



AUDITOR GENERAL
DAVID W. MARTIN, CPA



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

For the Fiscal Year Ended June 30, 2007

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

	<i>District</i>
	<u><i>No.</i></u>
<i>Louis A. Miele, Chair to 11-20-06</i>	<i>1</i>
<i>Virginia G. Bryant</i>	<i>2</i>
<i>Patricia T. Deutschman</i>	<i>3</i>
<i>Edward W. Murray, Vice-Chair to 11-20-06, Chair from 11-21-06</i>	<i>4</i>
<i>Linda B. Powers, Vice-Chair from 11-21-06</i>	<i>5</i>
 <i>Sandra C. Himmel, Superintendent</i>	

AUDITOR GENERAL

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

CITRUS COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Citrus County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

Finding No. 1: Financial Reporting

Improvements are needed in District procedures to ensure that certain accounts and transactions are properly reported at fiscal year-end.

Finding No. 2: Cash Management

The District did not draw down Federal cash advances from the Florida Department of Education in amounts sufficient to meet expenditure needs of Federal programs resulting in lost investment opportunities for non-Federal moneys used to pay for such expenditures.

Finding No. 3: Cellular Telephones

The District had not developed and implemented policies and procedures to monitor the business use of cellular telephones.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Improving Teacher Quality, Twenty-First Century and Title I programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding that is summarized below.

Federal Awards Finding No. 1: Procurement – Contract Administration

The District could improve procedures to provide the required contractual provisions for expenditures funded with Federal moneys.

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 management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and

- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2007-127.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2007. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

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

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

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

FINDINGS AND RECOMMENDATIONS

Significant Deficiency**Finding No. 1: Financial Reporting**

Our review of the District's 2006-07 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the annual financial report. For example, we noted that the District did not identify and report amounts due from the Florida Department of Education for certain legislative capital outlay appropriations, resulting in an understatement of receivable and revenue amounts, totaling approximately \$380,000, respectively, in the Capital Projects – Public Education Capital Outlay Fund. We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy and completeness of the financial statements.

Additional Matters**Finding No. 2: Cash Management**

Our review of Federal cash advances received through the Florida Department of Education (FDOE) during the 2006-07 fiscal year to fund various Federal programs included a comparison of the monthly beginning cash balance plus draws (available cash) for the month to disbursements for that month. The results of our review disclosed that advances of cash sufficient to meet expenditure needs of Federal programs were not requested by the District, resulting in ending monthly cash deficits for eleven months ranging from \$216,225 to \$1,511,351. These cash deficits necessitated the use of other non-Federal moneys to temporarily pay Federal costs and, as such, resulted in lost investment opportunities for these moneys. Had the District requested sufficient Federal cash advances to pay Federal expenditures as they occurred, resources from the District's General Fund would not have been used to temporarily fund these Federal expenditures, and the District could have realized additional interest earnings.

Recommendation: The District should enhance its procedures to more accurately anticipate disbursements of Federal moneys so that Federal cash balances are kept at appropriate levels as needed to provide sufficient resources for immediate needs.

Finding No. 3: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to District's records, approximately 124 cell phones were used during the 2006-07 fiscal year at a cost of approximately \$52,300.

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

Control over cell phones rested within respective District departments throughout most of the fiscal year and District policy prohibited personal usage of cell phones. However, District procedures did not provide for review of the phone billings to confirm that personal calls were not made. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported for these employees.

Recommendation: The District should confer with the IRS regarding development and implementation of a policy and procedure, as appropriate, and any corrective actions regarding previously unreported income.

PRIOR AUDIT FINDINGS

The District corrected the deficiencies and exceptions cited in our report No. 2007-127.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Citrus County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in this report in the Management Response Section, beginning on page 55.

FINANCIAL SECTION

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

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

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

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

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

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

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

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

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

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Citrus County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed on page 3. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds for the Withlacoochee Technical Institute, which represent 7 percent and 28 percent of the assets and liabilities, respectively, of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds for the Withlacoochee Technical Institute and the discretely presented component unit, is based on the reports of the other auditors.

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

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

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

The Management's Discussion and Analysis (pages 6 through 11) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



David W. Martin, CPA
March 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Citrus County District School Board has prepared the following discussion and analysis of financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 12 through 41.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$15,300,345.17, which represents a 9.7 percent increase from the 2005-06 fiscal year.
- General revenues total \$138,292,119.23, which represents 85.5 percent of all revenues for the 2006-07 fiscal year, as compared to general revenues of \$125,323,393.14, which represented 86.9 percent of all revenues for the 2005-06 fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$23,417,426.47, which represents 14.5 percent, as compared to program specific revenues of \$18,922,915.41, which represented 13.1 percent for the 2005-06 fiscal year.
- Expenses total \$146,409,200.53; only \$23,417,426.47 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$15,300,345.17, as compared to an excess of \$9,715,093.52 for the 2005-06 fiscal year.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, total \$8,424,700.89 at June 30, 2007, or 7.2 percent of total General Fund expenditures as compared to \$7,447,611.51, or 7.1 percent for the 2005-06 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to 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 primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities,

the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents one separate legal entity in this report which is the Academy of Environmental Science, Inc., (Charter School). Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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 entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

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

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental 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, Capital Projects – Public Education Capital Outlay Fund, and the Capital Projects – Local Capital Improvement 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 Fund to demonstrate compliance with the budget.

Proprietary Fund. Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary funds 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 the internal service fund to account for its employee group health-insurance program.

