REPORT NO. 2015-132
MARCH 2015

SUMTER COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	District No.
Haydn L. Evans, Vice Chair from 11-19-13	1
Christine S. Norris, Chair to 11-18-13	2
Linda J. Winchester	3
Kenneth P. Jones	4
Kathie L. Joiner, Vice Chair to 11-18-13, Chair from 11-19-13	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 Eric Davis, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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 13

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 Fund 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 56

Schedule of Funding Progress – Other Postemployment Benefits Plan 58

Notes to Required Supplementary Information 59

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 60

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* 61

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 63

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 65

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS 70

EXHIBIT A MANAGEMENT'S RESPONSE 71

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: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in $32,965 of questioned costs.

Finding No. 2: The District needed to enhance its procedures to require verification of eligibility of all dependents participating in the District's health insurance plan.

Finding No. 3: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 4: The District could enhance its procedures to ensure that all students are offered the option of participating in a part-time VIP as required by law.

Finding No. 5: VIP provider contracts did not include all statutorily required and necessary provisions.

Finding No. 6: The District could enhance its procedures to ensure timely, written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on its major Federal program.

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 program; and**
- **Taken corrective actions for findings included in our report No. 2014-152.**

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2014. 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, 2014, 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 9 percent of the assets and 32 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, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. 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, 2014, 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.

Emphasis of Matter

As discussed in note II to the basic financial statements, the District adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which affects the comparability of amounts reported for the 2013-14 fiscal year with the amounts reported for the 2012-13 fiscal year. Our opinion is not modified with respect to this matter.

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 District'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
March 11, 2015

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, 2014. 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 2013-14 fiscal year are as follows:

- Overall, the District's total net position decreased by $1,127,244 (or 3 percent), due in part to an adjustment to beginning net position, totaling $351,154, which is discussed in note II to the financial statements. This may be compared to a decrease of $1,069,981 (or 2 percent) for the prior fiscal year.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by $43,080. 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 $250,984.

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 use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Federal Programs 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 and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. 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 $84,121,567 and $86,486,564 as of June 30, 2014, and 2013, respectively. The current ratio is 13.53:1 with current assets of $11,967,393 and current liabilities of $884,445. The assets not considered to be current assets for the purpose of computing the current ratio include capital credits receivable and cash and cash equivalents and investments restricted for capital improvements of $2,768,463 and for debt service of $289,769. The prior fiscal year current ratio was approximately 8.78:1 with current assets of $11,697,638 and current liabilities of $1,332,868.

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, 2014, compared to net position as of June 30, 2013:

Net Position, End of Year

	Governmental Activities	
	6-30-14	6-30-13
Current Assets	$ 11,967,393	$ 11,697,638
Other Assets	3,303,490	5,198,141
Capital Assets	68,850,684	69,590,785
Total Assets	84,121,567	86,486,564
Long-Term Liabilities	40,275,983	41,065,313
Other Liabilities	884,445	1,332,868
Total Liabilities	41,160,428	42,398,181
Net Position:		
Net Investment in Capital Assets	36,895,684	36,320,785
Restricted	6,316,400	7,040,602
Unrestricted (Deficit)	(250,945)	726,996
Total Net Position	$ 42,961,139	$ 44,088,383

The largest portion of the District's net position (86 percent) is 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 decreased by $740,101 from the prior fiscal year.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was due in part to accruing $4,183,633 in compensated absences payable, $3,514,822 in other postemployment benefit obligations, and the adjustment to beginning net position as discussed in note II to the financial statements.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	$ 432,086	$ 473,301
Operating Grants and Contributions	2,803,912	2,643,381
Capital Grants and Contributions	1,567,325	1,087,373
General Revenues:		
Property Taxes, Levied for Operational Purposes	41,574,160	37,268,648
Property Taxes, Levied for Capital Projects	10,680,657	11,221,469
Grants and Contributions Not Restricted to Specific Programs	19,424,343	18,770,629
Unrestricted Investment Earnings	88,238	144,066
Miscellaneous	768,751	994,919
Total Revenues	77,339,472	72,603,786
Functions/Program Expenses:		
Instruction	47,485,177	44,165,519
Student Personnel Services	2,366,762	2,465,937
Instructional Media Services	755,579	682,006
Instruction and Curriculum Development Services	2,334,574	1,811,916
Instructional Staff Training Services	1,274,682	1,153,687
Instruction Related Technology	742,114	603,133
Board of Education	506,093	489,753
General Administration	626,580	600,340
School Administration	2,694,044	2,744,995
Facilities Acquisition and Construction	1,131,109	566,249
Fiscal Services	572,390	531,042
Food Services	3,323,630	3,127,532
Central Services	1,004,787	873,491
Student Transportation Services	2,903,584	2,950,359
Operation of Plant	3,679,953	3,627,022
Maintenance of Plant	1,623,230	1,423,935
Administrative Technology Services	625,085	662,158
Community Services	3,854	
Unallocated Interest on Long-Term Debt	1,469,943	1,528,119
Unallocated Depreciation Expense	2,935,097	3,666,574
Loss on Disposal of Capital Assets	57,295	
Total Functions/Program Expenses	78,115,562	73,673,767
Change in Net Position	(776,090)	(1,069,981)
Net Position - Beginning	44,088,383	45,158,364
Adjustment to Beginning Net Position	(351,154)	
Net Position - Beginning, As Restated	43,737,229	45,158,364
Net Position - Ending	$ 42,961,139	$ 44,088,383

The largest revenue source is property tax revenue (68 percent). Property tax levied for operational purposes increased by $4,305,512, primarily due to an increase in taxable property value in the county.

Instruction expenses increased due to increased Charter School payments related to student growth. Instruction and curriculum development expenses increased due to increased salary and benefit cost. Facility costs increased due to infrastructure costs related to installation of a new telephone system.

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. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

At fiscal year end, the District's governmental funds reported combined ending fund balances of $11,868,034, a decrease of $510,459, 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, 2014, and June 30, 2013:

Fund Balance	2014	2013	Increase (Decrease)	Percentage Change
Major Governmental Funds				
General	$ 8,092,898	$ 8,049,818	$ 43,080	0.54%
Special Revenue - Other Federal Program	1,026		1,026	
Capital Projects - Local Capital Improvement	2,007,937	2,527,151	(519,214)	-20.55%
Other Governmental Funds (Nonmajor)	1,766,172	1,801,523	(35,351)	-1.96%
Total	$ 11,868,033	$ 12,378,492	$ (510,459)	-4.12%

Note: The above schedule does not include 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 $4,648,739, while the total fund balance is $8,092,898. 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 assigned and unassigned fund balances, totaling $5,110,865, are 9 percent of the total General Fund revenues, totaling $56,259,911, while total fund balance represents 14 percent of the total General Fund revenues.

