REPORT NO. 2014-152
MARCH 2014

SUMTER COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2012-13 fiscal year are listed below:

	District No.
Haydn L. Evans	1
Christine S. Norris, Vice Chair to 11-19-12, Chair from 11-20-12	2
Linda J. Winchester	3
Kenneth P. Jones, Chair to 11-19-12	4
Kathie L. Joiner, Vice Chair from 11-20-12	5

Richard A. Shirley, Superintendent

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

The audit team leader was Joanna Slater, and the audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SUMTER COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

PAGE NO.

EXECUTIVE SUMMARY i

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements 1

Other Reporting Required by *Government Auditing Standards* 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

Statement of Net Position 12

Statement of Activities 14

Balance Sheet – Governmental Funds 16

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 18

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 20

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 22

Statement of Net Position – Proprietary Funds 23

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds 24

Statement of Cash Flows – Proprietary Funds 25

Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 26

Notes to Financial Statements 27

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General and Major Special Revenue Funds 58

Schedule of Funding Progress – Other Postemployment Benefits Plan 60

Notes to Required Supplementary Information 61

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 62

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* 63

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 65

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 67

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS 71

EXHIBIT A MANAGEMENT'S RESPONSE 72

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 2: Controls over the enterprise resource software selection process and related payments could be enhanced.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Improving Teacher Quality, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2013-109.**

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, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the 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 Sumter County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 8 percent of the assets and 30 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, as described in note I to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely on the reports of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Sumter County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Sumter County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds, for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- Overall, the District's financial position declined from the prior fiscal year. The District's total net position decreased by $1,069,981 (or 2 percent). This may be compared to a decrease of $1,692,621 (or 4 percent) for the prior fiscal year.
- During the current fiscal year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by $250,984. This may be compared to the prior fiscal year's results in which General Fund expenditures and other financing uses exceeded revenues and other financing sources by $1,104,427.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes the MD&A, budgetary comparison schedule, a schedule of funding progress for the other postemployment benefits plan, and notes to required supplementary information.

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 position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equal net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents one separate legal entity in this report, The Villages Charter School, Inc. (Charter School), which operates The Villages Charter Elementary School, The Villages Charter Middle School, and The Villages Charter High School. Although, a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for the Charter School is reported separately from the financial information presented for the primary government.

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

Over a period of time, changes in the District's net position 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 entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains one type of proprietary fund, which is 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 funds to account for its self-insured workers' compensation program and its health insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current fiscal year to the prior fiscal year.

Total assets of the District were $86,486,564 and $88,435,297 as of June 30, 2013, and 2012, respectively. The current ratio is 8.78:1 with current assets of $11,697,638 and current liabilities of $1,332,868. The other assets not considered to be current assets for the purpose of computing the current ratio include capital credits receivable, deferred charges, and cash and cash equivalents and investments restricted for capital improvements of $3,773,253 and for debt service of $368,306. The prior fiscal year current ratio was approximately 11.15:1 with current assets of $14,247,834 and current liabilities of $1,277,721.

Net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

Net Position, End of Year

	Governmental Activities	
	6-30-13	6-30-12
Current Assets	$ 11,697,638	$ 14,247,834
Other Assets	5,198,141	4,996,600
Capital Assets	69,590,785	69,190,863
Total Assets	86,486,564	88,435,297
Long-Term Liabilities	41,065,313	41,999,212
Other Liabilities	1,332,868	1,277,721
Total Liabilities	42,398,181	43,276,933
Net Position:		
Net Investment in Capital Assets	36,320,785	34,625,863
Restricted	7,040,602	8,397,465
Unrestricted	726,996	2,135,036
Total Net Position	$ 44,088,383	$ 45,158,364

The largest portion of the District's net position (82 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 capital assets increased by $399,922 from the prior fiscal year.

The restricted portion of the District's net position (16 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (2 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental activities. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	$ 473,301	$ 556,670
Operating Grants and Contributions	2,643,381	2,623,124
Capital Grants and Contributions	1,087,373	1,168,344
General Revenues:		
Property Taxes, Levied for Operational Purposes	37,268,648	35,229,919
Property Taxes, Levied for Capital Projects	11,221,469	10,576,559
Grants and Contributions Not Restricted to Specific Programs	18,770,629	18,716,887
Unrestricted Investment Earnings	144,066	112,367
Miscellaneous	994,919	825,799
Total Revenues	72,603,786	69,809,669
Functions/Program Expenses:		
Instruction	44,165,519	42,973,249
Pupil Personnel Services	2,465,937	2,306,039
Instructional Media Services	682,006	672,686
Instruction and Curriculum Development Services	1,811,916	1,883,017
Instructional Staff Training Services	1,153,687	1,179,684
Instruction Related Technology	603,133	669,609
Board of Education	489,753	472,969
General Administration	600,340	695,012
School Administration	2,744,995	2,715,672
Facilities Acquisition and Construction	566,249	556,516
Fiscal Services	531,042	505,824
Food Services	3,127,532	3,105,626
Central Services	873,491	771,354
Pupil Transportation Services	2,950,359	2,974,136
Operation of Plant	3,627,022	3,556,666
Maintenance of Plant	1,423,935	1,563,386
Administrative Technology Services	662,158	245,704
Community Services		806
Unallocated Interest on Long-Term Debt	1,528,119	1,595,512
Unallocated Depreciation Expense	3,666,574	3,006,568
Loss on Disposal of Capital Assets		52,255
Total Functions/Program Expenses	73,673,767	71,502,290
Change in Net Position	(1,069,981)	(1,692,621)
Net Position - Beginning	45,158,364	46,850,985
Net Position - Ending	$ 44,088,383	$ 45,158,364

The largest revenue source is property tax revenue (67 percent). Property tax levied for operational purposes increased by $2,038,729. The increase is due to an increase in taxable property value in the county.

Other revenues and expenses were generally consistent with the prior fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At fiscal year end, the District's government funds reported combined ending fund balances of $12,378,492, a decrease of $2,094,389, in comparison with the prior fiscal year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2013, and June 30, 2012:

Fund Balance	2013	2012	Decrease	Percentage Change
Major Governmental Funds				
General Fund	$ 8,049,818	$ 8,300,802	$ (250,984)	-3.02%
Capital Projects:				
Local Capital Improvement Fund	2,527,151	3,269,614	(742,463)	-22.71%
Other Governmental Funds (Nonmajor)	1,801,523	2,902,466	(1,100,943)	-37.93%
Total	$12,378,492	$14,472,882	($2,094,390)	-14.47%

Note: The above schedule excludes the Special Revenue - Federal Economic Stimulus Fund, which reports revenues to the extent of expenditures and, therefore, does not maintain a fund balance.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $4,156,823, while the total fund balance is $8,049,818. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 9 percent of the total General Fund revenues, while total fund balance represents approximately 16 percent of the total General Fund revenues.

During the current fiscal year, the total fund balance decreased by $250,984. Revenues and other financing sources increased $3,213,032 from the prior fiscal year, while expenditures and other financing uses also increased $2,359,589.

The following schedule shows the changes in General Fund revenues and other financing sources in for fiscal years ended June 30, 2013 and June 30, 2012.