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.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2007, compared to net assets as of June 30, 2006:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 49,794,129.93	\$ 44,752,867.62
Capital Assets	140,741,767.76	129,685,333.88
Total Assets	190,535,897.69	174,438,201.50
Long-Term Liabilities	10,026,133.05	10,014,750.34
Other Liabilities	6,972,900.45	6,186,932.14
Total Liabilities	16,999,033.50	16,201,682.48
Net Assets:		
Invested in Capital Assets -		
Net of Debt	136,236,767.76	124,870,333.88
Restricted	31,139,299.84	26,960,973.01
Unrestricted	6,160,796.59	6,405,212.13
Total Net Assets	\$ 173,536,864.19	\$ 158,236,519.02

The largest portion of the District's net assets (78.5 percent) reflects its investment in capital assets (e.g., land, buildings, furniture 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 (17.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3.6 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 3,628,734.84	\$ 3,532,820.34
Operating Grants and Contributions	7,852,353.40	6,757,566.23
Capital Grants and Contributions	11,936,338.23	8,632,528.84
General Revenues:		
Property Taxes, Levied for Operational Purposes	61,348,700.89	49,951,189.94
Property Taxes, Levied for Capital Projects	19,485,299.07	17,110,698.45
Grants and Contributions Not Restricted to Specific Programs	53,649,324.32	55,208,085.60
Unrestricted Investment Earnings	2,208,674.25	1,749,912.99
Miscellaneous	1,600,120.70	1,303,506.16
Total Revenues	161,709,545.70	144,246,308.55
Functions/Program Expenses:		
Instruction	72,176,965.70	65,388,620.63
Pupil Personnel Services	5,703,507.75	5,427,955.98
Instructional Media Services	2,181,170.42	1,867,833.67
Instruction and Curriculum Development Services	5,083,982.45	4,711,636.47
Instructional Staff Training Services	1,076,933.18	995,487.62
Instruction Related Technology	1,252,466.83	1,322,307.74
Board of Education	981,016.23	1,078,045.52
General Administration	822,005.44	858,709.55
School Administration	8,488,873.64	7,926,598.70
Facilities Acquisition and Construction	8,687,874.86	7,973,985.06
Fiscal Services	830,413.64	741,670.06
Food Services	5,571,579.92	5,285,921.88
Central Services	2,301,224.91	2,461,776.57
Pupil Transportation Services	8,644,051.58	7,445,362.59
Operation of Plant	9,745,592.26	8,995,885.15
Maintenance of Plant	3,104,995.56	3,111,126.03
Administrative Technology Services	1,634,705.45	1,069,351.37
Community Services	976,059.42	938,544.87
Interest on Long-Term Debt	236,164.64	95,709.16
Unallocated Depreciation Expense	6,845,471.69	6,756,675.73
Loss on Disposal of Capital Assets	64,144.96	78,010.68
Total Functions/Program Expenses	146,409,200.53	134,531,215.03
Increase in Net Assets	\$ 15,300,345.17	\$ 9,715,093.52

Instruction and Instructional Services expenses account for approximately 59.7 percent of total governmental expenses in the 2006-07 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$8,424,700.89, while the total fund balance is \$9,622,216.45. The unreserved fund balance increased by \$977,089.38, while the total fund balance increased by \$370,592.90 during the fiscal year. The total fund balance increase amounted to 4.4 percent of the District's unreserved fund balance.

The Special Revenue – Other Fund has a fund balance of \$19.30.

The Capital Projects – Public Education Capital Outlay Fund has a fund balance of \$1,907,662.25, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$23,531,180.82, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

Proprietary Fund

Unrestricted net assets of the Internal Service Fund total \$532.53 at June 30, 2007, a decrease of \$11,289.07. This decrease occurred primarily because the District discontinued self-insuring for health coverage on September 30, 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The only significant budget variance in the General Fund was in the area of Instructional expense (Instruction), which is under spent by \$5,588,233.65. Areas within Instruction that contributed to this variance were Workforce Development, Supplemental Academic Instruction, and School Recognition Funds. All of these areas are funded by the State as categorical funds or other restricted funds and cannot be utilized by the District for general instructional purposes or other purposes.

CAPITAL ASSETS AND LONG-TERM DEBT**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$140,741,767.76 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year include the purchase of school buses, furniture, fixtures, and equipment and the completion of the Renaissance Center.

Additional information on the District's capital assets can be found in Notes 4 and 13 to the financial statements.

Long-Term Debt

At June 30, 2007, the District has total long-term debt outstanding of \$4,505,000, all of which is bonds payable.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

REQUESTS FOR INFORMATION

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

**EXHIBIT - A
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2007**

	Primary Governmental Activities	Component Unit
ASSETS		
Cash	\$ 8,222,330.14	\$ 79,693.00
Investments	32,330,413.70	
Accounts Receivable	9,523.51	
Deposits		6,430.00
Prepaid Items	570,908.57	
Due from Other Agencies	7,511,585.80	147,060.00
Capital Credits Receivable	740,212.45	
Inventories	409,155.76	
Capital Assets:		
Land	3,979,829.36	
Construction in Progress	11,752,761.91	13,400.00
Leasehold Improvements, Net		84,262.00
Improvements Other Than Buildings, Net	6,646,859.07	
Buildings and Fixed Equipment, Net	103,260,703.13	
Furniture, Fixtures, and Equipment, Net	8,990,541.33	32,559.00
Motor Vehicles, Net	5,607,006.19	
Audio Visual Materials and Computer Software, Net	504,066.77	
TOTAL ASSETS	\$ 190,535,897.69	\$ 363,404.00
LIABILITIES		
Salaries and Benefits Payable	\$ 284,917.88	\$
Payroll Deductions and Withholdings	416,914.38	
Accounts Payable	4,575,686.04	7,944.00
Construction Contracts Payable - Retainage	657,917.01	
Due to Other Agencies	844,514.16	19,710.00
Deferred Revenue	147,950.98	
Estimated Insurance Claims Payable	45,000.00	
Long-Term Liabilities:		
Portion Due Within One Year:		
Bonds Payable	325,000.00	
Compensated Absences Payable	990,000.00	3,461.00
Portion Due After One Year:		
Bonds Payable	4,180,000.00	
Compensated Absences Payable	4,531,133.05	15,765.00
Total Liabilities	16,999,033.50	46,880.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	136,236,767.76	130,221.00
Restricted for:		
State Categorical Programs	590,053.51	
Debt Service	124,198.57	
Capital Projects	30,425,047.76	
Unrestricted	6,160,796.59	186,303.00
Total Net Assets	173,536,864.19	316,524.00
TOTAL LIABILITIES AND NET ASSETS	\$ 190,535,897.69	\$ 363,404.00

