STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-165
March 2017

SUMTER COUNTY
DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Richard A. Shirley served as Superintendent of the Sumter County Schools and the following individuals served as School Board Members:

	District No.
Haydn L. Evans, Chair to 11-16-15	1
Christine S. Norris, Vice Chair from 11-17-15	2
David A. Williams	3
Kenneth P. Jones, Chair from 11-17-15, Vice Chair to 11-16-15	4
Kathie L. Joiner	5

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 team leader was Joanna Slater and the audit was supervised by Eric Davis, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Sumter County District School Board (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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster 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 the Special Education Cluster.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the 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; and
- 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.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2016. 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, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

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, 2016, 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 25 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's columns. Those statements were audited by other auditors whose reports 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 from 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 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 of the Sumter County District School Board, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension 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 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**, as required by Title 2 U.S. *Code of Federal Regulations* Part *200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **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 accompanying **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 dated March 20, 2017, 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 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2017

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 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, 2016. 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 2015-16 fiscal year are as follows:

- Overall, the District's financial position increased from the prior fiscal year. The District's total net position increased by $3,400,232 (or 15.3 percent).
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures by $180,272.

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 other postemployment benefits plan, schedules related to pensions, 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, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals 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). 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and 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 and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 net pension liability and its 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 year to the prior year.

Total assets of the District amount to $84,332,318 and $83,258,260 as of June 30, 2016, and 2015, respectively. The current ratio is 15.23:1 with current assets of $15,638,878 and current liabilities of $1,026,690. 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 $74,061 and for debt service of $200,488. The prior fiscal year current ratio was approximately 8.78:1 with current assets of $11,411,432 and current liabilities of $1,300,145.

Net position over time may serve as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

Net Position, End of Year

	Governmental Activities	
	6-30-16	**6-30-15**
Current Assets	$ 15,638,878	$ 11,411,432
Other Assets	541,949	3,030,821
Capital Assets	68,151,491	68,816,007
Total Assets	84,332,318	83,258,260
Deferred Outflows of Resources	5,594,308	4,304,012
Long-Term Liabilities	60,164,014	55,137,032
Other Liabilities	1,026,690	1,300,145
Total Liabilities	61,190,704	56,437,177
Deferred Inflows of Resources	3,131,030	8,920,435
Net Position:		
Net Investment in Capital Assets	38,462,491	37,664,007
Restricted	5,887,231	4,531,616
Unrestricted (Deficit)	(18,744,830)	(19,990,963)
Total Net Position	$ 25,604,892	$ 22,204,660

The largest portion of the District's net position ($38,462,491) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The capital assets decreased by $664,516 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 District's unrestricted net position increased by a total of $1,246,133 primarily as a result of changes in the deferred inflows and outflows of resources associated with the net pension liability, as described in Note II.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-16	6-30-15
Program Revenues:		
Charges for Services	$ 389,253	$ 403,601
Operating Grants and Contributions	2,735,151	2,836,355
Capital Grants and Contributions	990,368	1,463,483
General Revenues:		
Property Taxes, Levied for Operational Purposes	47,431,556	44,153,853
Property Taxes, Levied for Capital Projects	13,786,987	12,930,274
Grants and Contributions Not Restricted to Specific Programs	18,146,987	19,458,966
Unrestricted Investment Earnings	95,389	46,056
Miscellaneous	868,076	789,520
Total Revenues	84,443,767	82,082,108
Functions/Program Expenses:		
Instruction	51,627,374	51,486,461
Student Support Services	2,233,480	2,396,424
Instructional Media Services	802,940	579,487
Instruction and Curriculum Development Services	2,384,705	2,613,969
Instructional Staff Training Services	1,111,186	1,254,908
Instruction-Related Technology	633,321	733,135
Board	562,425	552,444
General Administration	611,644	570,001
School Administration	2,824,995	2,668,935
Facilities Acquisition and Construction	916,495	620,340
Fiscal Services	503,781	565,769
Food Services	3,100,923	3,206,160
Central Services	1,018,770	1,072,410
Student Transportation Services	2,685,793	2,708,108
Operation of Plant	3,533,206	3,719,819
Maintenance of Plant	1,640,965	1,674,691
Administrative Technology Services	449,442	457,352
Community Services	9,191	11,240
Unallocated Interest on Long-Term Debt	1,142,248	1,924,732
Unallocated Depreciation Expense	2,969,315	3,003,629
Loss on Disposal of Capital Assets	281,336	5,671
Total Functions/Program Expenses	81,043,535	81,825,685
Change in Net Position	3,400,232	256,423
Net Position - Beginning	22,204,660	42,961,139
Adjustment to Beginning Net Position (1)	-	(21,012,902)
Net Position - Beginning, as Restated	22,204,660	21,948,237
Net Position - Ending	$ 25,604,892	$ 22,204,660