General Fund	2013	2012	Increase	Percentage Change
Revenues:				
Federal Revenues	$ 61,041	$ 59,888	$ 1,153	1.93%
State Revenues	13,456,147	13,031,636	424,511	3.26%
Property Taxes	37,268,648	35,229,919	2,038,729	5.79%
Other Local Revenue	936,296	855,245	81,051	9.48%
Total	51,722,132	49,176,688	2,545,444	5.18%
Other Financing Sources:				
Transfers In	7,393,287	6,860,550	532,737	7.77%
Other	172,640	37,789	134,851	356.85%
Total	7,565,927	6,898,339	667,588.00	9.68%
Total Revenues and Other Financing Sources	$ 59,288,059	$ 56,075,027	$3,213,032	5.73%

Property tax revenues increased from increased property values, while State and other local revenues increased slightly from the prior fiscal year.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2013 and June 30, 2012:

General Fund	2013	2012	Increase (Decrease)	Percentage Change
Expenditures:				
Salaries	$ 27,890,268	$ 27,591,680	$298,588	1.08%
Employee Benefits	6,416,952	6,418,817	(1,865)	-0.03%
Purchased Services	20,086,530	18,451,907	1,634,623	8.86%
Energy Services	1,670,659	1,672,836	(2,177)	-0.13%
Materials and Supplies	1,496,428	1,529,550	(33,122)	-2.17%
Capital Outlay	1,418,026	1,053,351	364,675	34.62%
Other	560,181	461,313	98,868	21.43%
Total Expenditures	$ 59,539,044	$ 57,179,454	$ 2,359,590	4.13%

The increase in purchased services was due to increased distributions to the Charter School for student growth. Other than purchased services, expenses were generally consistent with the prior fiscal year.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of $274,550 each. The resources in this fund were mainly used for instructional and instructional support expenditures. Because grant revenues in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased substantially due to a reduction of Federal Stimulus program funding.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $2,527,151, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by $742,463 because of increased transfers to reimburse the General Fund. It should be noted that $1,318,328 is encumbered for specific projects.

Proprietary Funds

The internal service funds account for the District's workers' compensation self-insurance program and also the health insurance programs. Unrestricted net position of the internal service funds total $1,982,290 at June 30, 2013, decreasing $200,880 from June 30, 2012. The proprietary fund net position decreased due to a conscious decision by

the District to use reserves, due to budgetary restraints on the General Fund, for both health insurance and workers' compensation expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times. Final budgeted revenues are in line with original amounts.

Final appropriations were more than the original budgeted amounts, by $1,637,961. However, the District's actual expenditures were $4,443,926 below the final budgeted expenditure amount. Each fiscal year, the District budgets in full for all funds available for categorical and restricted purposes, even though the full amount is not spent and significant unexpended portions are carried over the succeeding fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is $69,590,785 (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; and construction in progress.

- During the 2012-13 fiscal year, the District sold approximately four acres of land from the District office complex to the State, to be used as highway right-of-way, for a net gain of $158,843.
- The District completed construction of Wildwood Middle High School classrooms at a cost of $1,703,251.
- The District also completed construction of the Webster Elementary School administration building at a cost of $4,885,663.
- Other construction projects in progress include South Sumter High School Physical Education facility construction and other miscellaneous parking lot and track projects.

Major contract commitments at fiscal year-end for construction activity total $508,373. Additional information on the District's capital assets can be found in notes I.F.4, II.C, and II.F to the financial statements.

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of $33,270,000, comprised of $4,065,000 of bonds and $29,205,000 of certificates of participation. During the current fiscal year, retirement of debt was $1,295,000.

State School Bonds outstanding at June 30, 2013, accounted for $545,000 of the total bonds 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. Proceeds were used for new school construction and the District's revenue bonds are paid solely by specified revenue sources.

Additional information on the District's long-term debt can be found in note II.I to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sumter County School Board, 2680 WC 476, Bushnell, Florida 33513.

BASIC FINANCIAL STATEMENTS

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 15,320,517.85	$ 636,870.00
Investments	200,653.28	
Accounts Receivable	1,646.75	414,948.00
Due from Other Agencies	316,379.28	
Prepaid Items		55,943.00
Inventories	468,594.12	8,384.00
Capital Credits Receivable	236,833.85	
Deferred Charges	351,154.10	
Capital Assets:		
Nondepreciable Capital Assets	3,684,963.21	
Depreciable Capital Assets, Net	65,905,821.66	1,196,259.00
TOTAL ASSETS	86,486,564.10	2,312,404.00
LIABILITIES		
Salaries and Benefits Payable	430,092.10	
Accounts Payable	837,424.44	1,279,161.00
Construction Contracts Payable - Retainage	64,246.58	
Due to Other Agencies	1,105.00	
Unearned Revenue		115,482.00
Estimated Insurance Claims Payable		528,859.00
Long-Term Liabilities:		
Portion Due Within One Year	1,770,768.00	
Portion Due After One Year	39,294,545.01	
TOTAL LIABILITIES	42,398,181.13	1,923,502.00
NET POSITION		
Net Investment in Capital Assets	36,320,784.87	1,196,259.00
Restricted for:		
Federal Required Carryover Programs	1,026.38	
State Required Carryover Programs	2,351,297.35	
Debt Service	368,305.82	
Capital Projects	3,773,253.44	
Food Service	546,718.69	
Unrestricted	726,996.42	(807,357.00)
TOTAL NET POSITION	$ 44,088,382.97	$ 388,902.00

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

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SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 44,165,519.04	$ 31,997.00	$	$
Pupil Personnel Services	2,465,937.37			
Instructional Media Services	682,006.03			
Instruction and Curriculum Development Services	1,811,916.34			
Instructional Staff Training Services	1,153,686.80			
Instruction Related Technology	603,133.41			
School Board	489,753.31			
General Administration	600,339.81			
School Administration	2,744,994.54			
Facilities Acquisition and Construction	566,248.72			910,924.75
Fiscal Services	531,041.56			
Food Services	3,127,531.93	428,429.53	2,643,381.16	
Central Services	873,491.44			
Pupil Transportation Services	2,950,359.02	12,873.99		
Operation of Plant	3,627,021.82			
Maintenance of Plant	1,423,935.36			
Administrative Technology Services	662,157.58			
Unallocated Interest on Long-Term Debt	1,528,118.75			176,448.04
Unallocated Depreciation/Amortization Expense	3,666,574.05			
Total Primary Government	$ 73,673,766.88	$ 473,300.52	$ 2,643,381.16	$ 1,087,372.79
Component Unit				
The Villages Charter School, Inc.	$ 23,088,301.00	$ 3,984,792.00	$ 494,415.00	$ 811,119.00
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 Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	
$ (44,133,522.04)	$
(2,465,937.37)	
(682,006.03)	
(1,811,916.34)	
(1,153,686.80)	
(603,133.41)	
(489,753.31)	
(600,339.81)	
(2,744,994.54)	
344,676.03	
(531,041.56)	
(55,721.24)	
(873,491.44)	
(2,937,485.03)	
(3,627,021.82)	
(1,423,935.36)	
(662,157.58)	
(1,351,670.71)	
(3,666,574.05)	
$ (69,469,712.41)	
	(17,797,975.00)
37,268,648.02	
11,221,469.42	
18,770,629.04	17,762,533.00
144,066.36	
994,918.66	187,568.00
68,399,731.50	17,950,101.00
(1,069,980.91)	152,126.00
45,158,363.88	236,776.00
$ 44,088,382.97	$ 388,902.00

SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	$ 10,904,195.98	$	$ 2,256,976.95
Investments			
Accounts Receivable	1,646.75		
Due from Other Funds	87,581.81		955,231.31
Due from Other Agencies	118,802.17	36,147.94	6,003.81
Inventories	431,314.32		
TOTAL ASSETS	$ 11,543,541.03	$ 36,147.94	$ 3,218,212.07
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 74,849.77	$	$
Accounts Payable	185,012.20	1,702.87	626,814.52
Construction Contracts Payable - Retainage			64,246.58
Due to Other Funds	3,232,755.88	34,445.07	
Due to Other Agencies	1,105.00		
Total Liabilities	3,493,722.85	36,147.94	691,061.10
Fund Balances:			
Nonspendable:			
Inventories	431,314.32		
Restricted for:			
Federal Required Carryover Programs			
State Required Carryover Programs	2,351,297.35		
Debt Service			
Capital Projects	360,629.98		2,527,150.97
Food Service			
Total Restricted Fund Balance	2,711,927.33		2,527,150.97
Assigned for:			
Budgetary Carryforwards	749,753.06		
Unassigned Fund Balance	4,156,823.47		
Total Fund Balances	8,049,818.18		2,527,150.97
TOTAL LIABILITIES AND FUND BALANCES	$ 11,543,541.03	$ 36,147.94	$ 3,218,212.07

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

	Other Governmental Funds	Total Governmental Funds
	$ 1,581,235.03	$ 14,742,407.96
	177,661.35	177,661.35
		1,646.75
		1,042,813.12
	120,109.02	281,062.94
	37,279.80	468,594.12
	$ 1,916,285.20	$ 16,714,186.24
	$ 37,730.23	$ 112,580.00
	23,894.85	837,424.44
		64,246.58
	53,136.74	3,320,337.69
		1,105.00
	114,761.82	4,335,693.71
	37,279.80	468,594.12
	1,026.38	1,026.38
		2,351,297.35
	368,305.82	368,305.82
	885,472.49	3,773,253.44
	509,438.89	509,438.89
	1,764,243.58	7,003,321.88
		749,753.06
		4,156,823.47
	1,801,523.38	12,378,492.53
	$ 1,916,285.20	$ 16,714,186.24

SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds		$ 12,378,492.53
Amounts reported for governmental activities in the statement of net position 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.		69,590,784.87
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.		236,833.85
Deferred issuance costs on certificates of participation are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.		351,154.10
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 position.		1,982,289.63
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 4,065,000.00	
Certificates of Participation	29,205,000.00	
Compensated Absences Payable	4,168,263.01	
Other Postemployment Benefits Payable	3,012,909.00	(40,451,172.01)
Net Position - Governmental Activities		$ 44,088,382.97

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

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SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 61,040.67	$	$
Federal Through State and Local		274,549.60	
State	13,456,147.41		
Local:			
Property Taxes	37,268,648.02		11,221,469.42
Charges for Services - Food Service			
Miscellaneous	936,296.19		20,145.90
Total Local Revenues	38,204,944.21		11,241,615.32
Total Revenues	51,722,132.29	274,549.60	11,241,615.32
Expenditures			
Current - Education:			
Instruction	41,338,875.89	66,410.71	
Pupil Personnel Services	1,903,404.30		
Instructional Media Services	676,650.36		
Instruction and Curriculum Development Services	854,504.46		
Instructional Staff Training Services	450,957.54	108,811.06	
Instruction Related Technology	549,416.04	44,040.00	
School Board	485,755.43		
General Administration	449,815.03	6,245.50	
School Administration	2,618,289.43	810.50	
Facilities Acquisition and Construction	159,051.89		
Fiscal Services	514,895.20		
Food Services	8,441.41		
Central Services	820,383.58	37,273.83	
Pupil Transportation Services	2,879,425.28		
Operation of Plant	3,568,689.25		
Maintenance of Plant	1,400,111.05		
Administrative Technology Services	646,270.54		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			3,079,962.79
Other Capital Outlay	179,873.59	10,958.00	
Debt Service:			
Principal			
Interest and Fiscal Charges	34,233.19		
Total Expenditures	59,539,043.46	274,549.60	3,079,962.79
Excess (Deficiency) of Revenues Over Expenditures	(7,816,911.17)		8,161,652.53
Other Financing Sources (Uses)			
Transfers In	7,393,287.25		
Proceeds from Sale of Capital Assets	172,640.00		
Transfers Out			(8,904,115.06)
Total Other Financing Sources (Uses)	7,565,927.25		(8,904,115.06)
Net Change in Fund Balances	(250,983.92)		(742,462.53)
Fund Balances, Beginning	8,300,802.10		3,269,613.50
Fund Balances, Ending	$ 8,049,818.18	$ 0.00	$ 2,527,150.97

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

Other Governmental Funds	Total Governmental Funds
$ 270,098.00	$ 331,138.67
7,073,498.43	7,348,048.03
1,362,534.11	14,818,681.52
	48,490,117.44
428,429.53	428,429.53
53,196.49	1,009,638.58
481,626.02	49,928,185.55
9,187,756.56	72,426,053.77
2,434,060.34	43,839,346.94
483,489.36	2,386,893.66
	676,650.36
957,867.47	1,812,371.93
610,816.65	1,170,585.25
	593,456.04
	485,755.43
143,985.30	600,045.83
83,621.91	2,702,721.84
	159,051.89
	514,895.20
3,060,774.85	3,069,216.26
27,949.28	885,606.69
6,601.25	2,886,026.53
	3,568,689.25
	1,400,111.05
	646,270.54
1,128,784.90	4,208,747.69
72,690.35	263,521.94
1,295,000.00	1,295,000.00
1,493,885.56	1,528,118.75
11,799,527.22	74,693,083.07
(2,611,770.66)	(2,267,029.30)
2,321,946.81	9,715,234.06
	172,640.00
(811,119.00)	(9,715,234.06)
1,510,827.81	172,640.00
(1,100,942.85)	(2,094,389.30)
2,902,466.23	14,472,881.83
$ 1,801,523.38	$ 12,378,492.53

SUMTER 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, 2013

Net Change in Fund Balances - Governmental Funds			$ (2,094,389.30)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.			435,667.89
In the governmental funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.			(35,746.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.			61,136.90
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current fiscal year.			
Bond Principal Payments	$ 235,000.00		
Certificates of Participation Payments	1,060,000.00		1,295,000.00
Deferred charges associated with long-term debt issued in the current fiscal year are reported in the statement of activities, but are not a current financial resource and, therefore, are not reported in the governmental funds. This is the net decrease in deferred charges during the current fiscal year.			
Deferred Charges, June 30, 2013	$ 351,154.10		
Deferred Charges, June 30, 2012	375,931.05		(24,776.95)
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.			
Capital Credits Receivable, June 30, 2013	$ 236,833.85		
Capital Credits Receivable, June 30, 2012	228,884.98		7,948.87
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.			(513,942.00)
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.			(200,880.32)
Change in Net Position - Governmental Activities			$ (1,069,980.91)