During the current fiscal year, the total fund balance increased by $43,080. Revenues and other financing sources increased $4,277,335 from the prior fiscal year, while expenditures and other financing uses also increased $3,983,271.

The following schedule shows the changes in General Fund revenues and other financing sources in for fiscal years ended June 30, 2014 and June 30, 2013:

General Fund	2014	2013	Increase (Decrease)	Percentage Change
Revenues:				
Federal Revenues	$ 62,491	$ 61,041	$ 1,450	2.38%
State Revenues	13,773,244	13,456,147	317,097	2.36%
Property Taxes	41,574,160	37,268,648	4,305,512	11.55%
Other Local Revenue	850,016	936,296	(86,280)	-9.22%
Total	56,259,911	51,722,132	4,537,779	8.77%
Other Financing Sources:				
Transfers In	7,305,483	7,393,287	(87,804)	-1.19%
Other		172,640	(172,640)	-100.00%
Total	7,305,483	7,565,927	(260,444)	-3.44%
Total Revenues and Other Financing Sources	$63,565,394	$ 59,288,059	$ 4,277,335	7.21%

Property taxes increased primarily from increased property values, while State 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, 2014, and June 30, 2013:

General Fund	2014	2013	Increase (Decrease)	Percentage Change
Expenditures:				
Salaries	$ 28,212,288	$ 27,890,268	$ 322,020	1.15%
Employee Benefits	7,281,481	6,416,952	864,529	13.47%
Purchased Services	22,982,361	20,086,530	2,895,831	14.42%
Energy Services	1,695,451	1,670,659	24,792	1.48%
Materials & Supplies	1,319,227	1,496,428	-177,201	-11.84%
Capital Outlay	1,432,092	1,418,026	14,066	0.99%
Other	599,415	560,181	39,234	7.00%
Total Expenditures	$ 63,522,315	$ 59,539,044	$ 3,983,271	6.69%

The increase in employee benefits was due to an increase in the Florida Retirement System employer contribution rates. The increase in purchased services was due to increased distributions to the Charter School related to student growth and increased lease payments. The District is using more digital instructional materials, as opposed to conventional textbooks, resulting in a decrease in materials and supplies. Other expenditures were generally consistent with the prior fiscal year.

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of $5,056,247 each. The resources in this fund were mainly used for instructional and instructional support expenditures. Because grant revenues in this fund are generally not recognized until expenditures are incurred, this fund generally does not accumulate a significant fund balance.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of $318,844 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 has decreased substantially over the past few years due to a reduction of Federal Stimulus program funding.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $2,007,937, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by $519,214 because of reduced property taxes levied for capital projects. It should be noted that $359,981 is encumbered for specific projects.

Proprietary Funds

The internal service funds account for the District's workers' compensation and health self-insurance programs. Unrestricted net position of the internal service funds total $1,650,618 at June 30, 2014, decreasing $331,672 from June 30, 2013, as a result of a conscious decision by the District to use reserves, due to the budgetary restraints on the General Fund, for both health insurance and workers' compensation.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 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 $2,446,344. However, the District's actual expenditures are $4,967,691 below the final budgeted expenditure amount. Each fiscal year, the District budgets in full all funds available for categorical and restricted purposes, even though the full amount may not be spent and significant unexpended portions may be carried over to 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, 2014, is $68,850,684 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles.

- During the 2013-2014 fiscal year the District completed construction of South Sumter High School PE Facilities at a cost of $1,475,691.
- The District completed parking lot and track projects at a cost of $742,213.
- The District also completed miscellaneous remodeling projects at a cost of $781,740.
- Other construction projects in progress include miscellaneous parking lot and track projects with a total of $12,904 spent as of June 30, 2014.

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

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of $31,955,000 comprised of $3,850,000 of bonds and $28,105,000 of certificates of participation. During the current fiscal year, retirement of debt was $1,315,000.

State School Bonds outstanding at June 30, 2014, accounted for $400,000 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 III.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, 2014

	Primary Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 14,034,018.60	$ 260,814.00
Investments	85,168.38	
Accounts Receivable	34,072.47	181,120.00
Due from Other Agencies	395,678.48	141,672.00
Prepaid Items		2,606.00
Inventories	476,687.01	14,880.00
Capital Credits Receivable	245,258.17	
Capital Assets:		
Nondepreciable Capital Assets	2,056,159.94	
Depreciable Capital Assets, Net	66,794,524.12	1,409,969.00
TOTAL ASSETS	84,121,567.17	2,011,061.00
LIABILITIES		
Salaries and Benefits Payable	120,846.25	
Accounts Payable	433,050.10	1,055,111.00
Deposits Payable	1,288.67	
Advanced Revenue	329,260.13	176,357.00
Estimated Insurance Claims Payable		449,168.00
Long-Term Liabilities:		
Portion Due Within One Year	1,930,000.00	
Portion Due After One Year	38,345,983.43	
TOTAL LIABILITIES	41,160,428.58	1,680,636.00
NET POSITION		
Net Investment in Capital Assets	36,895,684.06	1,409,969.00
Restricted for:		
Federal Required Carryover Programs	1,026.38	
State Required Carryover Programs	2,541,263.71	
Debt Service	289,769.09	
Capital Projects	3,006,336.17	
Food Service	478,004.04	
Unrestricted	(250,944.86)	(1,079,544.00)
TOTAL NET POSITION	$ 42,961,138.59	$ 330,425.00

