.67			
Total Assigned Fund Balance	<u>3,924,586.61</u>	<u> </u>	<u> </u>	<u> </u>
Unassigned Fund Balance	<u>3,868,577.40</u>	<u>(2,640.61)</u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>11,560,457.27</u>	<u>280.14</u>	<u> </u>	<u>41,660,033.88</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,730,071.90</u>	<u>\$ 1,247,467.37</u>	<u>\$ 96,708.77</u>	<u>\$ 43,158,195.20</u>

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

Capital Projects - ARRA Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
6,268,676.35		1,949,908.67	40,671,186.54
		3,586,534.72	23,178,686.89
		1,971.48	15,755.45
			1,548,179.89
		25,963.48	3,761,170.88
			503,601.75
		258,314.31	645,230.85
<u>\$ 6,268,676.35</u>	<u>\$ 0.00</u>	<u>\$ 5,822,692.66</u>	<u>\$ 70,323,812.25</u>
\$	\$	\$	\$
		15,541.85	324,334.60
		490,565.05	3,985,757.91
1,294,499.28			1,294,499.28
1,276,963.59		3,650.37	1,364,233.77
452,562.67			1,548,179.89
			8,517.12
			19,932.19
<u>3,024,025.54</u>		<u>509,757.27</u>	<u>8,545,454.76</u>
		258,314.31	645,230.85
			503,601.75
		<u>258,314.31</u>	<u>1,148,832.60</u>
			280.14
			2,879,415.58
		79,108.80	79,108.80
3,244,650.81		2,877,598.06	47,782,282.75
		2,097,914.22	2,097,914.22
<u>3,244,650.81</u>		<u>5,054,621.08</u>	<u>52,839,001.49</u>
			2,750,995.94
			1,173,590.67
			3,924,586.61
			3,865,936.79
<u>3,244,650.81</u>		<u>5,312,935.39</u>	<u>61,778,357.49</u>
<u>\$ 6,268,676.35</u>	<u>\$ 0.00</u>	<u>\$ 5,822,692.66</u>	<u>\$ 70,323,812.25</u>

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds **\$ 61,778,357.49**

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. 200,533,132.41

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. 453,556.49

Premiums paid on long-term debt issuance are reported as other financing sources in the governmental funds, but as unamortized premiums in the government-wide statements and amortized over the life of the debt. (143,941.22)

Premiums received on long-term debt issuance are reported as other financing sources in the governmental funds, but as unamortized premiums in the government-wide statements and amortized over the life of the debt. (57,797.85)

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. 890,126.88

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 504,720.36

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

Obligation Under Capital Lease	\$ 5,141,387.97	
Bonds Payable	2,725,000.00	
Certificates of Participation Payable	42,525,000.00	
Compensated Absences Payable	5,813,733.54	
Other Postemployment Benefits Payable	13,105,775.00	(69,310,896.51)

Total Net Assets - Governmental Activities **\$ 194,647,258.05**

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, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 187,613.12	\$ 1,373,485.00	\$	\$
Federal Through State and Local State	434,297.72 37,696,453.29	10,707,119.90	1,751,408.05	
Local:				
Property Taxes	61,381,913.96			17,038,801.73
Impact Fees				
Charges for Services - Food Service				
Miscellaneous	3,587,495.76		3,127.07	257,278.10
Total Local Revenues	<u>64,969,409.72</u>		<u>3,127.07</u>	<u>17,296,079.83</u>
Total Revenues	<u>103,287,773.85</u>	<u>12,080,604.90</u>	<u>1,754,535.12</u>	<u>17,296,079.83</u>
Expenditures				
Current - Education:				
Instruction	68,821,161.19	5,522,248.35	832,796.53	
Pupil Personnel Services	4,649,938.03	1,056,413.48		
Instructional Media Services	1,597,563.32			
Instruction and Curriculum Development Services	1,343,501.53	2,240,667.67	94,683.53	
Instructional Staff Training Services	816,074.04	1,100,728.04	159,907.57	
Instruction Related Technology	1,484,145.15	1,283.55	42,185.70	
School Board	642,680.03			
General Administration	440,784.09	513,806.85	10,478.94	
School Administration	8,186,518.80	226.00		
Facilities Acquisition and Construction	905,736.49			946,907.08
Fiscal Services	846,604.01			
Food Services	10,016.77	10.83		
Central Services	2,321,120.16	4,608.24	2,753.51	
Pupil Transportation Services	7,732,014.24	18,554.00		
Operation of Plant	8,785,751.12			
Maintenance of Plant	5,323,106.35	88,000.00		
Administrative Technology Services	1,696,521.93		67,562.04	
Community Services	651,274.43	1,187,747.52		
Fixed Capital Outlay:				
Facilities Acquisition and Construction	195,588.42	24,014.77		3,594,230.51
Other Capital Outlay	185,042.39	322,295.58	544,167.30	1,273,753.47
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>116,635,142.49</u>	<u>12,080,604.88</u>	<u>1,754,535.12</u>	<u>5,814,891.06</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,347,368.64)</u>	<u>0.02</u>		<u>11,481,188.77</u>
Other Financing Sources (Uses)				
Transfers In	8,596,165.96			
Proceeds from Sale of Capital Assets	18,492.42			137,036.35
Insurance Loss Recoveries	11,496.57			
Transfers Out				(14,040,928.63)
Total Other Financing Sources (Uses)	<u>8,626,154.95</u>			<u>(13,903,892.28)</u>
Net Change in Fund Balances	(4,721,213.69)	0.02		(2,422,703.51)
Fund Balances, Beginning	<u>16,281,670.96</u>	<u>280.12</u>		<u>44,082,737.39</u>
Fund Balances, Ending	<u>\$ 11,560,457.27</u>	<u>\$ 280.14</u>	<u>\$ 0.00</u>	<u>\$ 41,660,033.88</u>