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

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**EXHIBIT - B
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 72,176,965.70	\$ 1,622,038.88	\$	\$
Pupil Personnel Services	5,703,507.75			
Instructional Media Services	2,181,170.42			
Instruction and Curriculum Development Services	5,083,982.45			
Instructional Staff Training Services	1,076,933.18			
Instruction Related Technology	1,252,466.83			
Board of Education	981,016.23			
General Administration	822,005.44			
School Administration	8,488,873.64			
Facilities Acquisition and Construction	8,687,874.86			11,397,693.64
Fiscal Services	830,413.64			
Food Services	5,571,579.92	2,006,695.96	3,194,050.40	
Central Services	2,301,224.91			
Pupil Transportation Services	8,644,051.58		4,658,303.00	
Operation of Plant	9,745,592.26			
Maintenance of Plant	3,104,995.56			
Administrative Technology Services	1,634,705.45			
Community Services	976,059.42			
Interest on Long-Term Debt	236,164.64			538,644.59
Unallocated Depreciation Expense	6,845,471.69			
Loss on Disposal of Capital Assets	64,144.96			
Total Primary Government	\$ 146,409,200.53	\$ 3,628,734.84	\$ 7,852,353.40	\$ 11,936,338.23
Component Unit				
Charter School	\$ 412,589.00	\$ 0.00	\$ 0.00	\$ 65,868.00

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 - July 1, 2006

Net Assets - June 30, 2007

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (70,554,926.82)	\$
(5,703,507.75)	
(2,181,170.42)	
(5,083,982.45)	
(1,076,933.18)	
(1,252,466.83)	
(981,016.23)	
(822,005.44)	
(8,488,873.64)	
2,709,818.78	
(830,413.64)	
(370,833.56)	
(2,301,224.91)	
(3,985,748.58)	
(9,745,592.26)	
(3,104,995.56)	
(1,634,705.45)	
(976,059.42)	
302,479.95	
(6,845,471.69)	
(64,144.96)	
<u>(122,991,774.06)</u>	
	<u>(346,721.00)</u>
61,348,700.89	
19,485,299.07	
53,649,324.32	393,329.00
2,208,674.25	
<u>1,600,120.70</u>	<u>6,536.00</u>
<u>138,292,119.23</u>	<u>399,865.00</u>
15,300,345.17	53,144.00
<u>158,236,519.02</u>	<u>263,380.00</u>
<u>\$ 173,536,864.19</u>	<u>\$ 316,524.00</u>

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

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>
ASSETS			
Cash	\$ 8,222,329.44	\$	\$
Investments	2,520,624.01		109,084.76
Accounts Receivable	9,521.17		
Prepaid Items	570,908.57		
Due from Other Funds			
Due from Other Agencies	452,128.68	1,345,175.52	5,378,487.01
Inventories	260,269.99		
TOTAL ASSETS	<u>\$ 12,035,781.86</u>	<u>\$ 1,345,175.52</u>	<u>\$ 5,487,571.77</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 284,917.88	\$	\$
Payroll Deductions and Withholdings	404,261.24	9,723.26	
Accounts Payable	879,872.13	83,892.28	1,228,152.14
Construction Contracts Payable - Retainage			573,563.01
Due to Other Funds		1,103,589.70	1,778,194.37
Due to Other Agencies	844,514.16		
Deferred Revenue		147,950.98	
Total Liabilities	<u>2,413,565.41</u>	<u>1,345,156.22</u>	<u>3,579,909.52</u>
Fund Balances:			
Reserved for State Categorical Programs	590,053.51		
Reserved for Encumbrances	347,192.06		1,636,808.44
Reserved for Inventories	260,269.99		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	8,424,700.89		
Special Revenue Funds		19.30	
Capital Projects Funds			270,853.81
Total Fund Balances	<u>9,622,216.45</u>	<u>19.30</u>	<u>1,907,662.25</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,035,781.86</u>	<u>\$ 1,345,175.52</u>	<u>\$ 5,487,571.77</u>

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 23,010,192.96	\$ 0.70	\$ 8,222,330.14
	6,671,756.82	32,311,658.55
	2.34	9,523.51
2,881,784.07		570,908.57
	285,948.77	2,881,784.07
	148,885.77	7,461,739.98
<u>25,891,977.03</u>	<u>7,106,594.40</u>	<u>51,867,100.58</u>
\$ 2,276,442.21	\$ 2,929.88	\$ 284,917.88
84,354.00	84,258.84	416,914.38
		4,552,617.60
		657,917.01
		2,881,784.07
		844,514.16
		147,950.98
<u>2,360,796.21</u>	<u>87,188.72</u>	<u>9,786,616.08</u>
10,504,260.57	4,939,616.16	590,053.51
	148,885.77	17,427,877.23
	124,198.57	409,155.76
		124,198.57
		8,424,700.89
	1,603,578.35	1,603,597.65
<u>13,026,920.25</u>	<u>203,126.83</u>	<u>13,500,900.89</u>
<u>23,531,180.82</u>	<u>7,019,405.68</u>	<u>42,080,484.50</u>
<u>\$ 25,891,977.03</u>	<u>\$ 7,106,594.40</u>	<u>\$ 51,867,100.58</u>