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

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	$ 47,485,176.92	$ 28,196.45	$	$
Student Personnel Services	2,366,762.00			
Instructional Media Services	755,578.68			
Instruction and Curriculum Development Services	2,334,573.73			
Instructional Staff Training Services	1,274,681.79			
Instruction Related Technology	742,113.55			
School Board	506,093.42			
General Administration	626,579.92			
School Administration	2,694,044.27			
Facilities Acquisition and Construction	1,131,109.24			1,398,656.08
Fiscal Services	572,389.69			
Food Services	3,323,630.44	379,906.93	2,803,911.71	
Central Services	1,004,786.76			
Student Transportation Services	2,903,584.07	23,982.59		
Operation of Plant	3,679,952.83			
Maintenance of Plant	1,623,230.36			
Administrative Technology Services	625,085.24			
Community Services	3,854.00			
Unallocated Interest on Long-Term Debt	1,469,943.22			168,669.02
Unallocated Depreciation Expense	2,935,096.61			
Loss on Disposal of Capital Assets	57,294.75			
Total Primary Government	78,115,561.49	432,085.97	2,803,911.71	1,567,325.10
Component Unit				
The Villages Charter School, Inc.	$ 26,028,227.00	$ 4,610,772.00	$ 580,928.00	$ 1,284,513.00
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				
Adjustment to Beginning Net Position				
Net Position - Beginning, As Restated				
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
Governmental Activities	Unit
$ (47,456,980.47)	$
(2,366,762.00)	
(755,578.68)	
(2,334,573.73)	
(1,274,681.79)	
(742,113.55)	
(506,093.42)	
(626,579.92)	
(2,694,044.27)	
267,546.84	
(572,389.69)	
(139,811.80)	
(1,004,786.76)	
(2,879,601.48)	
(3,679,952.83)	
(1,623,230.36)	
(625,085.24)	
(3,854.00)	
(1,301,274.20)	
(2,935,096.61)	
(57,294.75)	
(73,312,238.71)	
	(19,552,014.00)
41,574,160.17	
10,680,657.12	
19,424,342.68	19,297,219.00
88,237.96	
768,750.50	196,318.00
72,536,148.43	19,493,537.00
(776,090.28)	(58,477.00)
44,088,382.97	388,902.00
(351,154.10)	
43,737,228.87	388,902.00
$ 42,961,138.59	$ 330,425.00

SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 8,028,365.19	$	$
Investments			
Accounts Receivable	9,976.98		
Due from Other Funds			
Due from Other Agencies	210,874.80	113,982.83	51,703.52
Inventories	440,769.41		
TOTAL ASSETS	8,689,986.38	113,982.83	51,703.52
LIABILITIES & FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 64,057.90	$ 50,028.35	$
Accounts Payable	358,185.76	12,208.92	2,627.38
Due to Other Funds	174,844.69	50,719.18	49,076.14
Deposits Payable			
Total Liabilities	597,088.35	112,956.45	51,703.52
Fund Balances:			
Nonspendable:			
Inventories	440,769.41		
Restricted for:			
Federal Required Carryover Programs		1,026.38	
State Required Carryover Programs	2,541,263.71		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	2,541,263.71	1,026.38	
Assigned for:			
Budgetary Carryforwards	462,125.96		
Unassigned Fund Balance	4,648,738.95		
Total Fund Balances	8,092,898.03	1,026.38	
TOTAL LIABILITIES AND FUND BALANCES	$ 8,689,986.38	$ 113,982.83	$ 51,703.52

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 1,770,064.19	$ 1,663,579.06	$ 11,462,008.44
	76,345.68	76,345.68
		9,976.98
282,359.03		282,359.03
2,424.54	16,692.79	395,678.48
	35,917.60	476,687.01
2,054,847.76	1,792,535.13	12,703,055.62
$	$ 6,760.00	$ 120,846.25
46,910.29	10,595.61	430,527.96
	7,719.02	282,359.03
	1,288.67	1,288.67
46,910.29	26,363.30	835,021.91
	35,917.60	476,687.01
		1,026.38
		2,541,263.71
	289,769.09	289,769.09
2,007,937.47	998,398.70	3,006,336.17
	442,086.44	442,086.44
2,007,937.47	1,730,254.23	6,280,481.79
		462,125.96
		4,648,738.95
2,007,937.47	1,766,171.83	11,868,033.71
$ 2,054,847.76	$ 1,792,535.13	$ 12,703,055.62

SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 11,868,033.71
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.		68,850,684.06
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.		245,258.17
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.		1,650,618.08
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	$ 3,850,000.00	
Certificates of Participation Payable	28,105,000.00	
Compensated Absences Payable	4,183,633.43	
Other Postemployment Benefits Payable	3,514,822.00	(39,653,455.43)
Net Position - Governmental Activities		$ 42,961,138.59

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

THIS PAGE INTENTIONALLY LEFT BLANK.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 62,490.94	$ 156,398.16	$
Federal Through State and Local		4,894,337.27	318,843.97
State	13,773,244.18		
Local:			
Property Taxes	41,574,160.17		
Charges for Services - Food Service			
Miscellaneous	850,016.01	5,511.94	
Total Local Revenues	42,424,176.18	5,511.94	
Total Revenues	56,259,911.30	5,056,247.37	318,843.97
Expenditures			
Current - Education:			
Instruction	44,768,870.04	2,279,034.50	47,082.41
Student Personnel Services	1,943,740.09	418,218.77	
Instructional Media Services	778,864.57		
Instruction and Curriculum Development Services	975,170.65	1,179,406.15	9,881.82
Instructional Staff Training Services	483,696.15	726,480.34	62,218.49
Instruction Related Technology	600,825.06		128,209.90
School Board	501,786.97		
General Administration	492,400.30	122,485.30	5,991.53
School Administration	2,613,454.15	86,791.35	12,872.39
Facilities Acquisition and Construction	298,578.45		
Fiscal Services	545,724.63		
Food Services	6,178.67		
Central Services	752,482.22	195,438.16	38,321.23
Student Transportation Services	2,808,551.94	11,794.42	
Operation of Plant	3,562,643.83	35,503.38	
Maintenance of Plant	1,596,502.73		
Administrative Technology Services	631,267.76		
Community Services	3,854.00		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	127,988.92	1,095.00	14,266.20
Debt Service:			
Principal			
Interest and Fiscal Charges	29,733.56		
Total Expenditures	63,522,314.69	5,056,247.37	318,843.97
Excess (Deficiency) of Revenues Over Expenditures	(7,262,403.39)		
Other Financing Sources (Uses)			
Transfers In	7,305,483.24		
Transfers Out			
Total Other Financing Sources (Uses)	7,305,483.24		
Net Change in Fund Balances	43,079.85		
Fund Balances, Beginning	8,049,818.18	1,026.38	
Fund Balances, Ending	$ 8,092,898.03	$ 1,026.38	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 218,889.10
	2,748,489.54	7,961,670.78
	1,841,551.26	15,614,795.44
10,680,657.12		52,254,817.29
	379,906.93	379,906.93
11,524.19	21,622.90	888,675.04
10,692,181.31	401,529.83	53,523,399.26
10,692,181.31	4,991,570.63	77,318,754.58
		47,094,986.95
		2,361,958.86
		778,864.57
		2,164,458.62
		1,272,394.98
		729,034.96
		501,786.97
		620,877.13
		2,713,117.89
837,197.08		1,135,775.53
		545,724.63
	3,232,210.20	3,238,388.87
		986,241.61
		2,820,346.36
		3,598,147.21
		1,596,502.73
		631,267.76
		3,854.00
1,370,841.13		1,370,841.13
715,621.00	20,728.30	879,699.42
	1,315,000.00	1,315,000.00
	1,440,209.66	1,469,943.22
2,923,659.21	6,008,148.16	77,829,213.40
7,768,522.10	(1,016,577.53)	(510,458.82)
	2,266,765.36	9,572,248.60
(8,287,735.60)	(1,284,513.00)	(9,572,248.60)
(8,287,735.60)	982,252.36	
(519,213.50)	(34,325.17)	(510,458.82)
2,527,150.97	1,800,497.00	12,378,492.53
$ 2,007,937.47	$ 1,766,171.83	$ 11,868,033.71