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2013

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	578,109.89
Due From Other Funds		2,277,524.57
Due From Other Agencies		35,316.34
Total Current Assets		2,890,950.80
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund		22,991.93
TOTAL ASSETS	$	2,913,942.73
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	$	317,512.10
Estimated Insurance Claims Payable		150,000.00
Total Current Liabilities		467,512.10
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		464,141.00
Total Liabilities		931,653.10
NET POSITION		
Unrestricted		1,982,289.63
TOTAL LIABILITIES AND NET POSITION	$	2,913,942.73

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Premium Revenues	$	5,416,753.42
OPERATING EXPENSES		
Salaries		13,872.21
Employee Benefits		2,724.38
Purchased Services		88,832.27
Insurance Claims		143,313.75
Insurance Premiums		5,395,580.46
Total Operating Expenses		5,644,323.07
Operating Loss		(227,569.65)
NONOPERATING REVENUES		
Interest Revenue		17,116.04
Net Increase in Fair Market Value of Investments		9,573.29
Total Nonoperating Revenues		26,689.33
Change in Net Position		(200,880.32)
Total Net Position - Beginning		2,183,169.95
Total Net Position - Ending	$	1,982,289.63

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Premiums	$	5,416,753.42
Cash Received from Other Operating Revenues		16,274.79
Cash Payments to Suppliers for Goods and Services		(5,490,991.86)
Cash Payments for Insurance Claims		(235,017.75)
Net Cash Used by Operating Activities		(292,981.40)
CASH FLOWS FROM NONCAPITAL FINANCING CTIVITIES		
Cash Payment for Interfund Loan		(2,277,524.57)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments		22,655.21
Interest Income		17,116.04
Net Cash Provided by Investing Activities		39,771.25
Net Decrease in Cash and Cash Equivalents		(2,530,734.72)
Cash and Cash Equivalents, Beginning		3,108,844.61
Cash and Cash Equivalents, Ending	$	578,109.89
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(227,569.65)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Due From Other Agencies		16,274.79
Accounts Payable		(30.00)
Salaries and Benefits Payable		10,047.46
Estimated Insurance Claims Payable		(91,704.00)
Total Adjustments		(65,411.75)
Net Cash Used by Operating Activities	$	(292,981.40)
Noncash Investing, Capital, and Financing Activities		
Change in Fair Value of Investments	$	9,573.29

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2013

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 440,157.00
LIABILITIES	
Internal Accounts Payable	$ 440,157.00

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from a legally separated component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Sumter County School District's (District) 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.

B. Reporting Entity

The Sumter County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Sumter County.

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

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

Blended Component Unit. A blended component unit, is in substance, part of the primary District's operations, even though it is legally separate entity. Thus, a blended component unit is appropriately presented as part of the District. The Sumter County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note II.I. Due to the substantive economic relationship between the District and the Leasing

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District.

The Villages Charter School, Inc. (Charter School), is a 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 Charter School operates under a charter approved by its sponsor, the Sumter County District School Board. The Charter School is considered to be a component unit of the District because the District is financially accountable for the Charter School as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the Charter School, and there is the potential for the Charter School to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter School is a public school and the District is responsible for the operation, control, and supervision of public schools within the District. The District considers the Charter School to be a major component unit based on its significance to the District.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2013. The audit report is filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The governmental fund financial statements are reported using the current financial resources measurement focus and 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

The charter school is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

F. Assets, Liabilities and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

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

2. Investments

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of certificates of deposits and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at weighted average cost, or last invoice which approximates the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

4. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000 for furniture, fixtures and equipment, and motor vehicles; $100,000 for improvements other than buildings; buildings and fixed equipment; and construction in progress. 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.

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Description	Estimated Lives
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years

The Charter School defines capital assets as those costing more than $2,000. The Charter School depreciates capital assets using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold Improvements	15 -40 years
Buildings	39 years
Furniture and Equipment	5 - 15 years
Library Books	5 - 10 years
Infrastructure	15 years
Motor Vehicles	5 - 15 years

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

5. 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 position. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

6. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The Board authorized the finance director to assign existing fund balance to eliminate a projected budgetary deficit in the 2013-14 fiscal year in the amount equal to the projected excess of expenditures over expected revenues. The District's approved budget for the 2013-14 fiscal year reflects a budget shortfall expected to be paid from the ending fund balance in these financial statements, of which $749,753.06 is considered assigned fund balance.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

3. District Property Taxes

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

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

The Board adopted the 2012 tax levy on September 4, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

4. 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.

5. Compensated Absences

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

6. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

of the District's internal service funds are charges for worker's compensation, health, dental, and vision 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.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1) (2)	40 Day Average	$ 236,775.01
Fund B (2)	3.98 Year Average	140,888.60
Debt Service Accounts	6 Months	16,691.10
Certificates of Deposits (1)	February 2014 - September 2014	73,770.00
Total Investments		$ 468,124.71

Notes: (1) These investments are reported as cash equivalents for financial statement reporting purpose
(2) Pursuant to the trust agreements, the Trustee for the District's Certificates of Participation, Series 2006 holds all or part of these investments in trust accounts as follows: Florida PRIME $43,073.58 and Fund B $117,896.68.

- Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction moneys, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed five years. For construction proceeds of tax-exempt debt issues, such investments shall not exceed three years.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- Credit Risk

  Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury.

  The District's investment policy limits investments to the Florida PRIME; or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and Local Government Series (SLGS); obligations of United States Government Agencies and Instrumentalities; SEC registered money market funds with the highest rating and in compliance with Title 17 Section 270.2a-7 Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit that are either Federal Deposit Insurance Corporation insured or in State qualified public depositories; and other investments permitted by the State statute and not prohibited by this policy as may be recommended by the Superintendent and approved in advance by the Board.

  The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

  The District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

  The District's investment in certificates of deposits are in qualified public depositories.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

- Custodial Credit Risk

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

  The District investment policy requires that securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by and all collateral obtained by the District be properly designated as an asset of the District. A third party custodian is defined as any bank depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State of Florida. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 2,057,053.91	$	$ 13,797.49	$ 2,043,256.42
Construction in Progress	4,544,072.56	3,775,554.35	6,677,920.12	1,641,706.79
Total Capital Assets Not Being Depreciated	6,601,126.47	3,775,554.35	6,691,717.61	3,684,963.21
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,589,828.50	89,006.31		2,678,834.81
Buildings and Fixed Equipment	85,118,763.71	6,588,913.81		91,707,677.52
Furniture, Fixtures, and Equipment	4,413,974.62	269,721.94	428,010.29	4,255,686.27
Motor Vehicles	6,001,060.24	32,188.70	127,790.03	5,905,458.91
Total Capital Assets Being Depreciated	98,123,627.07	6,979,830.76	555,800.32	104,547,657.51
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,075,721.96	152,267.39		1,227,989.35
Buildings and Fixed Equipment	26,956,271.61	2,255,701.83		29,211,973.44
Furniture, Fixtures, and Equipment	3,478,352.14	507,179.87	410,061.78	3,575,470.23
Motor Vehicles	4,023,544.85	726,648.01	123,790.03	4,626,402.83
Total Accumulated Depreciation	35,533,890.56	3,641,797.10	533,851.81	38,641,835.85
Total Capital Assets Being Depreciated, Net	62,589,736.51	3,338,033.66	21,948.51	65,905,821.66
Governmental Activities Capital Assets, Net	$ 69,190,862.98	$ 7,113,588.01	$ 6,713,666.12	$ 69,590,784.87

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled $3,641,797.10, was reported as unallocated on the Statement of Activities.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