Note: (1) The adjustment to beginning net position is due to the implementation of GASB Statement No. 68 in the prior fiscal year, which was a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue source is property tax revenue (72.5 percent). Property tax levied for operational purposes increased by $3,277,703 primarily to an increase in taxable property value in the county.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. 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 $12,703,733, an increase of $1,417,978, 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 year ended June 30, 2016, and June 30, 2015:

	6-30-16	6-30-15	Increase	Percentage Change
Major Governmental Funds:				
General	$ 8,300,687	$ 8,120,414	$ 180,273	2.22%
Capital Projects - Local Capital Improvement	2,471,419	1,298,384	1,173,035	90.35%
Other Governmental Funds (Nonmajor)	1,931,627	1,866,957	64,670	3.46%
Total	$ 12,703,733	$ 11,285,755	$ 1,417,978	12.56%

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 $4,964,171, while the total fund balance is $8,300,687. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 10.3 percent of the total General Fund revenues, while total fund balance represents approximately 13.5 percent of total General Fund revenues.

During the current fiscal year, the total fund balance increased by $180,272. Revenues and other financing sources increased by $1,191,643 from the prior year, while expenditures and other financing uses increased by $1,038,888.

The following schedule shows the changes in General Fund revenues and other financing sources for fiscal years ended June 30, 2016, and June 30, 2015:

	6-30-16	6-30-15	Increase (Decrease)	Percentage Change
Revenues:				
Federal Revenues	$ 57,002	$ 71,894	$ (14,892)	-20.71%
State Revenues	13,115,961	14,058,232	(942,271)	-6.70%
Property Taxes	47,431,556	44,153,853	3,277,703	7.42%
Other Local Revenue	877,934	851,068	26,866	3.16%
Total	61,482,453	59,135,047	2,347,406	3.97%
Other Financing Sources:				
Transfers In	8,127,401	9,274,765	(1,147,364)	-12.37%
Other	-	8,399	(8,399)	100.00%
Total	8,127,401	9,283,164	(1,155,763)	-12.45%
Total Revenues and Other Financing Sources	$ 69,609,854	$ 68,418,211	$ 1,191,643	1.74%

Property taxes increased due to an increase in property values, while Federal and State revenues decreased from the prior fiscal year. Transfers into the General Fund decreased primarily due to decreased capital outlay expenditures.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2016 and June 30, 2015:

	6-30-16	6-30-15	Increase (Decrease)	Percentage Change
Expenditures:				
Salaries	$ 29,039,413	$ 28,783,829	$ 255,584	0.89%
Employee Benefits	8,181,512	7,511,771	669,741	8.92%
Purchased Services	27,773,843	26,345,938	1,427,905	5.42%
Energy Services	1,428,230	1,654,380	(226,150)	-13.67%
Materials & Supplies	1,434,434	1,840,273	(405,839)	-22.05%
Capital Outlay	1,100,962	1,562,923	(461,961)	-29.56%
Other	471,188	691,580	(220,392)	-31.87%
Total Expenditures	$ 69,429,582	$ 68,390,694	$ 1,038,888	1.52%

Energy cost savings were realized as a result of lower fuel prices during the year. Materials and supplies expenditures were less than the prior year due to timing of textbook purchases, resulting in higher than usual textbook expenditures during the 2014-15 fiscal year. Capital outlay expenditures, such as technology equipment purchases, were less in the current fiscal year primarily due to increased technology equipment purchases in prior fiscal years related to the implementation of the One to One Initiative.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $2,471,419 which is restricted for the acquisition, construction, and maintenance of capital assets. This represents an increase of $1,173,035 over the prior fiscal year due to an increase in property taxes levied for capital

projects as a result of increased property values within the county, and a decrease in transfers to other funds during the year. It should be noted that $918,619 is encumbered for specific projects.

Proprietary Funds

The internal service funds account for the District's workers' compensation self-insurance program and the health insurance programs. Unrestricted net position of the internal service funds total $1,453,713 at June 30, 2016, increasing $644,992 from June 30, 2015. The proprietary fund net position increased primarily due to an increase in premium revenues back to normal levels. During the prior year, the District made a conscious decision 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 2015-16 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 $895,485. However, the District's actual expenditures are $6,184,385 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, 2016, is $68,151,491 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and construction in progress.

Major capital asset events included the following:

- The District completed a Wildwood Middle High School Addition and Renovation project at a cost of $1,622,963.
- The District completed a South Sumter Middle School Office Expansion project at a cost of $674,273.
- Miscellaneous Remodeling and Roofing projects were completed at a cost $662,273.

Major contract commitments at fiscal year-end for construction activity amounted to $415,740. Additional information on the District's capital assets can be found in Notes I.F.4, II.C, and II.F. to the financial statements.

Long-Term Debt

At June 30, 2016, the District has total long-term debt outstanding of $29,689,000, comprised of $3,399,000 of bonds and $26,290,000 of certificates of participation. During the current fiscal year, retirement of debt was $1,463,000.

State school bonds outstanding at June 30, 2016, accounted for $94,000 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 pledged as security for these bonds. Proceeds were used for new school construction and the District's revenue bonds are paid solely by specified revenue sources.