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, 2014

Net Change in Fund Balances - Governmental Funds		$ (510,458.82)
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 depreciation expense in excess of capital outlays in the current fiscal year.		(682,806.06)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(57,294.75)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.		(15,370.42)
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 exceeded proceeds in the current fiscal year.		
Bond Principal Payments	$ 215,000.00	
Certificate of Participation Payments	1,100,000.00	1,315,000.00
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, 2014	$ 245,258.17	
Capital Credits Receivable, June 30, 2013	236,833.85	8,424.32
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.		(501,913.00)
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.		(331,671.55)
Change in Net Position - Governmental Activities		$ (776,090.28)

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, 2014

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	2,572,010.16
Accounts Receivable		24,095.49
Total Current Assets		2,596,105.65
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund		8,822.70
TOTAL ASSETS		2,604,928.35
LIABILITIES		
Current Liabilities:		
Accounts Payable		2,522.14
Advanced Revenue		329,260.13
Estimated Insurance Claims Payable		150,000.00
Total Current Liabilities		481,782.27
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		472,528.00
Total Liabilities		954,310.27
NET POSITION		
Unrestricted	$	1,650,618.08

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 FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Premium Revenues	$	5,351,371.11
Other Operating Revenues		1,694.10
Total Operating Revenues		5,353,065.21
OPERATING EXPENSES		
Salaries		14,255.93
Employee Benefits		3,047.06
Purchased Services		105,338.54
Insurance Claims		83,378.06
Insurance Premiums		5,489,259.48
Total Operating Expenses		5,695,279.07
Operating Loss		(342,213.86)
NONOPERATING REVENUES		
Interest Revenue		8,938.31
Net Increase in Fair Market Value of Investments		1,604.00
Total Nonoperating Revenues		10,542.31
Change in Net Position		(331,671.55)
Total Net Position - Beginning		1,982,289.63
Total Net Position - Ending	$	1,650,618.08

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, 2014

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 5,376,034.09
Cash Payments to Suppliers for Goods and Services	(102,816.40)
Cash Payments to Employees for Services	(17,302.99)
Cash Payments for Insurance Claims	(74,991.06)
Cash Payments for Premiums and Other Fees	(5,489,259.48)
Net Cash Used by Operating Activities	(308,335.84)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Repayment of Interfund Loan	2,277,524.57
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	15,773.23
Interest Income	8,938.31
Net Cash Provided by Investing Activities	24,711.54
Net Increase in Cash and Cash Equivalents	1,993,900.27
Cash and Cash Equivalents, Beginning	578,109.89
Cash and Cash Equivalents, Ending	$ 2,572,010.16
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (342,213.86)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	(24,095.49)
Due from Other Agencies	35,316.34
Salaries and Benefits Payable	(317,512.10)
Accounts Payable	2,522.14
Advanced Revenues	329,260.13
Estimated Insurance Claims Payable	8,387.00
Total Adjustments	33,878.02
Net Cash Used by Operating Activities	$ (308,335.84)
Noncash Investing, Capital, and Financing Activities	
Change in Fair Value of Investments	$ 1,604.00

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, 2014

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 458,689.00
LIABILITIES	
Internal Accounts Payable	$ 458,689.00

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 separate 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. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are 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 III.I.1. Due to the substantive economic relationship between the District and the

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the 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 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, 2014. 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.

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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- 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 fiscal 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.

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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 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 and 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. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. 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.

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.

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:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Estimated Lives
Leasehold Improvements	15 - 40 years
Buildings	39 years
Furniture, Fixtures, 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 are 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.

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 Assumption

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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014.

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.

The Board authorized the finance director to assign existing fund balance to eliminate a projected budgetary deficit in the 2014-15 fiscal year in the amount equal to the projected excess of appropriations over expected revenues. The District's approved budget for the 2014-15 fiscal year reflects a budget shortfall expected to be paid from the ending fund balance in these financial statements, of which $462,125.96 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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 fiscal 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 fiscal 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.

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 2013 tax levy on September 3, 2013. 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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 65. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective for the 2013-14 fiscal year. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources and deferred inflows of resources, certain items previously reported as assets and liabilities, respectively. Additionally, GASB Statement No. 65 establishes that debt issuance costs previously reported as an asset should be expensed in the fiscal year incurred. As such, the District decreased the beginning net position by $351,154.10 to $43,737,228.87 in the statement of activities for debt issuance costs, previously reported as an asset. This reporting change affects the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year.

III. 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 the District. 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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1) (2)	40 Day Average	$ 238,600.54
Fund B (2)	2.86 Year Average	74,421.87
Debt Service Accounts	6 Months	10,746.51
Total Investments		$ 323,768.92

Notes: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.
(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 $18,053.95 and Fund B $65,599.17.

- 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, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all 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, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Credit Risk

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

  The District's investment policy limits investments to 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.