As indicated in note I, the Villages Charter School, Inc., is considered to be a major component unit of the District. Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
MAJOR COMPONENT UNIT-				
Capital Assets Being Depreciated:				
Leasehold Improvements	$ 143,983	$	$	$ 143,983
Buildings	425,457			425,457
Furniture and Equipment	1,375,224	472,750	6,850	1,841,124
Library Books	696,522	72,374		768,896
Infrastructure	36,533	10,919		47,452
Motor Vehicles	29,922	39,120		69,042
Total Capital Assets Being Depreciated	2,707,641	595,163	6,850	3,295,954
Less Accumulated Depreciation for:				
Leasehold Improvements	19,151	4,535		23,686
Buildings	67,692	10,909		78,601
Furniture and Equipment	1,213,205	54,144	6,850	1,260,499
Library Books	687,356	8,156		695,512
Infrastructure	4,063	3,065		7,128
Motor Vehicles	29,612	4,657		34,269
Total Accumulated Depreciation	2,021,079	85,466	6,850	2,099,695
Major Component Unit Capital Assets, Net	$ 686,562	$ 509,697	$	$ 1,196,259

D. Florida Retirement System

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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, 2011, June 30, 2012, and June 30, 2013, totaled $3,407,961.42, $1,978,231.10, and $2,166,435.78, respectively, which were equal to the required contributions for each fiscal year.

There were 126 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $354,445.92, which was equal to the required contribution for the 2012-13 fiscal year.

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug coverage, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 176 retirees received other postemployment benefits. The District provided required contributions of $359,121 toward the annual OPEB cost net of retiree contributions totaling $506,425.02, which represents 1.83 percent of covered payroll.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Description	Amount
Normal cost (service cost for one year)	$ 381,633
Amortization of Unfunded Actuarial Accrued Liability	552,177
Annual Required Contribution	933,810
Interest on Net OPEB Obligation	74,969
Adjustment to Annual Required Contribution	(135,716)
Annual OPEB Cost (Expense)	873,063
Contribution Toward the OPEB Cost	(359,121)
Change in Net OPEB Obligation	513,942
Net OPEB Obligation, Beginning of Year	2,498,967
Net OPEB Obligation, End of Year	$ 3,012,909

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 981,151	37.99%	$ 1,975,336
2011-12	865,651	39.51%	2,498,967
2012-13	873,063	41.13%	3,012,909

Funded Status and Funding Progress. As of June 30, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $10,203,244, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $10,203,244, and a funded ratio of 0 percent. The covered payroll

(annual payroll of active participating employees) was $27,936,949 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36.52 percent.

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

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

The District's OPEB actuarial valuation as of June 30, 2012, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2012 to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a general inflation rate of 2.5 percent per year, and an annual healthcare cost trend rate of 4.52 percent for the 2013 calendar year, changing by various decrements, to an ultimate rate of 4.24 percent after the 2085 calendar year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30 year period. The remaining amortization period at June 30, 2013, was 26 years.

F. Construction and Other Significant Commitments

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Project	Contract Amount	Completed to Date	Balance Committed
South Sumter High School PE Facilities			
Architect	$ 128,080.00	$ 119,630.57	$ 8,449.43
Contractor	1,492,548.03	1,003,924.66	488,623.37
Lake Panasoffkee Elementary School Parking Lot			
Contractor	292,307.00	281,007.00	11,300.00
Total	$ 1,912,935.03	$ 1,404,562.23	$ 508,372.80

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

The following is a schedule of encumbrances at June 30, 2013:

Major Funds			
General	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 492,737	$ 1,318,328	$ 3,492	$ 1,814,557

G. Risk Management Programs

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

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

A liability in the amount of $584,852 (discounted at 1 percent) and $614,141 (undiscounted) was actuarially determined to cover estimated incurred, but not reported, workers' compensation claims payable at June 30, 2013. The District elected to use the most conservative approach to record the liability, using the undiscounted actuarial computation.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Fiscal-Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	$ 726,480.00	$ 121,982.94	$ (142,617.94)	$ 705,845.00
2012-13	705,845.00	143,313.75	(235,017.75)	614,141.00

The District's health, dental, and vision insurance plans are administered through internal service funds. The health insurance plan is being provided through purchased commercial insurance. The dental and vision plans are self-insured.

All other insurances are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

H. Changes in Short-term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0	$ 2,250,000	$ 2,250,000	$ 0

Pursuant to the provisions of Section 1011.13, Florida Statutes, the District issued a tax anticipation note, the purpose of which was to meet the disbursement requirements of the current fiscal year operating budget.

I. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on December 1, 1998, and supplemental agreements dated July 1, 2002, May 1, 2006, and January 1, 2007, in which each arrangement was characterized as a lease-purchase agreement, with the Sumter County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of $5,100,000 for the Series 1998 Certificates of Participation, $15,625,000 for the Series 2002 Certificates of Participation, $16,695,000 for the Series 2006 Certificates of Participation, and $13,860,000 for the Series 2007 Certificates of Participation. The Series 1998 Certificates of

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Participation were used, in part, to advance refund the District's Lease-Revenue Debt dated July 1, 1990, of approximately $2,100,000. The Series 2007 Certificates of Participation were used to partially advance refund the Series 1998 and 2002 Certificates of Participation. The financings were accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District has given ground leases on District property to the Leasing Corporation, with a rental fee of $1 per year. The initial term of the leases are 20 years commencing on December 1, 1998, for the Series 1998 Certificates of Participation; 25 years commencing on July 1, 2002, for the Series 2002 Certificates of Participation; 25 years commencing on May 1, 2006, for the Series 2006 Certificates of Participation; and 20 years commencing on January 1, 2007 for the Series 2007 Certificates of Participation. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the certificates for a period of time specified by the arrangements which may be up to 24.5 years from the date of inception of the arrangements.

The District properties included in the ground lease dated December 1, 1998, include land on which the projects are to be constructed. The projects funded from the Series 1998 Certificates of Participation include the following:

Series 1998 Certificates of Participation (partially refunded by Series 2007, Certificates of Participation)

- District Media and Administrative Building
- Bushnell Elementary School Addition
- Webster Elementary School Addition
- North Sumter Intermediate School Addition
- South Sumter Middle School Addition
- Wildwood Middle School Addition

The District properties included in the ground lease dated July 1, 2002, include land on which the projects are to be constructed. The projects funded from the Series 2002 Certificates of Participation include construction and other improvements to the following:

Series 2002 Certificates of Participation (partially refunded by Series 2007, Certificates of Participation)

- Bushnell Elementary School Addition
- Wildwood Middle School

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

- Webster Elementary School
- North Sumter Intermediate School
- West Street School
- South Sumter High School
- South Sumter Middle School

The District properties included in the ground lease dated May 1, 2006, include land on which the projects are to be constructed. The projects funded from the Series 2006 Certificates of Participation include construction and other improvements to the following:

Series 2006 Certificates of Participation

- Webster Elementary School
- North Sumter Intermediate School
- South Sumter High School
- South Sumter Middle School

The lease payments are payable by the District semiannually, on July 1 and January 1 at interest rates ranging from 4.0 to 4.8 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	$ 2,339,945.50	$ 1,100,000.00	$ 1,239,945.50
2015	2,343,407.50	1,150,000.00	1,193,407.50
2016	2,340,131.50	1,195,000.00	1,145,131.50
2017	2,344,784.00	1,250,000.00	1,094,784.00
2018	2,346,843.50	1,305,000.00	1,041,843.50
2019-2023	11,727,315.38	7,395,000.00	4,332,315.38
2024-2028	11,757,343.39	9,170,000.00	2,587,343.39
2029-2031	7,109,900.00	6,640,000.00	469,900.00
Total Minimum Lease Payments	$ 42,309,670.77	$ 29,205,000.00	$ 13,104,670.77

2. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	$ 435,000.00	5.0	2016
Series 2005B, Refunding	110,000.00	5.0	2018
District Revenue Bonds:			
Series 2011, Refunding	3,520,000.00	2.25 - 4.75	2042
Total Bonds Payable	$ 4,065,000.00		

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 SBE 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 SBE and the SBA.