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

Total Fund Balances - Governmental Funds \$ 42,080,484.50

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. 140,741,767.76

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 532.53

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. 740,212.45

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

Bonds Payable	\$ 4,505,000.00	
Compensated Absences Payable	5,521,133.05	<u>(10,026,133.05)</u>

Total Net Assets - Governmental Activities \$ 173,536,864.19

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

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EXHIBIT - E
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 151,270.03	\$ 217,691.32	\$
Federal Through State	11,117.29	9,555,746.39	
State	48,381,430.00		10,105,183.00
Local	65,053,609.07	2,400.00	
Total Revenues	<u>113,597,426.39</u>	<u>9,775,837.71</u>	<u>10,105,183.00</u>
Expenditures			
Current - Education:			
Instruction	67,066,099.17	4,933,905.22	
Pupil Personnel Services	4,754,835.60	934,688.46	
Instructional Media Services	2,117,147.26	58,675.43	
Instruction and Curriculum Development Services	2,751,044.18	2,320,473.52	
Instructional Staff Training Services	400,095.41	674,197.38	
Instruction Related Technology	1,249,396.07		
Board of Education	978,611.00		
General Administration	382,441.93	437,548.14	
School Administration	8,468,060.88		
Facilities Acquisition and Construction	516,401.77		
Fiscal Services	828,377.66		
Food Services			
Central Services	2,283,616.35	705.09	
Pupil Transportation Services	8,580,425.16	42,433.19	
Operation of Plant	9,721,698.31		
Maintenance of Plant	3,097,382.83		
Administrative Technology Services	1,629,467.68	1,229.85	
Community Services	752,244.12	221,422.23	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	56,364.51		7,016,076.18
Other Capital Outlay	669,249.52	203,094.74	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>116,302,959.41</u>	<u>9,828,373.25</u>	<u>7,016,076.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,705,533.02)</u>	<u>(52,535.54)</u>	<u>3,089,106.82</u>
Other Financing Sources (Uses)			
Transfers In	3,077,749.68	48,912.17	
Insurance Loss Recoveries	47,288.41		
Transfers Out	(48,912.17)		(1,279,197.00)
Total Other Financing Sources (Uses)	<u>3,076,125.92</u>	<u>48,912.17</u>	<u>(1,279,197.00)</u>
Net Change in Fund Balances	370,592.90	(3,623.37)	1,809,909.82
Fund Balances, July 1, 2006	9,251,623.55	3,642.67	97,752.43
Fund Balances, June 30, 2007	<u>\$ 9,622,216.45</u>	<u>\$ 19.30</u>	<u>\$ 1,907,662.25</u>

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

EXHIBIT - E

<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	3,114,901.21	368,961.35
	797,085.29	12,681,764.89
<u>20,771,931.77</u>	<u>3,455,626.24</u>	<u>59,283,698.29</u>
		89,283,567.08
<u>20,771,931.77</u>	<u>7,367,612.74</u>	<u>161,617,991.61</u>
		72,000,004.39
		5,689,524.06
		2,175,822.69
		5,071,517.70
		1,074,292.79
		1,249,396.07
		978,611.00
		819,990.07
		8,468,060.88
		516,401.77
		828,377.66
	5,557,919.69	5,557,919.69
		2,284,321.44
		8,622,858.35
		9,721,698.31
		3,097,382.83
		1,630,697.53
		973,666.35
17,424,756.48	639,407.35	25,136,604.52
	127,305.63	999,649.89
	310,000.00	310,000.00
	<u>236,164.64</u>	<u>236,164.64</u>
<u>17,424,756.48</u>	<u>6,870,797.31</u>	<u>157,442,962.63</u>
<u>3,347,175.29</u>	<u>496,815.43</u>	<u>4,175,028.98</u>
		3,126,661.85
		47,288.41
<u>(1,798,552.68)</u>		<u>(3,126,661.85)</u>
<u>(1,798,552.68)</u>		<u>47,288.41</u>
1,548,622.61	496,815.43	4,222,317.39
<u>21,982,558.21</u>	<u>6,522,590.25</u>	<u>37,858,167.11</u>
<u>\$ 23,531,180.82</u>	<u>\$ 7,019,405.68</u>	<u>\$ 42,080,484.50</u>

**EXHIBIT - F
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, 2007**

Net Change in Fund Balances - Governmental Funds \$ 4,222,317.39

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	11,120,578.84
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	310,000.00
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(64,144.96)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(321,382.71)
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.	44,265.68
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.	<u>(11,289.07)</u>

Change in Net Assets - Governmental Activities \$ 15,300,345.17

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

EXHIBIT - G
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2007

		Governmental Activities - Internal Service Fund
<hr/>		
ASSETS		
Current Assets:		
Investments	\$	18,755.15
Due From Other Agencies		49,845.82
		<hr/>
TOTAL ASSETS	\$	68,600.97
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	23,068.44
Estimated Insurance Claims Payable		45,000.00
		<hr/>
Total Liabilities		68,068.44
		<hr/>
NET ASSETS		
Unrestricted		532.53
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	68,600.97
		<hr/> <hr/>

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

**EXHIBIT - H
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2007**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 2,729,419.29
Total Operating Revenues	2,729,419.29
OPERATING EXPENSES	
Salaries	13,767.32
Employee Benefits	3,323.37
Purchased Services	391,904.89
Materials and Supplies	500.00
Insurance Claims	2,345,904.70
Total Operating Expenses	2,755,400.28
Operating Loss	(25,980.99)
NONOPERATING REVENUES	
Interest	14,691.92
Change in Net Assets	(11,289.07)
Total Net Assets, July 1, 2006	11,821.60
Total Net Assets, June 30, 2007	\$ 532.53