- 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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

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	$ 2,043,256.42	$	$	$ 2,043,256.42
Construction in Progress	1,641,706.79	1,370,841.13	2,999,644.40	12,903.52
Total Capital Assets Not Being Depreciated	3,684,963.21	1,370,841.13	2,999,644.40	2,056,159.94
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,678,834.81	742,212.82		3,421,047.63
Buildings and Fixed Equipment	91,707,677.52	2,257,431.58	929,601.83	93,035,507.27
Furniture, Fixtures, and Equipment	4,255,686.27	165,828.42	162,003.18	4,259,511.51
Motor Vehicles	5,905,458.91	715,621.00	139,787.17	6,481,292.74
Total Capital Assets Being Depreciated	104,547,657.51	3,881,093.82	1,231,392.18	107,197,359.15
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,227,989.35	187,863.02		1,415,852.37
Buildings and Fixed Equipment	29,211,973.44	2,230,608.66	879,790.63	30,562,791.47
Furniture, Fixtures, and Equipment	3,575,470.23	197,584.61	161,027.63	3,612,027.21
Motor Vehicles	4,626,402.83	319,040.32	133,279.17	4,812,163.98
Total Accumulated Depreciation	38,641,835.85	2,935,096.61	1,174,097.43	40,402,835.03
Total Capital Assets Being Depreciated, Net	65,905,821.66	945,997.21	57,294.75	66,794,524.12
Governmental Activities Capital Assets, Net	$ 69,590,784.87	$ 2,316,838.34	$ 3,056,939.15	$ 68,850,684.06

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled $2,935,096.61, was reported as unallocated on the Statement of Activities.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

MAJOR COMPONENT UNIT	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Being Depreciated:				
Leasehold Improvements	$ 143,983	$ 101,783	$	$ 245,766
Buildings	425,457			425,457
Furniture and Equipment	1,841,124	253,907	144,633	1,950,398
Library Books	768,896	7,521		776,417
Infrastructure	47,452			47,452
Motor Vehicles	69,042	57,995		127,037
Total Capital Assets Being Depreciated	3,295,954	421,206	144,633	3,572,527
Less Accumulated Depreciation for:				
Leasehold Improvements	23,686	6,626		30,312
Buildings	78,601	10,909		89,510
Furniture and Equipment	1,260,499	160,496	144,633	1,276,362
Library Books	695,512	11,588		707,100
Infrastructure	7,128	3,065		10,193
Motor Vehicles	34,269	14,812		49,081
Total Accumulated Depreciation	2,099,695	207,496	144,633	2,162,558
Major Component Unit Capital Assets, Net	$ 1,196,259	$ 213,710	$ 0	$ 1,409,969

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, 2014

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 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $1,978,231.10, $2,166,435.78, and $2,854,037.48 respectively, which were equal to the required contributions for each fiscal year.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

There were 124 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $480,375.97, which was equal to the required contribution for the 2013-14 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, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

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, dental, vision, 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 2013-14 fiscal year, 181 retirees received other postemployment benefits. The District provided required contributions of $321,405 toward the annual OPEB cost, net of retiree contributions totaling $464,712, which represents 1.45 percent of covered payroll.

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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)	$ 383,289
Amortization of Unfunded Actuarial Accrued Liability	517,627
Annual Required Contribution	900,916
Interest on Net OPEB Obligation	90,387
Adjustment to Annual Required Contribution	(167,985)
Annual OPEB Cost (Expense)	823,318
Contribution Toward the OPEB Cost	(321,405)
Increase in Net OPEB Obligation	501,913
Net OPEB Obligation, Beginning of Year	3,012,909
Net OPEB Obligation, End of Year	$ 3,514,822

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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 865,651	39.51%	$2,498,967
2012-13	873,063	41.13%	3,012,909
2013-14	823,318	39.04%	3,514,822

Funded Status and Funding Progress. As of June 30, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $9,283,925, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $9,283,925 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $31,995,583, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 29.02 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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014, used the projected unit credit cost method to estimate the unfunded actuarial liability as of June 30, 2014, and the District's 2013-14 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 5.4 percent for the 2014 calendar year, changing by various decrements, to an ultimate rate of 4.35 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, 2014, was 25 years.

F. Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2014:

Major Funds		
General	Capital Projects - Local Capital Improvement	Total Governmental Funds
$479,037.17	$359,981.05	$ 839,018.22

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

administrator to administer this self-insurance program, 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 $593,260 (discounted at 1 percent) and $622,528 (undiscounted) was actuarially determined to cover estimated incurred, but not reported, workers' compensation claims payable at June 30, 2014. The District elected to use the most conservative approach to record the liability, using the undiscounted actuarial computation.

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
2012-13	$ 705,845.00	$ 143,313.75	$(235,017.75)	$614,141.00
2013-14	614,141.00	83,378.06	(74,991.06)	622,528.00

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	$ 2,450,000	$ 2,450,000	$ 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 2013-14 fiscal year operating budget.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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
- 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 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
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	2,341,402.50	1,355,000.00	986,402.50
2020-2024	11,732,193.89	7,715,000.00	4,017,193.89
2025-2029	11,784,253.38	9,610,000.00	2,174,253.38
2030-2031	4,736,709.00	4,525,000.00	211,709.00
Total Minimum Lease Payments	$ 39,969,725.27	$ 28,105,000.00	$ 11,864,725.27

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

2. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	$ 305,000	5.0	2016
Series 2005B, Refunding	95,000	5.0	2018
District Revenue Bonds:			
Series 2011, Refunding	3,450,000	2.375-4.75	2042
Total Bonds Payable	$ 3,850,000		

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 the Pari-mutuel 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 were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2013)). 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 $6,092,203.23 of pari-mutuel tax revenues in connection with the 2011 District Revenue Bonds, described above. During the 2013-14 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended $222,525.01 (99 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, 2014, are as follows:

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	437,250.00	400,000.00	37,250.00
District Revenue Bonds:			
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	220,231.26	80,000.00	140,231.26
2020-2024	1,094,371.92	440,000.00	654,371.92
2025-2029	1,089,000.01	535,000.00	554,000.01
2030-2034	1,086,406.25	665,000.00	421,406.25
2035-2039	1,080,693.75	835,000.00	245,693.75
2040-2042	643,700.00	600,000.00	43,700.00
Total District Revenue Bonds	6,092,203.23	3,450,000.00	2,642,203.23
Total	$ 6,529,453.23	$ 3,850,000.00	$ 2,679,453.23

3. Defeased Debt

In prior fiscal 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, 2014, $980,000 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 fiscal 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, 2014, $2,095,000 of outstanding Bonds, Series 1998, are considered defeased in substance.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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	$ 4,065,000.00	$	$ 215,000.00	$ 3,850,000.00	$ 230,000.00
Certificates of Participation Payable	29,205,000.00		1,100,000.00	28,105,000.00	1,150,000.00
Compensated Absences Payable	4,168,263.01	400,129.21	384,758.79	4,183,633.43	400,000.00
Estimated Insurance Payable	614,141.00	83,378.06	74,991.06	622,528.00	150,000.00
Other Postemployment Benefits Payable	3,012,909.00	823,318.00	321,405.00	3,514,822.00	
Total Governmental Activities	$41,065,313.01	$1,306,825.27	$2,096,154.85	$40,275,983.43	$1,930,000.00

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 internal service funds, as discussed in note III.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.