- District Revenue Bonds

  These bonds are generally referred as "Capital Improvement and Refunding Certificates of Indebtedness, Series 2011 and are authorized by Chapter 71-932, Laws of Florida, Special Acts of 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts 1976. The bonds are payable solely from and secured by a lien upon and pledge of the revenues distributed to the District from moneys deposited to the credit of Pari-mutual Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes, and allocated to the District as provided by law (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a, Florida Statutes (2001) now Section 212.60(6)(d)6a, Florida Statutes (2012)). The annual distribution is remitted by the Florida Department of financial services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

  The District has pledged a combined total of $6,312,371.99 of pari-mutuel tax revenues in connection with the 2011 District Revenue Bonds described above. During the 2012-13 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $243,956.26 (109 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on October 1, 2041. Approximately 98 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

  Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	$ 172,250.00	$ 145,000.00	$ 27,250.00
2015	180,000.00	160,000.00	20,000.00
2016	182,000.00	170,000.00	12,000.00
2017	38,500.00	35,000.00	3,500.00
2018	36,750.00	35,000.00	1,750.00
Total State School Bonds	609,500.00	545,000.00	64,500.00
District Revenue Bonds:			
2014	220,168.76	70,000.00	150,168.76
2015	218,550.01	70,000.00	148,550.01
2016	221,781.26	75,000.00	146,781.26
2017	219,812.51	75,000.00	144,812.51
2018	217,656.26	75,000.00	142,656.26
2019-2023	1,095,931.30	425,000.00	670,931.30
2024-2028	1,091,284.39	515,000.00	576,284.39
2029-2033	1,086,187.50	635,000.00	451,187.50
2034-2038	1,079,406.25	795,000.00	284,406.25
2039-2042	861,593.75	785,000.00	76,593.75
Total District Revenue Bonds	6,312,371.99	3,520,000.00	2,792,371.99
Total	$ 6,921,871.99	$ 4,065,000.00	$ 2,856,871.99

3. Defeased Debt

In prior years, the Certificates of Participation (COPs), Series 1998 and Series 2002, were advance-refunded by the District and considered defeased in substance by placing a portion of the COPs, Series 2007, in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District's financial statements. On June 30, 2013, $1,150,000 of outstanding COPs, Series 1998, and $11,520,000 of outstanding COPs Series 2002 are considered defeased in substance.

The Race Track Refunding Bonds, Series 1998, was also advance-refunded in prior years by the District and considered defeased in substance by placing a portion of the proceeds of the Capital Improvement and Refunding Revenue Certificates, Series 2011, in an irrevocable trust to provide for all future debt service payments on the old Race Track Bonds. Accordingly, the trust assets and the liability for the in-substance defeased Bonds are not included in the District's financial statements. On June 30, 2013, $2,190,000 of outstanding Bonds, Series 1998, are considered defeased in substance.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 4,300,000.00	$	$ 235,000.00	$ 4,065,000.00	$ 215,000.00
Certificates of Participation Payable	30,265,000.00		1,060,000.00	29,205,000.00	1,100,000.00
Compensated Absences Payable	4,229,399.91	252,190.72	313,327.62	4,168,263.01	305,768.00
Estimated Insurance Claims Payable	705,845.00	143,313.75	235,017.75	614,141.00	150,000.00
Other Postemployment Benefits Payable	2,498,967.00	873,063.00	359,121.00	3,012,909.00	
Total Governmental Activities	$ 41,999,211.91	$ 1,268,567.47	$ 2,202,466.37	$ 41,065,313.01	$ 1,770,768.00

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds, as discussed in note II.G.

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

K. Interfund Receivables and Payables

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 87,581.81	$ 3,232,755.88
Special Revenue:		
Federal Economic Stimulus		34,445.07
Capital Projects:		
Local Capital Improvement	955,231.31	
Nonmajor Governmental		53,136.74
Internal Service	2,277,524.57	
Total	$ 3,320,337.69	$ 3,320,337.69

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

L. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	$ 8,415,616.00
Florida Education Finance Program	3,840,368.00
Charter School Capital Outlay Funding	811,119.00
Voluntary Prekindergarten Program	472,325.37
School Recognition	398,654.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	276,253.79
Workforce Development Program	219,285.00
Food Service Supplement	55,475.00
Mobile Home License Tax	49,151.19
Miscellaneous	280,434.17
Total	$14,818,681.52

Accounting policies relating to certain State revenue sources are described in note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.234	$ 32,823,794.83
Basic Discretionary Local Effort	0.748	5,798,818.74
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	11,628,647.20
Total	6.482	$ 50,251,260.77

M. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$7,393,287.25	$
Capital Projects:		
Local Capital Improvement		8,904,115.06
Nonmajor Governmental	2,321,946.81	811,119.00
Total	$ 9,715,234.06	$9,715,234.06

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 expenditures, such as capital asset purchases, maintenance, charter school capital outlay, and property insurance premiums. Additionally, funds are transferred from the Capital Projects - Local Capital Improvement Fund to nonmajor debt service funds to make debt service payments for the certificates of participation.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

III. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2012-13 fiscal year:

	Total	Workers' Compensation Insurance	Health/Dental Vision Insurance
Total Assets	$ 2,913,942.73	$ 2,300,516.50	$ 613,426.23
Liabilities and Net Position:			
Salaries, Benefits, and Payroll Taxes Payable	$ 317,512.10	$	$ 317,512.10
Estimated Insurance Claims Payable	614,141.00	614,141.00	
Net Position:			
Unrestricted Net Position	1,982,289.63	1,686,375.50	295,914.13
Total Liabilities and Net Position	$ 2,913,942.73	$ 2,300,516.50	$ 613,426.23
Revenues:			
Premium Revenues	$ 5,416,753.42	$ 81,053.12	$ 5,335,700.30
Investment Revenue	26,689.33	26,023.98	665.35
Total Revenues	5,443,442.75	107,077.10	5,336,365.65
Total Expenses	(5,644,323.07)	(248,742.61)	(5,395,580.46)
Change in Net Position	$ (200,880.32)	$ (141,665.51)	$ (59,214.81)

IV. JOINT VENTURE AND LEASE AGREEMENTS

A joint venture is a legal entity or other organization that results from a contractual agreement, and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest or (b) ongoing financial responsibility. A lease agreement is a contract through which an organization rents an asset for use from its owner for an agreed amount.