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

Capital Projects - ARRA Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		1,561,098.12	
		4,801,568.79	17,694,394.46
		761,431.39	38,457,884.68
			78,420,715.69
		753,977.75	753,977.75
		1,733,934.01	1,733,934.01
210,704.58		24,615.09	4,083,220.60
210,704.58		2,512,526.85	84,991,848.05
210,704.58		8,075,527.03	142,705,225.31
			75,176,206.07
			5,706,351.51
			1,597,563.32
			3,678,852.73
			2,076,709.65
			1,527,614.40
			642,680.03
			965,069.88
			8,186,744.80
			1,852,643.57
			846,604.01
		6,608,798.07	6,618,825.67
			2,328,481.91
			7,750,568.24
			8,785,751.12
			5,411,106.35
			1,764,083.97
			1,839,021.95
13,871,896.49		3,458,605.21	21,144,335.40
		442,966.26	2,768,225.00
		5,154,396.36	5,154,396.36
1,250.00	335,148.18	486,390.73	822,788.91
13,873,146.49	335,148.18	16,151,156.63	166,644,624.85
(13,662,441.91)	(335,148.18)	(8,075,629.60)	(23,939,399.54)
	335,148.18	5,110,532.49	14,041,846.63
		9,495.59	165,024.36
			11,496.57
		(918.00)	(14,041,846.63)
	335,148.18	5,119,110.08	176,520.93
(13,662,441.91)		(2,956,519.52)	(23,762,878.61)
16,907,092.72		8,269,454.91	85,541,236.10
\$ 3,244,650.81	\$ 0.00	\$ 5,312,935.39	\$ 61,778,357.49

**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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (23,762,878.61)

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 fiscal year. 14,224,380.15

In the statement of activities, the charge for depreciation in the prior fiscal year was overstated. The correction for that overstatement is reflected as an expense correction in the current year. 2,505,946.60

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (107,818.92)

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	\$ 890,126.88	
Less: Prior Year Accruals	(865,461.87)	24,665.01

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.

Certificates of Participation Payable	\$ 2,330,000.00	
Bonds Payable	375,000.00	
Obligation Under Capital Lease	2,449,395.58	5,154,395.58

Premiums, discounts, and deferred charges (debt issuance costs) are reported in the governmental funds in the fiscal 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, discounts, and deferred charges in the current period:

<u>Unamortized Premiums (Certificates of Participation Payable)</u>		
Prior Year	\$ 196,283.48	
Less: Current Year	(143,941.22)	52,342.26

<u>Unamortized Premium (Obligations Under Capital Lease Payable)</u>		
Prior Year	\$ 96,329.74	
Less: Current Year	(57,797.85)	38,531.89

<u>Deferred Charges (Certificates of Participation Payable)</u>		
Prior Year	\$ 517,829.33	
Less: Current Year	(453,556.49)	(64,272.84)

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 used in excess of the amount earned in the current fiscal year. 395,131.05

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. (2,741,247.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 393,023.88

Change in Net Assets - Governmental Activities \$ (3,887,800.95)

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2012**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,004,593.05
Investments	1,500,000.00
Accounts Receivable	19,219.65
Prepaid Items	52,942.00
Inventories	17,781.11
TOTAL ASSETS	\$ 4,594,535.81
LIABILITIES	
Current Liabilities:	
Salaries and Benefits Payable	\$ 293.70
Accounts Payable	59,504.48
Deferred Revenue	1,917,420.85
Estimated Insurance Claims Payable	2,112,596.42
Total Liabilities	4,089,815.45
NET ASSETS	
Unrestricted	504,720.36
TOTAL LIABILITIES AND NET ASSETS	\$ 4,594,535.81

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 FUND
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for Services	\$ 902.89
Premium Revenues	13,211,041.58
Other Operating Revenues	44,792.97
Total Operating Revenues	13,256,737.44
OPERATING EXPENSES	
Salaries	33,143.91
Employee Benefits	8,736.01
Purchased Services	2,912,026.71
Energy Services	3,542.06
Materials and Supplies	22,690.83
Capital Outlay	4,267.41
Insurance Claims	9,901,144.66
Total Operating Expenses	12,885,551.59
Operating Income	371,185.85
NONOPERATING REVENUES	
Interest Revenue	21,838.03
Change in Net Assets	393,023.88
Net Assets - Beginning	111,696.48
Net Assets - Ending	\$ 504,720.36

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 13,207,789.05
Cash Received from Other Operating Revenues	113,808.05
Cash Payments to Suppliers for Goods and Services	(2,937,859.31)
Cash Payments to Employees for Services	(41,610.78)
Cash Payments for Insurance Claims	(10,051,425.52)
Net Cash Provided by Operating Activities	290,701.49
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(1,500,000.00)
Interest Income	21,838.03
Net Cash Used by Investing Activities	(1,478,161.97)
Net Increase in Cash and Cash Equivalents	(1,187,460.48)
Cash and Cash Equivalents, Beginning	4,192,053.53
Cash and Cash Equivalents, Ending	<u>\$ 3,004,593.05</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 371,185.85
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	70,718.69
Decrease in Due From Other Agencies	170,433.18
Decrease in Inventories	5,242.86
Increase in Prepaid Items	(1,703.11)
Decrease in Accounts Payable	(575.66)
Increase in Salaries and Benefits Payable	269.14
Decrease in Deferred Revenue	(174,588.60)
Decrease in Estimated Insurance Claims Payable	(150,280.86)
Total Adjustments	(80,484.36)
Net Cash Provided by Operating Activities	<u>\$ 290,701.49</u>

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, 2012**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 332,372.26	\$ 2,074,450.00
Accounts Receivable		42,873.00
Inventory		5,189.00
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 332,372.26</u></u>	<u><u>\$ 2,122,512.00</u></u>
LIABILITIES		
Accounts Payable	\$	\$ 10,347.00
Internal Accounts Payable		2,112,165.00
	<u> </u>	<u> </u>
Total Liabilities	<u> </u>	<u><u>\$ 2,122,512.00</u></u>
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	<u>332,372.26</u>	
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 332,372.26</u></u>	

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, 2012**

	Private-Purpose Trust Funds
	<u> </u>
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ 330.88
Investment Earnings:	
Interest, Dividends, and Other	<u> 711.02</u>
Total Additions	<u> 1,041.90</u>
DEDUCTIONS	
Scholarship Payments	<u> 6,900.00</u>
Change in Net Assets	(5,858.10)
Net Assets - Beginning	<u> 338,230.36</u>
Net Assets - Ending	<u><u> \$ 332,372.26</u></u>

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Citrus County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Citrus County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 the application of 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 statements was derived from the audited financial statements of the Charter School for the fiscal year ended June 30, 2012, which are on file in the District's administrative offices.

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 District and its component units.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the qualified school construction bonds.
- 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 – ARRA Economic Stimulus 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.

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

- Internal Service Fund – 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.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

- 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 GASB. 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 District's 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

The 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.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the 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 date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of money market mutual funds and Federal instrumentalities obligations 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 the 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.

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	20 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	7- 10 years
Property under Capital Lease	5 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. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Debt is reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

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

State Revenue Sources. 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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

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

The Board adopted the 2011 tax levy on September 13, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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.