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

K. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$	$ 174,844.69
Special Revenue:		
Other Federal Programs		50,719.18
Federal Economic Stimulus		49,076.14
Capital Projects:		
Local Capital Improvement	282,359.03	
Nonmajor Governmental		7,719.02
Total	$ 282,359.03	$ 282,359.03

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

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 2013-14 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	$ 8,638,323.00
Florida Education Finance Program	3,911,770.00
Charter School Capital Outlay Funding	1,284,513.00
Voluntry Prekindergarten Program	508,527.97
School Recognition	366,259.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	282,812.10
Workforce Development Program	130,550.00
Discretionary Lottery Funds	75,685.00
Food Service Supplement	55,198.00
Mobile Home License Tax	47,803.11
Miscellaneous	313,354.26
Total	$ 15,614,795.44

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.310	$ 36,769,993.17
Basic Discretionary Local Effort	0.748	6,381,254.50
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.299	11,081,884.48
Total	6.357	$ 54,233,132.15

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	$7,305,483.24	$
Capital Projects:		
Local Capital Improvement		8,287,735.60
Nonmajor Governmental	2,266,765.36	1,284,513.00
Total	$9,572,248.60	$ 9,572,248.60

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, 2014

IV. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2013-14 fiscal year:

	Total	Workers' Compensation Insurance	Health/Dental/ Vision Insurance
Total Assets	$2,604,928.35	$ 2,237,539.36	$ 367,388.99
Liabilities and Net Position:			
Accounts Payable	$ 2,522.14	$ 2,522.14	$
Advanced Revenue	329,260.13		329,260.13
Estimated Insurance Claims Payable	622,528.00	622,528.00	
Net Position:			
Unrestricted Net Position	1,650,618.08	1,612,489.22	38,128.86
Total Liabilities and Net Position	$2,604,928.35	$ 2,237,539.36	$ 367,388.99
Revenues:			
Premium Revenues	$5,351,371.11	$ 54,424.44	$ 5,296,946.67
Other Operating Revenues	1,694.10		1,694.10
Interest Revenues	10,542.31	10,388.43	153.88
Total Revenues	5,363,607.52	64,812.87	5,298,794.65
Total Expenses	(5,695,279.07)	(206,019.59)	(5,489,259.48)
Transfers In (Out)		(126,381.00)	126,381.00
Change in Net Position	$ (331,671.55)	$ (267,587.72)	$ (64,083.83)

V. JOINT VENTURES 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 State 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. The joint venture and lease agreements are discussed below:

- 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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 July 1, 2013, 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 27 percent of the 1.5 mill tax base multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes, for the 2013-14 lease year increasing by 2 percent annually to an ultimate rate of 33 percent in the 2016-17 lease year. The restated lease term is for 15 years and ends on June 30, 2028.

- 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 $1,284,513, for the 2013-14 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
2015	$ 1,284,513
2016	1,284,513
2017	1,284,513
2018	1,284,513
2019	1,284,513
2020-2022	2,569,026
Total Minimum Payments Required	$ 8,991,591

VI. MEMBERSHIP IN NONPROFIT CORPORATION

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2014, the accumulated credits to the District's account are $245,258.17. During the 2013-14 fiscal year, the District received $2,141.16 related to 2013 capital credits.

VII. SUBSEQUENT EVENTS

In August 2014, the District received proceeds from the issuance of a tax anticipation note (Note) totaling $3,000,000 to use for operating expenditures. In February 2015, the District repaid the Note at par plus interest of $14,150.

THIS PAGE INTENTIONALLY LEFT BLANK.

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, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 58,000.00	$ 58,000.00	$ 62,490.94	$ 4,490.94
Federal Through State and Local				
State	13,499,395.00	13,640,029.26	13,773,244.18	133,214.92
Local:				
Property Taxes	41,248,151.00	41,248,151.00	41,574,160.17	326,009.17
Miscellaneous	635,107.00	685,803.70	850,016.01	164,212.31
Total Local Revenues	41,883,258.00	41,933,954.70	42,424,176.18	490,221.48
Total Revenues	55,440,653.00	55,631,983.96	56,259,911.30	627,927.34
Expenditures				
Current - Education:				
Instruction	45,588,548.26	47,774,421.51	44,768,870.04	3,005,551.47
Student Personnel Services	2,123,669.18	2,130,554.42	1,943,740.09	186,814.33
Instructional Media Services	740,598.32	805,297.66	778,864.57	26,433.09
Instruction and Curriculum Development Services	985,501.00	1,003,413.62	975,170.65	28,242.97
Instructional Staff Training Services	510,973.21	585,940.25	483,696.15	102,244.10
Instruction Related Technology	740,603.97	691,073.99	600,825.06	90,248.93
School Board	560,508.00	557,968.00	501,786.97	56,181.03
General Administration	508,042.00	507,660.79	492,400.30	15,260.49
School Administration	2,684,675.70	2,672,227.17	2,613,454.15	58,773.02
Facilities Acquisition and Construction	368,160.00	372,104.82	298,578.45	73,526.37
Fiscal Services	556,230.00	570,903.35	545,724.63	25,178.72
Food Services	8,481.00	9,084.60	6,178.67	2,905.93
Central Services	961,824.80	951,874.07	752,482.22	199,391.85
Student Transportation Services	3,089,549.00	3,087,321.50	2,808,551.94	278,769.56
Operation of Plant	3,889,294.08	3,924,387.08	3,562,643.83	361,743.25
Maintenance of Plant	1,946,739.00	1,877,642.34	1,596,502.73	281,139.61
Administrative Technology Services	713,064.00	716,424.55	631,267.76	85,156.79
Community Services	30,200.00	39,717.25	3,854.00	35,863.25
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		174,988.71	127,988.92	46,999.79
Debt Service:				
Principal				
Interest and Fiscal Charges	37,000.00	37,000.00	29,733.56	7,266.44
Total Expenditures	66,043,661.52	68,490,005.68	63,522,314.69	4,967,690.99
Deficiency of Revenues Over Expenditures	(10,603,008.52)	(12,858,021.72)	(7,262,403.39)	5,595,618.33
Other Financing Sources				
Transfers In	6,660,013.81	6,660,013.81	7,305,483.24	645,469.43
Net Change in Fund Balances	(3,942,994.71)	(6,198,007.91)	43,079.85	6,241,087.76
Fund Balances, Beginning	8,049,818.18	8,049,818.18	8,049,818.18	
Fund Balances, Ending	$ 4,106,823.47	$ 1,851,810.27	$ 8,092,898.03	$ 6,241,087.76