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

**EXHIBIT - I
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2007**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 2,679,573.47
Cash Payments to Suppliers for Goods and Services	(238,259.16)
Cash Payments to Employees for Services	(17,128.45)
Cash Payments for Insurance Claims	(3,422,990.58)
	(998,804.72)
Net Cash Used by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	565,890.83
Interest Income	14,691.92
	580,582.75
Net Cash Provided by Investing Activities	
Net Decrease in Cash	(418,221.97)
Cash, Beginning	418,221.97
Cash, Ending	\$ 0.00
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (25,980.99)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Prepaid Items	131,077.29
Increase in Due From Other Agencies	(49,845.82)
Increase in Accounts Payable	23,068.44
Decrease in Salaries and Benefits Payable	(37.76)
Decrease in Estimated Insurance Claims Payable	(1,077,085.88)
	(972,823.73)
Total Adjustments	
Net Cash Used by Operating Activities	\$ (998,804.72)

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

**EXHIBIT - J
CITRUS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2007**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 2,253,468.09
Accounts Receivable, Net	18,093.49
TOTAL ASSETS	\$ 2,271,561.58
LIABILITIES	
Accounts Payable	\$ 15,133.48
Internal Accounts Payable	2,256,428.10
Total Liabilities	\$ 2,271,561.58

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

EXHIBIT – K
CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, 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 financial data reported on the accompanying financial statements was derived from the audited financial records of the Charter School for the fiscal year ended June 30, 2007, which are on file at the District's administrative office.

➤ **Basis of Presentation**

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

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

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

the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund - to account for financial resources generated by Legislative appropriation through the Public Education Capital Outlay program used for specific educational capital outlay needs, including new construction and renovation and remodeling projects.
- 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 and renovation and remodeling projects.

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

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

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and 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.

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

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

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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

➤ **Deposits and Investments**

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at weighted average cost or the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the

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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.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original

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CITRUS COUNTY
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reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2006 tax levy on September 12, 2006. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

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

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, certain intergovernmental investment pools, certain money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts in a qualified public depository, and direct obligations of the U.S. Treasury.

Investments with a fair value of \$32,206,215.13 at June 30, 2007, are in the Local Government Surplus Funds Trust Fund investment pool with an average maturity of 26 days. The District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.

In addition, the District reports investments totaling \$124,198.57 at June 30, 2007, in the State Board of Administration Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,972,411.44	\$ 7,417.92	\$	\$ 3,979,829.36
Construction in Progress	9,025,183.37	12,133,592.77	9,406,014.23	11,752,761.91
Total Capital Assets Not Being Depreciated	12,997,594.81	12,141,010.69	9,406,014.23	15,732,591.27
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	14,621,393.32			14,621,393.32
Buildings and Fixed Equipment	130,935,547.17	9,641,271.10		140,576,818.27
Furniture, Fixtures, and Equipment	24,182,736.33	4,103,993.67	2,409,400.18	25,877,329.82
Motor Vehicles	12,947,349.93	1,264,834.00	550,761.23	13,661,422.70
Audio Visual Materials and Computer Software	2,092,078.12	220,955.30	117,967.70	2,195,065.72
Total Capital Assets Being Depreciated	184,779,104.87	15,231,054.07	3,078,129.11	196,932,029.83
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	7,526,881.54	447,652.71		7,974,534.25
Buildings and Fixed Equipment	34,790,779.19	2,525,335.95		37,316,115.14
Furniture, Fixtures, and Equipment	16,533,025.12	2,720,273.44	2,366,510.07	16,886,788.49
Motor Vehicles	7,624,505.00	977,297.74	547,386.23	8,054,416.51
Audio Visual Materials and Computer Software	1,616,174.95	174,911.85	100,087.85	1,690,998.95
Total Accumulated Depreciation	68,091,365.80	6,845,471.69	3,013,984.15	71,922,853.34
Total Capital Assets Being Depreciated, Net	116,687,739.07	8,385,582.38	64,144.96	125,009,176.49
Governmental Activities Capital Assets, Net	\$ 129,685,333.88	\$ 20,526,593.07	\$ 9,470,159.19	\$ 140,741,767.76

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$6,845,471.69, is charged to unallocated depreciation on the Statement of Activities.

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

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 275,000	4.5	2008
Series 1999A	480,000	4.00 - 4.75	2019
Series 2005B, Refunding	<u>3,750,000</u>	5.0	2018
Total Bonds Payable	<u>\$ 4,505,000</u>		

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

➤ **State School Bonds**

These bonds are issued by the 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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	\$ 546,525.00	\$ 325,000.00	\$ 221,525.00
2009	542,150.00	335,000.00	207,150.00
2010	535,793.75	345,000.00	190,793.75
2011	538,825.00	365,000.00	173,825.00
2012	535,800.00	380,000.00	155,800.00
2013-2017	2,686,187.50	2,210,000.00	476,187.50
2018-2020	<u>573,750.00</u>	<u>545,000.00</u>	<u>28,750.00</u>
Total State School Bonds	<u>5,959,031.25</u>	<u>4,505,000.00</u>	<u>1,454,031.25</u>

EXHIBIT - K (Continued)
CITRUS COUNTY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

6. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 1998A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account asset and liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2007, State School Bonds, Series 1998A, totaling \$3,915,000 outstanding are considered defeased in substance.

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 4,815,000.00	\$	\$ 310,000.00	\$ 4,505,000.00	\$ 325,000.00
Compensated Absences Payable	<u>5,199,750.34</u>	<u>1,166,424.22</u>	<u>845,041.51</u>	<u>5,521,133.05</u>	<u>990,000.00</u>
Total Governmental Activities	<u>\$10,014,750.34</u>	<u>\$1,166,424.22</u>	<u>\$1,155,041.51</u>	<u>\$10,026,133.05</u>	<u>\$1,315,000.00</u>

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

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$104,587.94 at June 30, 2007.