Educational Impact Fees. Citrus County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1986. This ordinance was most recently amended in February 2011, when Ordinance 2011-A03 established, in part, revised rates to be collected. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

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

Budgetary Information. 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 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, 2012**

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 2,263,155.09
Fund B	5.73 Year Average	311,390.31
Debt Service Accounts	6 Months	79,108.80
TD Ameritrade (TDAM) Bank:		
TD Asset Management U.S.		
Institutional Services	45 days	30,740.10
U.S. Treasury Notes	1-2 years	2,910,290.05
U.S. Treasury Notes	> 2 years	1,583,093.20
U.S. Treasury Bonds	1-2 years	1,530,501.98
Federal Home Loan Bank (FHLB) Notes	6-12 months	630,180.91
FHLB Notes	1-2 years	911,213.94
Federal National Mortgage Association (FNMA) Notes	1-2 years	3,541,906.66
FNMA Notes	> 2 years	319,387.14
Federal Home Loan Mortgage (FHLM) Notes	1-2 years	715,156.74
FHLM Notes	> 2 years	2,644,795.21
Freddie Mac Notes	> 2 years	706,302.58
Bank of New York Mellon:		
FEITF (2)	46 Day Average	3,377,013.92
Federal Instrumentality - FNMA Note (2)	77 Days	5,387,605.35
Total Investments		<u>\$ 26,941,841.98</u>

Notes: (1) This investment is reported as a cash equivalent for financial reporting purposes.

(2) Investments totaling \$8,764,619.27 are held under trust agreements in connection with Certificates of Participation Series 2010A and 2010B financing agreements.

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds will have maturities of no longer than 18 months. Investments of bond reserves, construction funds, and other nonoperating funds (core funds) shall have a term appropriate to the need for funds, and in accordance with debt covenants, but should not exceed five years, and the average duration of the funds as a whole may not exceed three years.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days, and FEITF had a WAM of 46 days, at June 30, 2012. 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. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. As of June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other 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 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 the 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 the SBA for managing interest rate risk and credit risk for this account.

As of June 30, 2012, The District's investment in Florida PRIME is rated AAAm by Standard & Poor's (S&P). Fund B is unrated.

The District's trust funds held at the Bank of New York Mellon consist of the following securities: FEITF rated AAAm by S&P, and Federal instrumentality notes rated AA+ by S&P and Aaa by Moody's.

The District's funds held at its third-party custodian, TD Bank, are invested in the TDAM Institutional Government Money Market Fund, which is rated AAAm by S&P.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District shall be properly designed as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2012, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy has established asset allocation and issuer limits on the following investments which are designed to reduced concentration of credit risk of the District's investment portfolio. A maximum of 25 percent of available funds may be invested in Florida PRIME, 100 percent of

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

available funds may be invested in United States Government securities, 50 percent of available funds may be invested in United States Government agencies with a 25 percent limit on individual issuers, 80 percent of available funds may be invested in Federal instrumentalities with a 50 percent limit on individual issuers, 25 percent of available funds may be invested in nonnegotiable interest-bearing time certificates of deposit with a 15 percent limit on individual issuers, 50 percent of available funds may be invested in repurchase agreements with a 25 percent limit on individual issuers, 35 percent of available funds may be invested in commercial paper with a 10 percent limit on individual issuers, 15 percent of available funds may be invested in corporate notes with a 5 percent limit on individual issuers, 20 percent of available funds may be invested in State and/or local government taxable and/or tax-exempt debt, 75 percent of available funds may be invested in registered investment companies (money market mutual funds) with a 25 percent limit on individual issuers, 25 percent of available funds may be invested in short term bond funds with a 10 percent limit on individual issuers, and 25 percent of available funds may be invested in intergovernmental investment pools.

Investments in any one issuer that represent 5 percent or more of the District's investments are reported below:

<u>Security Type</u>	<u>Portfolio Fair Value</u>	<u>Asset Allocation</u>
SBA:		
Florida PRIME	\$ 2,263,155.09	8.40%
Fund B	311,390.31	1.16%
Debt Service Accounts	79,108.80	0.29%
FETF	3,377,013.92	12.53%
TD Asset Management U.S. Institutional Services	30,740.10	0.11%
U.S. Treasury Notes	4,493,383.25	16.68%
U.S. Treasury Bonds	1,530,501.98	5.68%
FHLB Notes	1,541,394.85	5.72%
FHLM Notes	3,359,951.95	12.47%
Freddie Mac Notes	706,302.58	2.62%
FNMA Notes	9,248,899.15	34.33%
	<u>\$ 26,941,841.98</u>	<u>100.00%</u>

The FHLB notes comprise 6 percent of total investments and 10 percent of Capital Projects - Local Capital Improvement Fund (LCIF) investments. The FNMA notes comprise 34 percent of total investments, 12 percent of General Fund investments, 25 percent of the LCIF investments, 86 percent of investments in the Capital Projects - ARRA Economic Stimulus Fund, and 11 percent of the other governmental fund investments. The FHLM notes comprise 12 percent of total investments, 10 percent of General Fund investments, 22 percent of the LCIF investments, and 10 percent of the other governmental fund investments.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 3,979,829.36	\$	\$ 1,205,144.83	\$	\$ 5,184,974.19
Construction in Progress	29,111,877.28		19,360,445.73	14,646,159.07	33,826,163.94
Total Capital Assets Being Depreciated	33,091,706.64		20,565,590.56	14,646,159.07	39,011,138.13
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	23,858,460.13		810,098.70		24,668,558.83
Buildings and Fixed Equipment	167,870,489.71		13,836,060.37		181,706,550.08
Furniture, Fixtures, and Equipment	17,075,116.93		2,321,805.60	1,418,010.40	17,978,912.13
Motor Vehicles	18,016,233.68		232,341.50	440,428.00	17,808,147.18
Property Under Capital Lease	7,706,379.24			7,572.58	7,698,806.66
Audio Visual Materials and Computer Software	3,402,508.04		141,566.29	45,132.66	3,498,941.67
Total Capital Assets Being Depreciated	237,929,187.73		17,341,872.46	1,911,143.64	253,359,916.55
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	10,814,139.10		867,768.87		11,681,907.97
Buildings and Fixed Equipment	49,520,998.10		3,335,806.31		52,856,804.41
Furniture, Fixtures, and Equipment	15,434,810.40	(3,358,461.78)	1,598,138.49	1,320,169.84	12,354,317.27
Motor Vehicles	9,697,508.56	767,603.82	1,328,136.50	438,320.86	11,354,928.02
Property Under Capital Lease	166,005.41	(10,439.18)	1,439,196.79	1,111.25	1,593,651.77
Audio Visual Materials and Computer Software	1,476,808.22	95,350.54	467,876.84	43,722.77	1,996,312.83
Total Accumulated Depreciation	87,110,269.79	(2,505,946.60)	9,036,923.80	1,803,324.72	91,837,922.27
Total Capital Assets Being Depreciated, Net	150,818,917.94	2,505,946.60	8,304,948.66	107,818.92	161,521,994.28
Governmental Activities Capital Assets, Net	\$ 183,910,624.58	\$ 2,505,946.60	\$ 28,870,539.22	\$ 14,753,977.99	\$ 200,533,132.41

Note (1): These adjustments corrected depreciation expense.