Special Revenue - Other Federal Programs Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 189,351.58	$ 156,398.16	$ (32,953.42)	$	$	$	$
4,923,545.00	5,341,126.01	4,894,337.27	(446,788.74)	23,052.43	372,845.97	318,843.97	(54,002.00)
	5,511.94	5,511.94					
	5,511.94	5,511.94					
4,923,545.00	5,535,989.53	5,056,247.37	(479,742.16)	23,052.43	372,845.97	318,843.97	(54,002.00)
2,221,316.02	2,538,673.91	2,279,034.50	259,639.41		47,082.41	47,082.41	
513,730.00	479,015.62	418,218.77	60,796.85				
1,163,738.00	1,244,175.90	1,179,406.15	64,769.75		9,881.82	9,881.82	
730,666.01	802,009.47	726,480.34	75,529.13	23,052.43	62,433.01	62,218.49	214.52
					181,862.15	128,209.90	53,652.25
122,551.34	122,551.34	122,485.30	66.04		5,991.53	5,991.53	
87,556.00	87,565.67	86,791.35	774.32		12,872.39	12,872.39	
500.00	500.00		500.00				
32,395.63	200,268.52	195,438.16	4,830.36		38,456.46	38,321.23	135.23
18,542.00	24,630.72	11,794.42	12,836.30				
32,550.00	35,503.38	35,503.38					
	1,095.00	1,095.00			14,266.20	14,266.20	
4,923,545.00	5,535,989.53	5,056,247.37	479,742.16	23,052.43	372,845.97	318,843.97	54,002.00
1,026.38	1,026.38	1,026.38					
$ 1,026.38	$ 1,026.38	$ 1,026.38	$ 0.00	$ 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]
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%
June 30, 2014	0	9,283,925	9,283,925	0.0%	31,995,583	29.02%

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, 2014

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student 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.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The June 30, 2014, unfunded actuarial accrued liability of $9,283,925 was significantly lower than the June 30, 2012, liability of $10,203,244 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of enrolled retirees decreased from 64 in the June 30, 2012, valuation to 56 in the June 30, 2014, valuation. Conversely, the number of active employees was not expected to increase in the previous valuation; however, the number increased from 503 to 556 in the current valuation.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to be 4 percent in the first year, increasing by various increments to 6.1 percent in calendar year 2016, then decreasing by various decrements to an ultimate rate of 4.24 percent after the 2085 calendar year. In the current valuation, the trend is assumed to be 5.4 percent for the 2014 calendar year, changing by various decrements, to an ultimate rate of 4.35 percent after the 2085 calendar year.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	$ 707,684.27	$
National School Lunch Program	10.555 (2)	13001, 13003	2,007,245.78	
Summer Food Service Program for Children	10.559	13006, 13007	33,559.49	
Total United States Department of Agriculture			2,748,489.54	
United States Department of Education:				
Direct:				
Advanced Placement Program	84.330	N/A	156,398.16	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	1,694,343.37	
Special Education - Preschool Grants	84.173	267	31,480.90	
Total Special Education Cluster			1,725,824.27	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	142,730.00	
Title I Grants to Local Educational Agencies	84.010	212	2,500,439.63	
Career and Technical Education - Basic Grants to States	84.048 (3)	161	70,424.00	4,982.14
English Language Acquisition State Grants	84.365	102	42,206.80	
Improving Teacher Quality State Grants	84.367	224	408,582.66	24,809.35
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RL111,RG411, RG311,RD211	318,843.97	7,143.89
Putnam County District School Board:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	2,267.91	
Lake-Sumter Community College:				
Career and Technical Education - Basic Grants to States	84.048 (3)	None	1,862.00	
Total Indirect			5,213,181.24	36,935.38
Total United States Department of Education			5,369,579.40	36,935.38
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	62,490.94	
Total Expenditures of Federal Awards			$ 8,180,559.88	$ 36,935.38

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 $190,042.55 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Career and Technical Education - Basic Grants to States. Expenditures total $72,286 for CFDA No. 84.048.

(4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Expenditures total $321,111.88 for CFDA No. 84.395.

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2015, 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 District'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 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
March 11, 2015

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 ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for the 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 the District's major Federal program for the fiscal year ended June 30, 2014. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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 the District's major Federal program 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on 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 its major Federal program for the fiscal year ended June 30, 2014.

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 the District's major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the District's 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
March 11, 2015

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 program:	
CFDA Number: 84.010	Name of Federal Program or Cluster: Title I Grants to Local Educational Agencies
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, 2014

ADDITIONAL MATTERS

Finding No. 1: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; certain enterprise resource software (ERS) with a useful life of at least five years and used to support Districtwide administration or State-mandated reporting requirements; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2013-14 fiscal year, the District had LCI Fund expenditures totaling $2,923,659, and transfers totaling $6,020,970 to the General Fund. We tested LCI Fund expenditures totaling $1,593,457, and reviewed support for transfers of $4,701,663, to determine their propriety. While our test disclosed that ad valorem tax proceeds were generally used as required, we noted that the District spent $32,965 for the first year of a three-year educator evaluation system, which is not an allowable use of ad valorem tax levy proceeds. District personnel indicated that they believed this was an allowable use of ad valorem tax levy proceeds; however, as this ERS software had a useful life less than five years, the expenditures of $32,965 represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. The District should also document to the Florida Department of Education the allowability of the $32,965 of questioned costs or restore this amount to the LCI Fund.