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CITRUS COUNTY
DISTRICT SCHOOL BOARD
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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:		
Special Revenue:		
Other	\$	\$ 1,103,589.70
Capital Projects:		
Public Education Capital Outlay		1,778,194.37
Local Capital Improvement	<u>2,881,784.07</u>	
Total	<u>\$ 2,881,784.07</u>	<u>\$ 2,881,784.07</u>

Interfund receivables and payables represent payment of expenditures by one fund on behalf of another fund and will be repaid within 12 months.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 3,077,749.68	\$ 48,912.17
Special Revenue:		
Other	48,912.17	
Capital Projects:		
Public Education Capital Outlay		1,279,197.00
Local Capital Improvement		<u>1,798,552.68</u>
Total	<u>\$ 3,126,661.85</u>	<u>\$ 3,126,661.85</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 capital and capital-related expenditures.

10. SCHEDULE OF STATE REVENUE SOURCES

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

EXHIBIT - K (Continued)
CITRUS COUNTY
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NOTES TO FINANCIAL STATEMENTS
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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 23,273,510.27
Categorical Educational Programs:	
Class Size Reduction	11,848,851.00
Transportation	4,658,303.00
Instructional Materials	1,606,291.00
School Recognition Funds	1,010,745.00
Excellent Teacher Program	712,483.58
Voluntary Prekindergarten	508,653.16
Other	462,868.05
Class Size Reduction Construction	7,254,059.00
Workforce Development Program	2,917,264.00
Gross Receipts Tax (Public Education Capital Outlay)	2,851,124.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	661,695.81
Discretionary Lottery Funds	596,851.00
Mobile Home License Tax	100,444.34
Food Service Supplement	79,149.19
Charter School Capital Outlay	65,868.00
State Forest Funds	50,305.87
Miscellaneous	625,232.02
	<u>625,232.02</u>
Total	<u><u>\$ 59,283,698.29</u></u>

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

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.014	\$ 58,108,787.00
Basic Discretionary Local Effort	0.510	5,910,546.00
Supplemental Discretionary Local Effort	0.143	1,657,271.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.800	20,860,752.00
Total	<u>7.467</u>	<u><u>\$ 86,537,356.00</u></u>

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

12. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of FRS.

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

A Deferred Retirement Option Program (DRO) 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 DRO 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 DRO participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

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

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

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

EXHIBIT - K (Continued)
CITRUS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
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The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$5,448,376.96, \$5,764,325.83, and \$7,705,151.86, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 206 District participants in PEORP during the 2006-07 fiscal year. Required employer contributions made to the program for the fiscal year ended June 30, 2007, totaled \$634,324.09.

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

13. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Renaissance Center:			
Contractor	\$ 5,290,989.50	\$ 5,260,534.08	\$ 30,455.42
District Service Center - Building 200:			
Contractor	88,795.41	13,908.58	74,886.83
Elementary School "A":			
Architect	965,391.00	791,620.62	173,770.38
Contractor	17,792,432.65	7,100,243.61	10,692,189.04
Total	\$ 24,137,608.56	\$ 13,166,306.89	\$ 10,971,301.67

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

14. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc., established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2007, the accumulated credits to the District's account are \$740,212.45. During the 2006-07 fiscal year, the District received \$33,077.25 in capital credits.

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Citrus County District School Board is a member of the Florida School Board Insurance Trust Consortium (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 Consortium. Section 1001.42(10)(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. The amounts from settlements of insurance losses have not exceeded the insurance coverage in any of the past three fiscal years. The Trust reduced its insurance coverage for property of all Trust members from approximately \$350 million for the 2005-06 fiscal year to approximately \$50 million for the period July 1, 2006, to April 30, 2007, and to \$75 million for the period May 1, 2007, to June 30, 2007.

Until September 30, 2006, the District's health and hospitalization insurance was provided on a self-insured basis up to specified limits. The District had entered into an agreement with an insurance company to provide individual and aggregate excess coverage. The insurance company administered this self-insurance program, including the processing, investigating, and payment of claims.

A liability at June 30, 2007, in the amount of \$45,000, represents estimated incurred, but not reported, insurance claims payable related to this discontinued self-insurance program.

EXHIBIT - K (Continued)
CITRUS COUNTY
DISTRICT SCHOOL BOARD
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The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	\$ 1,106,639.70	\$ 6,932,795.04	\$ (6,917,348.86)	\$ 1,122,085.88
2006-07	1,122,085.88	2,345,904.70	(3,422,990.58)	45,000.00

As of October 1, 2006, the District no longer self-insures for employee group health insurance. Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line.

16. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the Citrus County District School Board had \$32,206,215.13 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had \$12,054,870.90 invested in the pool as of March 11, 2008.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 135,000.00	\$ 135,000.00	\$ 151,270.03	\$ 16,270.03
Federal Through State	160,288.52	226,286.36	11,117.29	(215,169.07)
State	47,357,502.81	48,230,568.64	48,381,430.00	150,861.36
Local	65,340,787.61	65,542,915.75	65,053,609.07	(489,306.68)
Total Revenues	<u>112,993,578.94</u>	<u>114,134,770.75</u>	<u>113,597,426.39</u>	<u>(537,344.36)</u>
Expenditures				
Current - Education:				
Instruction	70,160,310.04	72,654,332.82	67,066,099.17	5,588,233.65
Pupil Personnel Services	4,654,222.34	4,843,966.68	4,754,835.60	89,131.08
Instructional Media Services	1,989,330.12	2,149,819.79	2,117,147.26	32,672.53
Instruction and Curriculum Development Services	2,520,457.83	2,790,362.97	2,751,044.18	39,318.79
Instructional Staff Training Services	431,446.65	506,432.13	400,095.41	106,336.72
Instruction Related Technology	1,302,370.14	1,314,019.82	1,249,396.07	64,623.75
Board of Education	1,099,477.41	1,108,964.41	978,611.00	130,353.41
General Administration	375,420.50	404,320.46	382,441.93	21,878.53
School Administration	8,264,585.86	8,627,458.63	8,468,060.88	159,397.75
Facilities Acquisition and Construction	484,760.61	520,942.12	516,401.77	4,540.35
Fiscal Services	786,536.37	835,077.49	828,377.66	6,699.83
Food Services				
Central Services	2,382,920.34	2,604,202.25	2,283,616.35	320,585.90
Pupil Transportation Services	8,229,765.37	8,837,364.90	8,580,425.16	256,939.74
Operation of Plant	9,467,189.18	9,894,830.17	9,721,698.31	173,131.86
Maintenance of Plant	3,498,193.78	3,590,763.28	3,097,382.83	493,380.45
Administrative Technology Services	1,358,593.21	1,744,532.86	1,629,467.68	115,065.18
Community Services	689,859.58	812,552.21	752,244.12	60,308.09
Fixed Capital Outlay:				
Facilities Acquisition and Construction		59,919.53	56,364.51	3,555.02
Other Capital Outlay		882,449.04	669,249.52	213,199.52
Total Expenditures	<u>117,695,439.33</u>	<u>124,182,311.56</u>	<u>116,302,959.41</u>	<u>7,879,352.15</u>
Deficiency of Revenues Over Expenditures	<u>(4,701,860.39)</u>	<u>(10,047,540.81)</u>	<u>(2,705,533.02)</u>	<u>7,342,007.79</u>
Other Financing Sources (Uses)				
Transfers In	3,000,000.00	3,084,696.13	3,077,749.68	(6,946.45)
Insurance Loss Recoveries		2,555.74	47,288.41	44,732.67
Transfers Out	(65,427.00)	(65,427.00)	(48,912.17)	16,514.83
Total Other Financing Sources (Uses)	<u>2,934,573.00</u>	<u>3,021,824.87</u>	<u>3,076,125.92</u>	<u>54,301.05</u>
Net Change in Fund Balances	(1,767,287.39)	(7,025,715.94)	370,592.90	7,396,308.84
Fund Balances, July 1, 2006	9,256,538.39	9,256,538.39	9,251,623.55	(4,914.84)
Fund Balances, June 30, 2007	<u>\$ 7,489,251.00</u>	<u>\$ 2,230,822.45</u>	<u>\$ 9,622,216.45</u>	<u>\$ 7,391,394.00</u>

EXHIBIT - L

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 456,317.85	\$ 456,317.85	\$ 217,691.32	\$ (238,626.53)
12,427,679.60	11,951,648.68	9,555,746.39	(2,395,902.29)
<u>32,481.40</u>		<u>2,400.00</u>	<u>2,400.00</u>
<u>12,916,478.85</u>	<u>12,407,966.53</u>	<u>9,775,837.71</u>	<u>(2,632,128.82)</u>
7,353,250.29	6,474,599.95	4,933,905.22	1,540,694.73
1,088,513.84	1,040,923.68	934,688.46	106,235.22
4,850.00	65,485.75	58,675.43	6,810.32
2,282,956.37	2,329,491.96	2,320,473.52	9,018.44
1,082,021.03	1,257,174.98	674,197.38	582,977.60
502,706.46	514,014.46	437,548.14	76,466.32
8,052.21	39,502.35	705.09	38,797.26
209,555.65	112,318.05	42,433.19	69,884.86
450,000.00	1,229.85	1,229.85	
	450,000.00	221,422.23	228,577.77
	<u>310,417.48</u>	<u>203,094.74</u>	<u>107,322.74</u>
<u>12,981,905.85</u>	<u>12,595,158.51</u>	<u>9,828,373.25</u>	<u>2,766,785.26</u>
<u>(65,427.00)</u>	<u>(187,191.98)</u>	<u>(52,535.54)</u>	<u>134,656.44</u>
65,427.00	65,427.00	48,912.17	(16,514.83)
<u>65,427.00</u>	<u>65,427.00</u>	<u>48,912.17</u>	<u>(16,514.83)</u>
0.00	(121,764.98)	(3,623.37)	118,141.61
<u>3,642.67</u>	<u>3,642.67</u>	<u>3,642.67</u>	
<u>\$ 3,642.67</u>	<u>\$ (118,122.31)</u>	<u>\$ 19.30</u>	<u>\$ 118,141.61</u>

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Citrus County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit and the school internal funds for the Withlacoochee Technical Institute, as described in our report on the Citrus County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds for the Withlacoochee Technical Institute were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report, Finding No. 1, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** and the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** sections of this audit report.

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

Respectfully submitted,



David W. Martin, CPA

March 11, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed 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 accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*** 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