The District participates in a joint venture with the Lake-Sumter Community College (College) and a lease agreement with The Villages of Lake-Sumter, Inc. Also, the District's major component unit, The Villages Charter School, Inc. (Charter School), leases various school buildings under a noncancellable operating lease agreement with The Villages of Lake-Sumter, Inc. These joint venture and lease agreements are discussed below:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

- Joint Venture – Board and College. The Board and the College entered into a land use agreement on November 2, 1993, governing the use of a proposed joint-use facility (adult education and community college facility). This agreement provides, in part, for the appointment of a decision committee composed of individuals appointed by the parties to the agreement. The purpose of the committee is to make any necessary joint decisions regarding the facility. On January 18, 1995, the Board and the College entered into a statement of intent and operating agreement. The land use agreement was made a part of the operating agreement. The operating agreement established agreements between the parties relative to operations, expense proration, and other matters not covered in the land use agreement. The operating agreement further provides that should the Board decide to vacate the facilities, ownership shall revert to the College with no further obligation on the part of either party. However, if the College desires to acquire the facility, a 12-month minimum advance notice and mutual agreement between the parties is required. The term of the operating agreement runs concurrently with that of the land use agreement, which is 40 years.

- Lease Agreement – Board and The Villages of Lake-Sumter, Inc. The Board entered into a lease agreement on July 1, 2006, and restated the lease on January 18, 2011, with The Villages of Lake-Sumter, Inc. The Board is leasing educational facilities owned by The Villages of Lake-Sumter, Inc. for operation by the Charter School for The Villages Charter Elementary, Middle, and High Schools. The restated lease agreement established an annual rent equal to 25 percent of the 1.5 mill tax based multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes, for the lease year. The initial lease term is for 18 years and ends on June 30, 2018.

- Lease Agreement – Charter School and The Villages of Lake-Sumter, Inc. The lease agreement between the Charter School and The Villages of Lake-Sumter, Inc., has a 60-month term with two automatic 60-month extensions that is structured based upon receipt of the rents paid by the District discussed above. Operating lease expenses were $811,119, for the 2012-13 fiscal year. The future scheduled rent payments, based upon the current fiscal year Local Capital Improvement tax levies remitted to the Charter School from the District are as follows:

Fiscal Year Ending June 30	Amount
2014	$ 811,119
2015	811,119
2016	811,119
2017	811,119
2018	811,119
2019-2022	2,433,357
Total Minimum Lease Payments	$ 6,488,952

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

V. MEMBERSHIP IN NONPROFIT CORPORTATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc. (Cooperative), established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by the 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, 2013, the accumulated credits to the District's account are $236,833.85. During the 2012-13 fiscal year, the District received $2,064.83 related to 2012 capital credits.

VI. SUBSEQUENT EVENTS

In August 2013, the District received proceeds from the issuance of a tax anticipation note (Note) totaling $2,450,000 to use for operating expenditures. In February 2014, the District repaid the Note at par plus interest of $10,290.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

SUMTER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 58,000.00	$ 58,000.00	$ 61,040.67	$ 3,040.67
Federal Through State and Local				-
State	12,998,552.00	13,423,135.17	13,456,147.41	33,012.24
Local:				
Property Taxes	37,025,905.00	37,025,905.00	37,268,648.02	242,743.02
Miscellaneous	517,200.00	571,203.58	936,296.19	365,092.61
Total Local Revenues	37,543,105.00	37,597,108.58	38,204,944.21	607,835.63
Total Revenues	50,599,657.00	51,078,243.75	51,722,132.29	643,888.54
Expenditures				
Current - Education:				
Instruction	42,116,367.33	43,385,080.04	41,338,875.89	2,046,204.15
Pupil Personnel Services	2,068,794.03	2,092,208.61	1,903,404.30	188,804.31
Instructional Media Services	705,953.82	725,104.69	676,650.36	48,454.33
Instruction and Curriculum Development Services	847,529.00	917,975.60	854,504.46	63,471.14
Instructional Staff Training Services	626,200.33	575,673.29	450,957.54	124,715.75
Instruction Related Technology	730,113.00	684,238.09	549,416.04	134,822.05
School Board	506,921.00	523,741.03	485,755.43	37,985.60
General Administration	447,360.00	466,972.69	449,815.03	17,157.66
School Administration	2,712,794.00	2,771,137.41	2,618,289.43	152,847.98
Facilities Acquisition and Construction	209,764.00	212,322.00	159,051.89	53,270.11
Fiscal Services	548,494.00	537,319.00	514,895.20	22,423.80
Food Services	5,040.00	8,706.41	8,441.41	265.00
Central Services	920,447.95	982,891.19	820,383.58	162,507.61
Pupil Transportation Services	3,197,758.37	3,180,247.19	2,879,425.28	300,821.91
Operation of Plant	3,939,823.77	3,896,229.91	3,568,689.25	327,540.66
Maintenance of Plant	2,077,794.59	2,081,053.46	1,400,111.05	680,942.41
Administrative Technology Services	599,953.00	678,291.44	646,270.54	32,020.90
Community Services	33,900.00	33,900.00		33,900.00
Fixed Capital Outlay:				
Other Capital Outlay		179,877.00	179,873.59	3.41
Debt Service:				
Interest and Fiscal Charges	50,000.00	50,000.00	34,233.19	15,766.81
Total Expenditures	62,345,008.19	63,982,969.05	59,539,043.46	4,443,925.59
Excess (Deficiency) of Revenues Over Expenditures	(11,745,351.19)	(12,904,725.30)	(7,816,911.17)	5,087,814.13
Other Financing Sources				
Transfers In	6,840,479.20	6,901,652.25	7,393,287.25	491,635.00
Proceeds from Sale of Capital Assets			172,640.00	172,640.00
Total Other Financing Sources	6,840,479.20	6,901,652.25	7,565,927.25	664,275.00
Net Change in Fund Balances	(4,904,871.99)	(6,003,073.05)	(250,983.92)	5,752,089.13
Fund Balances, Beginning	8,300,802.10	8,300,802.10	8,300,802.10	-
Fund Balances, Ending	$ 3,395,930.11	$ 2,297,729.05	$ 8,049,818.18	$ 5,752,089.13

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 70,462.97	$ 647,395.57	$ 274,549.60	$ (372,845.97)
70,462.97	647,395.57	274,549.60	(372,845.97)
	124,050.15	66,410.71	57,639.44
	14,800.00		14,800.00
	5,912.87		5,912.87
70,462.97	146,022.39	108,811.06	37,211.33
	188,690.00	44,040.00	144,650.00
	19,681.42	6,245.50	13,435.92
	12,000.00	810.50	11,189.50
	103,591.74	37,273.83	66,317.91
	21,689.00		21,689.00
	10,958.00	10,958.00	
70,462.97	647,395.57	274,549.60	372,845.97
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2006	$ 0	$ 10,436,711	$ 10,436,711	0.0%	$ 26,481,615	39.41%
June 30, 2010	0	11,157,073	11,157,073	0.0%	27,162,625	41.08%
June 30, 2012	0	10,203,244	10,203,244	0.0%	27,936,949	36.52%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