Finding No. 2: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted salary schedule required the District to contribute monthly from $348 to $365 toward the health insurance premiums of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. Board Policy 6.92 *Group Health Insurance* requires the District to make health insurance benefits available and establishes those who are eligible to participate. To implement this policy, the District developed an Employee Benefits Handbook that details enrollment requirements, enrollment dates, insurance rates, and dependency verification procedures. The verification procedures provide for District personnel to verify documentation, such as birth certificates, marriage licenses, and other documents. The Handbook also provides that plan participants who knowingly obtain insurance for an ineligible participant could result in insurance fraud. For the 2013-14 fiscal year, 790 employees contributed a total of $1.3 million and 181 retirees contributed a total of $465,000

to participate in the District's health insurance plan, and the District contributed $3.5 million toward the plan. Also, 553 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums were only for eligible employees and retirees. Also, for dependent changes outside open enrollment periods, employees and retirees were required to provide evidence of the dependents' eligibility for the changes. However, upon hiring or during open enrollment, the District did not require documentation, such as birth certificates, to evidence the eligibility of dependent participants, contrary to the Handbook verification procedures. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction, provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2013-14 fiscal year, District records indicated enrollment of 6 full-time and 701 part-time VIP students. District records, such as the District's VIP curriculum guide and handbook, identified certain enrollment criteria, progression plans, attendance and standardized testing information, and other procedures related to the VIP. However, written policies and procedures could be enhanced to include additional guidance for District personnel charged with administering the VIP regarding matters such as provider contracts, required written notices, and computing materials.

To promote compliance with the VIP statutory requirements, documented policies and procedures could evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of noncompliance and control deficiencies identified in Finding Nos. 4 through 6.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.

Finding No. 4: Virtual Instruction Program Options

Section 1002.45(1)(b), Florida Statutes, requires that the District, because it is located in a sparsely-populated county eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, to provide students the option of participating in a part-time or full-time VIP.

Although the District provided all students the opportunity to participate in full-time virtual instruction and students in grades 6 through 12 the opportunity to participate in part-time virtual instruction, the District did not provide students in grades kindergarten through 5 the opportunity to participate in part-time virtual instruction. District personnel indicated that, while no requests were made, the District would have provided part-time virtual instruction in the grades if requested by students. However, District records did not evidence that it had provided the required part-time virtual instruction option for students in grades kindergarten through 5. Without providing the required option, the District limited student access to the part-time virtual instruction types, contrary to Section 1002.45(1)(b), Florida Statutes.

Recommendation: The District should ensure that if offers all students the option of participating in a part-time VIP as required by law.

Finding No. 5: Virtual Instruction Provider Contracts

Section 1002.45(4), Florida Statutes requires that each contract with a Florida Department of Education (FDOE)-approved VIP provider contain certain provisions. The District entered into a contract with a FDOE-approved VIP provider; however, the contract lacked some statutorily-required provisions, as follows:

- The contract did not include agreed-upon student-teacher ratios. This is contrary to Section 1002.45(2)(a)8.e., Florida Statutes, which requires that FDOE-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to Section 1002.45, Florida Statutes. Without establishing such ratio thresholds in the contract, the number of students in VIP classes may exceed District expectations and the District's ability to monitor the quality of the providers' virtual instruction may be limited.
- The contract did not provide for the District to monitor the provider's compliance with contract terms. Without such a provision, the District may be limited in its ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.
- The contract included no provisions for data quality requirements. The VIP provider maintains significant amounts of education data used to support the administration of the VIP and to meet District reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the VIP provider on behalf of Districts be available in a timely manner. The inclusion of data quality requirements in the contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract contained requirements for the provider to implement, maintain, and use appropriate, administrative, technical, or physical security measures to the full extent required by Title 20, Section 1232g, United States Code, The Family Rights and Privacy Act, to maintain the confidentiality of education records. However, the contract did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive education data. Without specifying minimum required security controls, there is an increased risk that deficiencies in information security and other information technology controls may occur.

Recommendation: **The District should ensure that statutorily required and other necessary provisions are included in contracts with FDOE-approved VIP providers.**

Finding No. 6: Written Parental Notification

Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a VIP. For the 2013-14 fiscal year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. Such communication included the District's Web site, information published within a parent's guide, and newsletters distributed to students. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents.

Absent timely, written notifications provided directly to students, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

Recommendation: **The District should enhance its procedures to ensure timely, written notifications to parents about student opportunities to participate in the VIP and open enrollment period dates.**

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-152.

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, 2014

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
2014-152		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

Richard A. Shirley
Superintendent of Schools

BOARD MEMBERS
Haydn L. Evans
District 1
Christine S. Norris
District 2
David A. Williams
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

SUMTER COUNTY SCHOOL BOARD

"Preparing the next generation today"

February 27, 2015

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, 2014

Dear Mr. Martin:

This letter is intended as the Sumter County School District's response to the preliminary and tentative audit findings dated February 10, 2015, for the District's fiscal year ending June 30, 2014.

Finding No. 1: Ad Valorem Taxes

The delivery method of computer software is changing, many companies are utilizing the "cloud" and lines between expensing and capitalizing software have become less distinct. The District is working with the Legislature to expand the flexibility of software purchases from ad valorem tax levy proceeds. Until Legislation is changed, the District will be more diligent in ensuring the software is purchased and not leased.

Finding No. 2: Health Insurance Plan – Participant Eligibility

The District will verify eligibility of all dependents participating in the District's health insurance plan.

Finding No. 3: Virtual Instruction Program Policies and Procedures

The Sumter Virtual Instruction Program will finalize the Virtual Options Policies and Procedures Handbook draft.

Finding No. 4: Virtual Instruction Program Options

The Sumter Virtual Instruction Program will enhance its procedures for advertising Sumter Virtual School.

Finding No. 5: Virtual Instruction Provider Contracts

The Sumter Virtual Instruction Program will develop a checklist of required and necessary provisions for all provider contracts that will be used in the evaluation of potential contracts.

Finding No. 6: Written Parental Notification

The Sumter Virtual Instruction Program will enhance its procedures for advertising Sumter Virtual School.

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