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

Respectfully submitted,



David W. Martin, CPA

March 11, 2008

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550(2)	None	\$ 300,387.44
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	559,593.18
National School Lunch Program	10.555	300	2,246,736.23
Summer Food Service Program for Children	10.559	323	37,766.56
Total Child Nutrition Cluster			<u>2,844,095.97</u>
Total United States Department of Agriculture			<u>3,144,483.41</u>
United States Department of Education:			
Direct:			
Fund for the Improvement of Education	84.215	N/A	6,317.85
Federal Pell Grant Program	84.063	N/A	221,422.23
Total Direct			<u>227,740.08</u>
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	4,050,917.49
Special Education - Preschool Grants	84.173	267	136,448.35
Total Special Education Cluster			<u>4,187,365.84</u>
Adult Education - State Grant Program	84.002	191, 193	129,418.04
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 228	3,207,012.79
Vocational Education - Basic Grants to States	84.048	151	394,639.06
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	72,066.82
Education for Homeless Children and Youth	84.196	127	44,464.43
Even Start - State Educational Agencies	84.213	219	220,575.11
Twenty-First Century Community Learning Centers	84.287	244	375,982.91
State Grants for Innovative Programs	84.298	113	66,191.96
Education Technology State Grants	84.318	121	65,412.37
English Language Acquisition Grants	84.365	102	22,765.84
Improving Teacher Quality State Grants	84.367	224	609,195.51
Central Florida Community College:			
Tech-Prep Education	84.243	None	42,660.87
Washington County District School Board:			
Reading First State Grants	84.357	None	42,349.05
Total Indirect			<u>9,480,100.60</u>
Total United States Department of Education			<u>9,707,840.68</u>
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	2,503.49
Communities in Schools of Florida, Inc: AmeriCorps	94.006	None	157,808.41
Total Corporation for National and Community Service			<u>160,311.90</u>
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	45,923.09
Army Junior Reserve Officers Training Corps	None	N/A	53,833.49
Navy Junior Reserve Officers Training Corps	None	N/A	51,513.45
Total United States Department of Defense			<u>151,270.03</u>
Total Expenditures of Federal Awards			<u>\$ 13,163,906.02</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2006-07 fiscal year. Commodities are valued at fair value as determined at the time of donation.

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

SUMMARY OF AUDITOR'S RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Citrus County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- A certain matter involving the internal control and its operation was considered to be a significant deficiency, though the significant deficiency was not considered a material weakness.
- No noncompliance was reported which is material to the financial statements.
- No significant deficiencies in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- An audit finding on Federal programs is listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Title I Grants to Local Educational Agencies (CFDA No. 84.010); Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Improving Teacher Quality State Grants (CFDA No. 84.367); and Twenty-First Century Community Learning Centers (CFDA No. 84.287).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$394,917.
- The low risk entity threshold was not applied.

**CITRUS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FINDINGS AND RECOMMENDATIONS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture and United States Department of Education

Pass-Through Entity: Florida Department of Education

Programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Procurement – Contract Administration. Improvements were needed in District procedures to provide written contracts and the required contractual provisions for expenditures funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- For contracts in excess of \$10,000, a provision for termination for cause and convenience by the grantee or subgrantee, including the manner by which it will be effected and the basis of settlement.
- Access to records of the contractor which are directly pertinent to the contract.
- Retention of all required records for three years after the grantee or subgrantee makes the final payment and all other pending matters are closed.

Our review disclosed that the District entered into five contracts that excluded some or all of the above required provisions, including three contracts, totaling \$57,851.65, for the Child Nutrition Cluster, and two contracts, totaling \$7,266.00, for the Twenty-First Century program. Failure to include the required contract provisions could limit the District's actions if disputes arose with the contractor, and could result in disallowance of grant expenditures by the grantor.

Recommendation: **The District should ensure that all future contracts involving Federal funds contain the required provisions.**

District Contact Person: Kenny Blocker, Executive Director of Business Services

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2007-127 (1)	Special Education - Grants to States (CFDA No. 84.127), Education Technology State Grants (CFDA No. 84.318), Improving Teacher Quality State Grants (CFDA No. 84.367), and State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) - Suspension /Debarment	The District did not verify that vendors were not suspended or debarred when such vendors received procurement contracts equal to or exceeding \$25,000.	Corrected.	Examination of current year vendors did not disclose any violations.
2007-127 (2)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559) - Cash Management	The food service program net cash resources exceeded three months' average expenditures.	Corrected.	Based on current year analysis the District's Food Service resources are in compliance.
2007-127 (3)	Improving Teacher Quality State Grants (CFDA No. 84.367) - Allowable Costs/Cost Principles	Personnel activity reports were not prepared for three employees paid partially out of the grant documenting time and effort expended on grant activities, resulting in questioned costs of \$45,083.90.	Corrected.	Personnel activity reports were examined for partially paid employees without exception.

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MANAGEMENT RESPONSE SECTION



SANDRA "SAM" HIMMEL – SUPERINTENDENT OF SCHOOLS

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

February 1, 2008

David W. Martin, CPA
Auditor General
State of Florida
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Tallahassee, FL 32399-1450

LOUIS A. MIELE
DISTRICT 1 – HERNANDO

VIRGINIA BRYANT
DISTRICT 2 – CRYSTAL RIVER

PATRICIA DEUTSCHMAN
DISTRICT 3 – FLORAL CITY

BILL MURRAY
DISTRICT 4 – LECANTO

LINDA B. POWERS
DISTRICT 5 - INVERNESS

Re: Management response to preliminary and tentative findings of the Citrus County District School Board financial, operational and Federal Single audit for the fiscal year ended June 30, 2007

Dear Mr. Martin:

This letter represents the Citrus County School District's response to the preliminary and tentative audit findings of the Citrus County District School Board for the year ended June 30, 2007.

Financial Reporting: The District will reconcile revenue accounts, including receivables, on a quarterly basis to insure all revenues are being accounted for correctly. This will enhance our year end close and the preparation of the Annual Financial report.

Cash Management: The District has put in methods of reconciling the Federal cash expenses and advances on a monthly basis so adequate advances can be requested. This method will allow the District to fully utilize the funds available for the Federal programs without using funds from the General Fund.

Cellular Telephones: Policy and procedures have been changed and/or enhanced for compliance with the regulations regarding cell phones.

Procurement-Contract Administration: Improvements have been implemented in contract administration to ensure that contracts are being used and that all requirements of Title 34 Section 80.36 (i), Code of Federal Regulations are within the contract.

If there are other issues or concerns, please do not hesitate to let us know.

Sincerely,


Sandra "Sam" Himmel
Superintendent of Schools

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