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$9,036,923.80, is charged to unallocated depreciation on the statement of activities.

The class of property under capital lease is presented in note 5.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

5. OBLIGATION UNDER CAPITAL LEASE

The class and amounts of property being acquired under capital lease are as follows:

	<u>Asset Balances</u>
Computer Equipment	<u>\$ 7,698,806.66</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,449,395.58	\$ 2,184,641.35	\$ 264,754.23
2014	2,449,395.58	2,297,138.80	152,256.78
2015	693,574.13	659,607.82	33,966.31
Total Minimum Lease Payments	<u>\$ 5,592,365.29</u>	5,141,387.97	<u>\$ 450,977.32</u>
Premium		<u>57,797.85</u>	
Total		<u>\$ 5,199,185.82</u>	

The imputed interest rate is 5.03 percent, and the lease matures on August 1, 2014.

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement 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 (QSCB), in the amount of \$35,000,000 and COPs Series 2010B in the amount of \$11,945,000, to be repaid from the proceeds of rents paid by the District.

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, QSCBs. The QSCB does not represent incremental Federal funding; it must be repaid by the District.

The Series 2010A-QSCBs are designated as “qualified school construction bonds” as defined in Section 54F of the Internal Revenue Code (Code), and pursuant to Section 6431 of the Code, the Board has elected to receive Federal subsidy payments on each interest payment date for the Series 2010A-QSCBs in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A-QSCBs on such date or the amount of interest which would have been payable with respect to the Series 2010A-QSCBs if the interest were determined at the applicable tax credit rate for the Series 2010A-QSCBs pursuant to Section 54A(b)(3) of the Code. The interest rate is 6.738 percent with an allowed Federal subsidy of 5.78 percent, yielding a net amount of 0.958 percent.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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-QSCBs is 10 years commencing on April 1, 2010 and the initial term for the COPs 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 the Series 2010A-QSCBs in the amount of \$35,000,000 to finance the cost of additions and renovations to Crystal River High School.

The Leasing Corporation issued the COPs 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-QSCBs, 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-QSCBs 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-QSCBs at maturity (April 1, 2027) or upon earlier prepayment.

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

Fiscal Year Ending June 30	Total	Series 2010A-QSCB		COPs Series 2010B	
		Principal	Interest	Principal	Interest
2013	\$ 5,016,600	\$	\$ 2,358,300	\$ 2,420,000	\$ 238,300
2014	5,019,800		2,358,300	2,520,000	141,500
2015	5,018,350		2,358,300	2,585,000	75,050
2016	2,358,300		2,358,300		
2017	2,358,300		2,358,300		
2018-2022	11,791,500		11,791,500		
2023-2027	46,791,500	35,000,000	11,791,500		
Total Minimum Lease Payments	\$ 78,354,350	\$ 35,000,000	\$ 35,374,500	\$ 7,525,000	\$ 454,850

7. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 2,505,000	5.0	2018
Series 2009A, Refunding	220,000	4.0 - 5.0	2019
Total Bonds Payable	\$ 2,725,000		

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 530,900	\$ 395,000	\$ 135,900
2014	531,500	415,000	116,500
2015	530,750	435,000	95,750
2016	534,000	460,000	74,000
2017	531,000	480,000	51,000
2018-2019	568,500	540,000	28,500
Total State School Bonds	<u>\$ 3,226,650</u>	<u>\$ 2,725,000</u>	<u>\$ 501,650</u>

8. 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					
Obligation Under Capital Lease	\$ 7,687,113.29	\$	\$ 2,487,927.47	\$ 5,199,185.82	\$ 2,184,641.35
Bonds Payable	3,100,000.00		375,000.00	2,725,000.00	395,000.00
Certificates of Participation Payable	44,855,000.00		2,330,000.00	42,525,000.00	2,420,000.00
Compensated Absences Payable	6,208,864.59	422,062.90	817,193.95	5,813,733.54	1,042,000.00
Other Postemployment Benefits Payable	10,364,528.00	3,395,861.00	654,614.00	13,105,775.00	
Total Governmental Activities	<u>\$ 72,215,505.88</u>	<u>\$ 3,817,923.90</u>	<u>\$ 6,664,735.42</u>	<u>\$ 69,368,694.36</u>	<u>\$ 6,041,641.35</u>

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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 1,548,179.89	\$
Special Revenue:		
Federal Economic Stimulus		78,275.07
Other		1,017,342.15
Capital Projects:		
ARRA Economic Stimulus		452,562.67
Total	<u>\$ 1,548,179.89</u>	<u>\$ 1,548,179.89</u>

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	\$ 8,596,165.96	\$
Debt Service:		
ARRA Economic Stimulus	335,148.18	
Capital Projects:		
Local Capital Improvement (LCIF)		14,040,928.63
Nonmajor Governmental	<u>5,110,532.49</u>	<u>918.00</u>
Total	<u>\$ 14,041,846.63</u>	<u>\$ 14,041,846.63</u>

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. Transfers from LCIF were made into the Debt Service – ARRA Economic Stimulus Fund and the nonmajor governmental funds for debt service payments.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

10. FUND BALANCE REPORTING

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balance other than in the General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Board and not included in other categories. The Board has assigned existing fund balance to eliminate projected budgetary deficit in the 2012-13 fiscal year in the amount equal to the projected excess of appropriations over expected revenues and for the carry forward of certain District projects.