I. BUDGETARY BASIS OF ACCOUNTING

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	$ 695,200.54	$
National School Lunch Program	10.555 (2)	350	1,847,853.84	
Summer Food Service Program for Children	10.559	323	41,337.01	
Total United States Department of Agriculture			2,584,391.39	
United States Department of Education:				
Direct:				
Advanced Placement Program	84.330	N/A	270,098.00	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	262, 263	1,569,759.08	1,072.78
Special Education - Preschool Grants	84.173	266, 267	31,030.99	
Putnam County District School Board:				
Special Education - Grants to States	84.027 (3)	None	2,200.47	28.99
University of South Florida				
Special Education - Grants to States	84.027 (3)	None	1,186.61	
Orange County District School Board				
Special Education - Grants to States	84.027 (3)	None	17,654.01	
Total Special Education Cluster			1,621,831.16	1,101.77
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	118,603.00	
Title I Grants to Local Educational Agencies	84.010	212, 220, 226, 228	2,238,775.44	
Career and Technical Education - Basic Grants to States	84.048 (4)	161	75,479.00	5,000.00
Rural Education	84.358	110	58,879.77	
Voluntary Public School Choice	84.361	299	6,792.99	
English Language Acquisition Grants	84.365	102	43,273.25	
Improving Teacher Quality State Grants	84.367	224	322,735.43	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	274,549.60	22,700.00
Lake-Sumter Community College				
Career and Technical Education - Basic Grants to States	84.048 (4)	None	2,737.00	
Total Indirect			4,763,656.64	28,801.77
Total United States Department of Education			5,033,754.64	28,801.77
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	61,040.67	
Total Expenditures of Federal Awards			$ 7,679,186.70	$ 28,801.77

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

(2) Noncash Assistance - National School Lunch Program. Includes $105,825.83 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States, Expenditures total $1,590,800.17 for CFDA No. 84.027

(4) Career and Technical Education - Basic Grants to States, Expenditures total $78,216 for CFDA No. 84.048

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Sumter 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a

timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 24, 2014

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Sumter County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 24, 2014

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. In addition, FDOE procedures for reporting instructional hours stated that a student must have at least 12 hours of instructional activity in a program before the enrollment hours for the student can be reported.

For the 2012-13 fiscal year, the District reported to the FDOE 14,028 instructional contact hours for 101 students enrolled in 22 adult general education classes. Our review of 1,579 contact hours reported for 10 students enrolled in 15 adult general education classes disclosed 177 contact hours over-reported for 4 students in 6 classes, and 4 contact hours under-reported for 1 student in 1 class. These misreported hours occurred primarily because District personnel used incorrect student start and withdrawal dates. Given the number of errors, the full extent of the class hours misreported was not readily available.

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

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

Finding No. 2: Enterprise Resource Planning Software

Pursuant to State Board of Education rule 6A-1.012(14), Florida Administrative Code, the District may acquire information technology systems, such as enterprise resource planning (ERP) software, through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs determined by the Board. Good business practice dictates that selection and purchase of ERP software, such as for finance, human resources, payroll, and other software, include documented considerations of the software costs in relation to the

benefits of the software to specific user needs. Effective procurement procedures serve to increase public confidence in the procurement process.

District personnel indicated that the District formed an ERP software selection committee comprised of three information technology (IT) employees, three finance employees, the director of curriculum, and the director of human resources. To determine whether software used for finance, human resources, payroll, and other software and related services at other school districts may be appropriate for District use, District personnel also indicated that the selection committee surveyed 29 school districts by telephone and made visits to 3 school districts to determine the ERP software used, ease of conversion, how well the school district liked the software, and how the school districts resolved problems with the software. In addition, District personnel indicated that informal inquiries were made about other software costs with selected vendors, and selection committee members obtained further feedback from various other software users within the District.

District personnel further indicated, based on the information obtained by the selection committee over the course of a two and a half year period, the Board entered into a $658,370 contract (including a one-time cost of $340,490, services of $243,685, and annual license fee of $74,195) with an ERP software provider for finance, human resources, payroll, and other software and related services on May 21, 2013. In June 2013, the District made an initial payment of $333,593 for access to the training database during software installation and for pay server setup, installation, and conversion fees. The access allowed the District to test budget reports, payroll processing, accounts payable, and other processes to ensure the software functioned appropriately.

According to District personnel, the ERP software contract provisions were based on a contract that had been competitively negotiated by another school district, which was compatible to what the District already had and would enable the District to contact the other school district should questions or problems arise. While District records indicated that the two contracts had similar payment and deliverable schedules, the District's contract and related costs included teacher/student software for $192,578, a service fee of $55,750, and annual license and maintenance fees of $40,228 that were not included in the other school district's contract. Also, District records did not evidence a review of the other school district's competitive negotiation process to determine whether the process included obtaining cost estimates for the desired system components and functionalities, and whether the contract was cost-effective for the District.

While we were able to determine through review of the other school district's records that the other school district's competitive solicitation process was appropriate, our audit procedures cannot substitute for management's responsibility to make such a determination. In addition, the fact that the District's contract did not contain the same provisions as the other school district's contract negated the usefulness of the District relying on the other school district's competitive solicitation process. Given the complexities and costs of ERP systems, utilizing independently developed cost estimates for the desired system components and functionalities included in the District's contract would have provided more complete evidence upon which to negotiate for this procurement.

Recommendation: The District should enhance its procedures to ensure, for future ERP software purchases, that District records clearly demonstrate that such purchases are made at the lowest price consistent with desired quality.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2013-109.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

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
2013-109		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

SUMTER COUNTY SCHOOL BOARD

"Preparing the next generation today"

Richard A. Shirley
Superintendent of Schools

BOARD MEMBERS
Haydn L. Evans
District 1
Christine S. Norris
District 2
Linda J. Winchester
District 3
Kenneth P. Jones
District 4
Kathie L. Joiner
District 5

TELEPHONE
(352) 793-2315

Administration
Ext. 208 Fax 793-4180
Elementary Education
Ext. 206 Fax 793-4180
Secondary Education
Ext. 200 Fax 793-4180
Student Services
Ext. 211 Fax 793-4180
Federal Programs
Ext. 204 Fax 793-4180
Finance
Ext. 50234 Fax 793-4963
Personnel
Ext. 220 Fax 793-4963
Employee Benefits
Ext. 229 Fax 793-2096
Food Service
Ext. 238 Fax 793-4963
Human Resource
Ext. 221 Fax 793-4963
Data Processing
Ext. 241 Fax 793-4963
Exceptional Education
Ext. 259 Fax 793-1612
Library Media / Instructional Technology
Ext. 256 Fax 793-4377
Adult Education
793-5719 Fax 793-6508
Facilities
793-1281 Fax 793-9298
Warehouse
793-7906 Fax 793-9298
Transportation
793-5705 Fax 793-1083
The Villages Charter Schools
352-259-2350
Fax 352-259-3850

February 24, 2014

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

Re: Sumter County District School Board
Preliminary and Tentative Audit Findings
For Fiscal Year Ended June 30, 2013

Dear Mr. Martin:

This letter is intended as the Sumter County School District's response to the preliminary and tentative audit findings dated January 31, 2014, for the District's fiscal year ending June 30, 2013.

Finding No. 1: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

The district has enhanced procedures and review to ensure properly reporting of Adult Education instructional hours.

Finding No. 2: Controls over the enterprise resource software selection process and related payments could be enhanced.

The district will enhance its procedures for future ERP software purchases.

Please contact Deborah W. Smith at 352-793-2315 x 50246 if you have any questions.

Sincerely,

Richard A. Shirley
Superintendent

2680 West County Road 476 - Bushnell, Florida 33513
http://www.sumter.k12.fl.us