➤ **Unassigned**

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2011-12 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 16,908,452.00
Categorical Educational Program - Class Size Reduction	15,841,750.00
Workforce Development Program	2,742,707.00
School Recognition	797,068.00
Voluntary Prekindergarten	661,251.47
Motor Vehicle License Tax (Capital Outlay and Debt Service)	634,335.37
Adults with Disabilities	112,227.00
Mobile Home License Tax	91,158.89
Food Service Supplement	86,909.00
Full Service Schools	56,485.00
Workforce Education Performance	54,991.00
Charter School Capital Outlay	49,605.52
Discretionary Lottery Funds	47,038.00
Miscellaneous	373,906.43
Total	\$ 38,457,884.68

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

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.556	\$ 56,050,224.35
Basic Discretionary Local Effort	0.748	7,545,998.53
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	15,132,349.99
Critical Capital Outlay Needs	0.250	2,522,058.33
Total	8.054	\$ 81,250,631.20

**CITRUS COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

13. FLORIDA RETIREMENT SYSTEM

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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 the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 0.03 percent for administrative costs of the Investment Plan.

(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, including employee contributions, for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$7,971,791.51, \$9,041,488.02, and \$5,871,682.72 respectively, which were equal to the required contributions for each fiscal year.

There were 281 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$649,260.83, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB 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 coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB 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

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB 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 OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 214 retirees received other postemployment benefits. The District provided required contributions of \$654,614 toward the annual OPEB cost, net of retiree contributions totaling \$1,448,768, which represents 2.2 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	\$ 1,630,056
Amortization of Unfunded Actuarial Accrued Liability	<u>2,017,756</u>
Annual Required Contribution	3,647,812
Interest on Net OPEB Obligation	310,936
Adjustment to Annual Required Contribution	<u>(562,887)</u>
Annual OPEB Cost (Expense)	3,395,861
Contribution Toward the OPEB Cost	<u>(654,614)</u>
Increase in Net OPEB Obligation	2,741,247
Net OPEB Obligation, Beginning of Year	<u>10,364,528</u>
Net OPEB Obligation, End of Year	<u><u>\$ 13,105,775</u></u>

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
_____	_____	_____	_____
2009-10	\$4,087,769	16.00%	\$7,776,413
2010-11	3,724,882	30.52%	10,364,528
2011-12	3,395,861	19.28%	13,105,775

Funded Status and Funding Progress. As of June 30, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$37,153,232, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$37,153,232 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$65,913,203, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 56.37 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 OPEB 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 OPEB 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 OPEB 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 June 30, 2012, used the level dollar amortization actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2012, and the District's 2011-12 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 investment rate of return includes a general price inflation of 2.5 percent. The actuarial assumptions also included an annual healthcare cost trend rate of 5.98 percent initially

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for the 2012 year, increasing by 0.3 percent for each of the next four years, and then reduced by various decrements, to an ultimate rate of 4.2 percent in year 2085. 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, 2012, was 25 years.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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 following is a schedule of encumbrances at June 30, 2012:

Major Funds					
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Capital Projects - ARRA Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$593,409	\$ 24,250	\$ 2,999,512	\$ 5,261,212	\$ 644,289	\$ 9,522,672

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Crystal River High School:			
Architect	\$ 2,587,251.00	\$ 2,497,273.73	\$ 89,977.27
Contractor	25,050,762.25	20,420,526.61	4,630,235.64
Total	\$ 27,638,013.25	\$ 22,917,800.34	\$ 4,720,212.91

16. 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 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. During the 2011-12 fiscal year, the District received \$32,085.25 in capital credits. At June 30, 2012, the accumulated credits to the District's account are \$890,126.88.

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JUNE 30, 2012**

17. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Citrus County 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.

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 unlimited.

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 eighteen months.

A liability in the amount of \$2,112,596.42 represents estimated incurred, but not reported, insurance claims payable at June 30, 2012.

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JUNE 30, 2012**

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2010-11	\$2,248,350.64	\$ 10,022,292.99	\$ (10,007,766.35)	\$ 2,262,877.28
2011-12	2,262,877.28	9,901,144.66	(10,051,425.52)	2,112,596.42

18. SUBSEQUENT EVENTS

Duke Energy, the North Carolina parent company of Progress Energy, submitted a payment of \$19 million to the Citrus County Board of County Commissioners (County), about half of its \$35 million property tax bill based on certified tax rolls from the Tax Collector and resulting in a potentially significant impact on the District's 2012-13 fiscal year budget. The District and the County agreed to bring litigation against Duke Energy, each agreeing to pay \$175,000 for initial legal costs.

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OTHER 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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 195,000.00	\$ 187,613.12	\$ 187,613.12	\$
Federal Through State and Local	500,000.00	502,747.39	434,297.72	(68,449.67)
State	37,840,067.65	37,955,407.57	37,696,453.29	(258,954.28)
Local:				
Property Taxes	61,122,360.00	61,381,913.96	61,381,913.96	
Miscellaneous	3,752,490.90	4,342,749.33	3,587,495.76	(755,253.57)
Total Local Revenues	64,874,850.90	65,724,663.29	64,969,409.72	(755,253.57)
Total Revenues	103,409,918.55	104,370,431.37	103,287,773.85	(1,082,657.52)
Expenditures				
Current - Education:				
Instruction	71,505,206.23	72,153,183.55	68,821,161.19	3,332,022.36
Pupil Personnel Services	4,630,807.60	4,694,652.06	4,649,938.03	44,714.03
Instructional Media Services	1,656,082.87	1,685,486.67	1,597,563.32	87,923.35
Instruction and Curriculum Development Services	1,357,029.98	1,356,314.31	1,343,501.53	12,812.78
Instructional Staff Training Services	845,931.49	987,256.66	816,074.04	171,182.62
Instruction Related Technology	1,535,278.64	1,553,239.60	1,484,145.15	69,094.45
School Board	576,830.41	684,651.27	642,680.03	41,971.24
General Administration	432,547.14	442,863.91	440,784.09	2,079.82
School Administration	8,251,713.38	8,267,287.97	8,186,518.80	80,769.17
Facilities Acquisition and Construction	2,172,048.88	1,900,138.98	905,736.49	994,402.49
Fiscal Services	769,613.20	900,019.71	846,604.01	53,415.70
Food Services		10,019.77	10,016.77	3.00
Central Services	2,490,630.44	2,494,625.72	2,321,120.16	173,505.56
Pupil Transportation Services	8,042,157.63	8,326,590.39	7,732,014.24	594,576.15
Operation of Plant	9,111,720.86	9,368,730.86	8,785,751.12	582,979.74
Maintenance of Plant	6,685,462.19	6,666,884.13	5,323,106.35	1,343,777.78
Administrative Technology Services	1,804,550.82	1,913,959.57	1,696,521.93	217,437.64
Community Services	653,833.48	708,644.03	651,274.43	57,369.60
Fixed Capital Outlay:				
Facilities Acquisition and Construction		315,166.52	195,588.42	119,578.10
Other Capital Outlay		367,921.28	185,042.39	182,878.89
Total Expenditures	122,521,445.24	124,797,636.96	116,635,142.49	8,162,494.47
Excess (Deficiency) of Revenues Over Expenditures	(19,111,526.69)	(20,427,205.59)	(13,347,368.64)	7,079,836.95
Other Financing Sources				
Transfers In	11,261,060.00	11,479,749.73	8,596,165.96	(2,883,583.77)
Proceeds from Sale of Capital Assets		18,492.42	18,492.42	
Insurance Loss Recoveries		11,496.57	11,496.57	
Total Other Financing Sources	11,261,060.00	11,509,738.72	8,626,154.95	(2,883,583.77)
Net Change in Fund Balances	(7,850,466.69)	(8,917,466.87)	(4,721,213.69)	4,196,253.18
Fund Balances, Beginning	16,281,670.96	16,281,670.96	16,281,670.96	
Fund Balances, Ending	\$ 8,431,204.27	\$ 7,364,204.09	\$ 11,560,457.27	\$ 4,196,253.18

Special Revenue - Federal Economic Stimulus Fund				Special Revenue - Other Funds			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,112,211.81	\$ 2,238,334.62	\$ 1,751,408.05	\$ (486,926.57)	\$ 1,669,388.25 11,134,140.64	\$ 1,669,388.25 13,226,192.77	\$ 1,373,485.00 10,707,119.90	\$ (295,903.25) (2,519,072.87)
		3,127.07	3,127.07				
		3,127.07	3,127.07				
2,112,211.81	2,238,334.62	1,754,535.12	(483,799.50)	12,803,528.89	14,895,581.02	12,080,604.90	(2,814,976.12)
1,398,259.29	1,076,035.99	832,796.53	243,239.46	6,151,353.80 949,780.84	6,862,075.04 1,077,122.26 581.99	5,522,248.35 1,056,413.48	1,339,826.69 20,708.78 581.99
235,867.03	136,402.20	94,683.53	41,718.67	2,152,949.88	2,362,501.56	2,240,667.67	121,833.89
101,420.13	213,030.89	159,907.57	53,123.32	1,128,930.18	1,754,214.78	1,100,728.04	653,486.74
172,806.65	61,401.90	42,185.70	19,216.20		1,283.55	1,283.55	
60,087.71	36,363.48 760.00	10,478.94	25,884.54 760.00	736,912.11	856,548.29 254.00	513,806.85 226.00	342,741.44 28.00
800.00	3,408.18	2,753.51	654.67	843.08 212,759.00	10.83 19,011.46 22,062.00	10.83 4,608.24 18,554.00	14,403.22 3,508.00
142,971.00	82,196.73	67,562.04	14,634.69		88,000.00	88,000.00	
				1,470,000.00	1,470,000.00	1,187,747.52	282,252.48
	628,735.25	544,167.30	84,567.95		25,000.00 356,915.26	24,014.77 322,295.58	985.23 34,619.68
2,112,211.81	2,238,334.62	1,754,535.12	483,799.50	12,803,528.89	14,895,581.02	12,080,604.88	2,814,976.14
						0.02	0.02
				280.14	280.14	0.02 280.12	0.02 (0.02)
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 280.14	\$ 280.14	\$ 280.14	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 35,031,570	\$ 35,031,570	0.0%	\$ 65,884,150	53.17%
January 1, 2010	0	36,033,256	36,033,256	0.0%	63,014,758	57.18%
June 30, 2012	0	37,153,232	37,153,232	0.0%	65,913,203	56.37%

Note: (1) The District's OPEB actuarial valuation used the level dollar amortization cost method to estimate the actuarial accrued liability.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITRUS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 429,800.13
National School Lunch Program	10.555	300, 350	1,659,545.16
Summer Food Service Program for Children	10.559	323	18,835.35
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	479,835.15
National School Lunch Program	10.555 (2)	300, 350	2,213,943.12
Summer Food Service Program for Children	10.559	323	24,930.86
Total Child Nutrition Cluster			4,826,889.77
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	11,074.80
Total United States Department of Agriculture			4,837,964.57
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	1,184,897.56
Fund for the Improvement of Education	84.215	N/A	188,587.44
Total Direct			1,373,485.00
Indirect:			
Florida Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212,222,223,226,228	4,303,833.57
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	156,785.05
Total Title I, Part A Cluster			4,460,618.62
Special Education Cluster:			
Special Education - Grants to States	84.027	263	3,943,429.65
Special Education - Preschool Grants	84.173	267	187,393.03
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	422,749.20
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	22,131.99
Total Special Education Cluster			4,575,703.87
Educational Technology State Grants Cluster:			
Education Technology State Grants	84.318	122	184,019.05
ARRA - Education Technology State Grants, Recovery Act	84.386	121	7,142.47
Total Educational Technology State Grants Cluster			191,161.52
Adult Education - Basic Grants to States	84.002	191, 193	335,908.93
Career and Technical Education - Basic Grants to States	84.048	161	306,782.88
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	1,869.15
Education for Homeless Children and Youth	84.196	127	46,481.49
Even Start - State Educational Agencies	84.213	219	99,492.97
Rural Education	84.358	110	315,678.81
English Language Acquisition Grants	84.365	102	43,862.13
Improving Teacher Quality State Grants	84.367	224	850,368.24
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211	1,097,156.34
Education Jobs Fund	84.410	541	45,443.00
Total Indirect			12,370,527.95
Total United States Department of Education			13,744,012.95

CITRUS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	\$ 88,000.00
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	43,062.54
Army Junior Reserve Officers Training Corps	None	N/A	64,076.64
Navy Junior Reserve Officers Training Corps	None	N/A	80,473.94
Total United States Department of Defense			<u>187,613.12</u>
Total Expenditures of Federal Awards			<u>\$ 18,857,590.64</u>

- 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 - National School Lunch Program. Includes \$438,176.84 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



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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, 2012, 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 includes 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

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.

Our **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*** 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 15, 2013



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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 *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, 2012. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
March 15, 2013

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Federal Pell Grant Program (CFDA No. 84.063); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 – ARRA); and ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 – ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$565,727
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, 2012**

ADDITIONAL MATTERS

Finding No. 1: 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)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based upon 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 established a documented process to identify the instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional employee salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, 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 union contract indicated that if a school was an "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 were not readily apparent.

Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-140 and 2012-152.

Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; and certain enterprise resource software used to support District wide administration or State-mandated reporting requirements. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2011-12 fiscal year, the District had LCI Fund expenditures and transfers out to the General Fund totaling \$5.8 million and \$8.6 million, respectively. We reviewed LCI Fund expenditures and transfers totaling \$5.7 million to determine their propriety. Our review disclosed \$614,633.96 of LCI Fund transfers to the General Fund for purposes that did not appear to be authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount
Transfers to the General Fund for:	
Grounds Management (1)	\$ 426,115.16
Salaries and benefits costs for Custodial Staff (2)	97,650.62
Salaries and benefits costs for an Information Technology Project Leader (3)	56,882.09
Salaries and benefits costs for an Energy System and Plans Room Manager (4)	33,986.09
Total	<u>\$ 614,633.96</u>

Notes:

- (1) District records indicated that these grounds management costs included payments for services such as mowing, trimming, and edging, and purchases of mulch, installation of sod, installation of an irrigation system, and tree trimming and dead tree removal; however, these costs do not represent allowable uses of ad valorem tax levy proceeds.

District personnel indicated that sod and irrigation system installation costs totaling \$21,100.16 included above were for sod purchases to repair existing sites that were a safety hazard due to uneven footing and erosion of land and for irrigation system installation at existing, not new, school sites. District personnel also indicated that material and labor costs totaling \$81,400 for installation of mulch at various school sites were allowable ad valorem tax levy expenditures as the mulch purchased was installed under playground equipment and used as a safety surface under such equipment. In addition, District personnel indicated that tree trimming and removal services totaling \$23,712 were obtained to ensure tree limbs were kept free of dead or diseased limbs as required by the *State Requirements for Educational Facilities* (SREF), and allowable as maintenance of existing school plants. District personnel further indicated that all other lawn maintenance services received at school sites totaling \$299,903 were allowable under Section 1011.71, Florida Statutes, as lawns were maintained for the safety and welfare of students to prevent fire hazards and to comply with county ordinances. However, Section 1013.01(12), Florida Statutes, provides that groundskeeping functions, such as the items discussed above, are excluded from the definition of maintenance and repair, resulting in \$426,115.16 of questioned costs.

- (2) District records indicated that these costs were for the salaries and benefits of a head custodian and two other custodians. Job descriptions for the two custodians were to keep various buildings clean and sanitary, which do not represent allowable uses of ad valorem tax levy proceeds. The job description of the head custodian included routine maintenance and repair of plumbing, electrical, and heating and air-conditioning systems; however, the job description also included supervisory responsibilities related to custodial and groundskeeping functions. As District records, such as personnel activity reports, were not maintained to evidence that the activities performed by the head custodian and two other custodians represented allowable uses of ad valorem tax levy proceeds, the \$97,650.62 represents questioned costs.
- (3) District records indicated that 100 percent of the salary and benefits for an Information Technology Project Leader was expended from ad valorem tax levy proceeds. The job description for this employee indicates the employee was responsible for nonenterprise resource software, such as developing standards and procedures for desktop computer systems, testing and evaluation of client-side hardware and software configurations, training other staff, and developing and implementing desktop system security procedures. Further, District records, such as personnel activity reports, were not maintained to evidence that all activities performed by this employee represented allowable uses of ad valorem tax levy proceeds, resulting in \$56,882.09 of questioned costs.
- (4) District records indicated that 95 percent of the salary and benefits for the Energy Systems and Plans Room Manager was expended from ad valorem tax levy proceeds. The job description for this employee indicates the employee was responsible for maintaining energy management system settings, review and control of the District Plans room information, and review and control of the District's key and ID badge database. Further, District records, such as personnel activity reports, were not maintained to evidence that at least 95 percent of activities performed by this employee represented allowable uses of ad valorem tax levy proceeds, resulting in \$33,986.09 of questioned costs.

Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are used only for authorized purposes. Such controls would include District records, such as personnel activity reports, to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the \$614,633.96 of questioned costs or restore this amount to the LCI Fund.

Finding No. 3: Adult General Education Classes

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. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

The FDOE procedures 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. The FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2011-12 fiscal year, the District reported to the FDOE 63,496 adult general education instructional contact hours for 692 students enrolled in 1,016 classes. To determine the propriety of the hours reported, we tested 1,320 hours reported for 10 students enrolled in 17 classes and noted 153 net hours overreported for 3 students in 3 classes, ranging from 14 hours underreported to 86 hours overreported. District personnel indicated that these reporting errors occurred mainly because students were not procedurally withdrawn from classes after six consecutive absences.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly.

Recommendation: The District should enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general education hours misreported and contact the FDOE for proper resolution.

Finding No. 4: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing IT access privileges assigned to employees and contractors promotes good internal control and is necessary to ensure that employees and contractors cannot access IT resources inconsistent with their assigned job duties.

In January 2012, the District implemented a new business application suite, including finance and human resource (HR) applications. Since the time of transition, the District had not performed a comprehensive review of user access

privileges outside of the access privileges that had been granted in the District's previous business application system. Our test of selected access privileges to the District's network, applications, and supporting database disclosed some access privileges that were unnecessary or that permitted employees and contractors to perform incompatible functions. Specifically:

- A user support specialist had administrative access to the District's database supporting the finance and HR applications. As the employee did not have duties related to system implementation and maintenance, the access privileges had been granted unnecessarily.
- Thirty-six network accounts, including employee, contractor, and service accounts, had administrator privileges. Administrator access privileges are typically limited to employees or contractors who are responsible for performing network administration duties or services that require complete access to network resources. Limiting the number of network accounts with administrative privileges increases the District's ability to restrict and manage the use of administrative privileges, reducing the risk of compromise and unauthorized network hardware, software, or configuration changes. An additional nine network accounts, including those assigned to IT employees and contractors, had administrator privileges to the District's operating system hosting the finance and HR applications, Web portal, and database. Administrative access privileges to the operating system provided the IT employees and contractors full control over the application and database files.

To compensate, in part, for the above deficiencies, the District had certain controls, such as independent bank account reconciliations, independently verified supporting voucher documentation, and monitoring of department budgets. However, the existence of the inappropriate or unnecessary access privileges described above indicated a need for an improved review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. In response to audit inquiry, District management indicated that a complete review of user access privileges would be performed in 2013.

Recommendation: The District should improve its review of access privileges, including administrative privileges within the database, network, and operating system, and timely deactivate or adjust any inappropriate or unnecessary access detected.

Finding No. 5: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Network Security

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication, data loss prevention, and network security that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, data loss prevention, and network security, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

Recommendation: The District should improve security controls related to user authentication, data loss prevention, and network security to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Education Technology State Grants (CFDA No. 84.318)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: \$7,475.25**

Special Tests and Provisions – Participation of Private School Children. Pursuant to Section 9501 of the Elementary and Secondary Education Act, the District is required to engage in timely and meaningful consultation with private school officials during the design and development of specified programs and to make such educational services or other benefits available to private school students and educational personnel. Also, Title 34, Section 299.7, Code of Federal Regulations, states that the services the District provides to eligible private school students and their teachers must also be equitable in comparison to the services and other benefits provided to the District's students and their teachers.

The District had Education Technology (ET) program expenditures of \$188,127.16 for July 2010 to September 2011. On December 7, 2009, the District wrote to the nine private schools in the District to determine whether the schools desired to participate in various Federal programs for the 2010-11 fiscal year. Of the nine private schools contacted, only one K-8 private school responded and requested on December 19, 2009, to participate in the ET grant. Subsequently, because the District's intended use of the grant was for high schools only, the District submitted the ET grant application to the FDOE to mainly fund a mobile assessment learning lab at the three District high schools. On April 6, 2010, the FDOE approved the District's ET grant for the 2010-11 and 2011-12 fiscal years.

By limiting use of the grant funds to three District high schools, District records did not evidence that private school students or their teachers were provided the opportunity to participate in this grant. As the only private school that requested participation had 192 students and the District's three high schools had 4,640 students, the private school could have been allocated \$7,475.25 (\$188,127.16 divided by 4,832 total students times 192 private school students), which represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should establish procedures to ensure that private schools are provided the opportunity to participate in Federally-funded programs. In addition, the District should document to the grantor (FDOE) the allowability of the \$7,475.25 of questioned costs or restore this amount to the ET program.

District Contact Person: Kenny Blocker, Assistant Superintendent of Business and Support Services

PRIOR AUDIT FOLLOW-UP

The District had taken corrective action for findings included in previous audit reports, except that current Finding No. 1 was also noted as Finding Nos. 2 and 1 in our report Nos. 2011-140 and 2012-152, respectively.

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, 2012**

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
2012-152		There were 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

DISTRICT 4

LINDA B. POWERS
DISTRICT 5

March 15, 2013

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, 2012

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, 2012.

Finding No. 1: Compensation and Salary Schedules

The Citrus County School District has spent the 2012-13 school year revising the current teacher evaluation system to meet requirements mandated Race to the Top initiatives and Florida's Student Success Act. Upon approval of the modifications by the Florida Department of Education, collective bargaining will begin to establish a new salary schedule to ensure that a portion of each instructional employee's compensation is based on performance. Through the bargaining process, the District will review current differentiated pay practices regarding critical shortage areas for both instructional and school-based administrators and make recommendations for revisions. The revisions will be more clearly defined on future salary schedules and in subsequent union contracts.

Finding No. 2: Ad Valorem Taxation

The District takes exception to parts of this finding. The District believes that the statute in question is, at best confusing and open to interpretation, as referred to in Technical Assistance Note No. 2012-01 from the Office of Funding and Financial Reporting, "Confusion concerning these revisions has resulted in audit findings for several Florida school districts." The District has attempted to comply with our understanding of the spirit of the statute. The expenditures in question

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Equal Opportunity Employer

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

were necessary to maintain the safe operation of our schools. Though we do not agree with the entire finding, we will adjust our future allocations to meet the more stringent interpretation of the statute. The District believes that some of the amounts listed above are allowable and has addressed each of the notes:

- (1) The District believes that these expenditures are "site improvements" that correct health and safety issues as defined by F.S. 1013.01(22) for an existing facility and are therefore allowable expenditures under the statute. F.S. 1013.01(22) "Site Improvements" means work that must be performed on an existing site to improve its utilization, **correct health and safety deficiencies**, meet special program needs, or provide additional service areas.
- (2) The District agrees that the salaries and benefits cost for the head custodian and the two other custodians are not allowable and should be reimbursed to capital.
- (3) The District agrees that the salaries and benefits costs for the Information Technology Project Leader are not allowable and should be reimbursed to capital.
- (4) The District does not agree that the salary and benefits cost (\$33,986.09) of the Energy System and Plans Room Manager are not allowable costs. The job description of the Manager clearly indicates that the **primary** job duties qualify as "maintenance of plant activities." The District made a good faith estimate that 95% of the time spent in this position was spent on allowable activities. Though we do not agree with excluding these costs we will adjust our procedures to include documentation of the manager's activities.

Finding No. 3: Adult General Education Classes

Withlacoochee Technical Institute implemented a local electronic database to track all Adult General Education student data with the exception of students enrolled in Adult High School Credit Recovery programs held at the 3 high schools. This database provides greater accuracy in reporting ABE, GED, ESOL and Applied Academic data by creating a mechanism for cross referencing data, creates a systems of checks and balances, and is reviewed monthly. These programs were discontinued as of January 2013. But, for any type of future programs that may create this type of reporting, we are working with school staff and our student data base software developer to install controls so as to eliminate the errors.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: Information Technology- Information Technology- Access Privileges

The Information Services Department will perform reviews of Skyward Secured User Accounts annually to determine eligibility and make changes as recommended.

Finding No. 5: Information Technology- Security Controls- User Authentication, Data Loss Prevention and Network Security

The District has taken specific steps in response to Finding No. 5 of this audit report. We have performed a complete review of security roles (permissions) of users in relation to their job function and made security adjustments as needed. We have reviewed and taken appropriate action on network accounts that were created for specific purposes (ex. remote installations of systems on our network by vendors) that were of a temporal, one-time nature. And we have performed a comprehensive review of permissions and access to data shares on our network, at the school and district level. The District will continue to perform these system checks on a quarterly basis, to ensure the confidentiality, integrity, and availability of data and IT resources within the district.

Federal Awards Finding No. 1

The narrative describing this finding is accurate. The grant application that was approved for the school district was for mobile assessment labs to address computer-based testing needs at our three high schools. District goals related to the grant were in line with the intent and guidelines for the EETT grant. The focus of this effort was our high schools, grades 9-12. The private school in question is a K-8 school which was outside the scope of our focus (9-12). In retrospect the private school should have been included in the beginning stage of the grant application process to provide them an opportunity to benefit from the grant to address their unique needs. In the future, any private school desiring participation in the Federal grant process will be included in the grant application process from the beginning (prior to submission of the grant application).

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, Assistant Superintendent of Business & Support Services.

Sincerely,



Sandra "Sam" Himmel
Superintendent