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

REQUESTS FOR INFORMATION

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

Sumter County District School Board
Statement of Net Position
June 30, 2016

	Primary Government	
	Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 14,924,519.64	$ 799,443.00
Investments	2,364.63	-
Accounts Receivable	23,995.16	118,986.00
Due from Other Agencies	394,466.82	-
Prepaid Items	3,025.00	2,524.00
Inventories	565,056.50	10,253.00
Captial Credits Receivable	267,400.05	-
Capital Assets:		
Nondepreciable Capital Assets	3,178,154.74	-
Depreciable Capital Assets, Net	64,973,335.80	1,606,749.00
TOTAL ASSETS	84,332,318.34	2,537,955.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	5,594,308.00	-
LIABILITIES		
Accrued Salaries and Benefits	84,634.87	862,471.00
Payroll Deductions and Withholdings	105,584.38	-
Accounts Payable	442,330.15	653,192.00
Due to Other Agencies	1,102.13	211,587.00
Unearned Revenues	393,038.35	112,679.00
Estimated Insurance Claims Payable	-	362,293.00
Long-Term Liabilities:		
Portion Due Within One Year	2,470,290.00	-
Portion Due After One Year	57,693,724.02	-
TOTAL LIABILITIES	61,190,703.90	2,202,222.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,131,030.00	-
NET POSITION		
Net Investment in Capital Assets	38,462,490.54	1,606,749.00
Restricted for:		
State Required Carryover Programs	1,484,185.55	-
Debt Service	200,488.38	-
Capital Projects	3,747,789.87	-
Food Service	454,767.80	-
Unrestricted (Deficit)	(18,744,829.70)	(1,271,016.00)
TOTAL NET POSITION	$ 25,604,892.44	$ 335,733.00

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, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	$ 51,627,373.58	$ 52,718.05	$ -
Student Support Services	2,233,479.61	-	-
Instructional Media Services	802,939.89	-	-
Instruction and Curriculum Development Services	2,384,704.46	-	-
Instructional Staff Training Services	1,111,185.98	-	-
Instruction-Related Technology	633,321.00	-	-
Board	562,425.14	-	-
General Administration	611,644.08	-	-
School Administration	2,824,995.30	-	-
Facilities Acquisition and Construction	916,495.08	-	-
Fiscal Services	503,781.41	-	-
Food Services	3,100,923.28	305,521.53	2,735,150.77
Central Services	1,018,770.15	-	-
Student Transportation Services	2,685,792.78	31,013.99	-
Operation of Plant	3,533,206.30	-	-
Maintenance of Plant	1,640,965.13	-	-
Administrative Technology Services	449,442.32	-	-
Community Services	9,190.60	-	-
Unallocated Interest on Long-Term Debt	1,142,248.18	-	-
Unallocated Depreciation Expense	2,969,314.67	-	-
Loss on Disposal of Capital Assets	281,336.43	-	-
Total Governmental Activities	$ 81,043,535.37	$ 389,253.57	$ 2,735,150.77
Component Unit			
The Villages Charter School, Inc.	$ 30,901,529.00	$ 5,571,267.00	$ 839,216.00
General Revenues:			
Taxes:			
Property Taxes, Levied for Operational Purposes			
Property Taxes, Levied for Capital Projects			
Grants and Contributions Not Restricted to Specific Programs			
Unrestricted Investment Earnings			
Miscellaneous			
Total General Revenues			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities	Component Unit
$ -	$ (51,574,655.53)	$ -
-	(2,233,479.61)	-
-	(802,939.89)	-
-	(2,384,704.46)	-
-	(1,111,185.98)	-
-	(633,321.00)	-
-	(562,425.14)	-
-	(611,644.08)	-
-	(2,824,995.30)	-
849,504.36	(66,990.72)	-
-	(503,781.41)	-
-	(60,250.98)	-
-	(1,018,770.15)	-
-	(2,654,778.79)	-
-	(3,533,206.30)	-
-	(1,640,965.13)	-
-	(449,442.32)	-
-	(9,190.60)	-
140,864.40	(1,001,383.78)	-
-	(2,969,314.67)	-
-	(281,336.43)	-
$ 990,368.76	(76,928,762.27)	-
$ 685,480.00	-	(23,805,566.00)
	47,431,555.83	-
	13,786,986.81	-
	18,146,986.86	23,434,628.00
	95,389.13	-
	868,075.87	225,938.00
	80,328,994.50	23,660,566.00
	3,400,232.23	(145,000.00)
	22,204,660.21	480,733.00
	$ 25,604,892.44	$ 335,733.00

Sumter County District School Board
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Capital Projects - Local Capital Improvement Fund
ASSETS		
Cash and Cash Equivalents	$ 12,308,192.12	$ 64,285.59
Investments	-	-
Accounts Receivable	16,445.04	-
Due from Other Funds	-	2,577,388.76
Due from Other Agencies	88,581.97	2,297.75
Prepaid Items	3,025.00	-
Inventories	510,924.45	-
TOTAL ASSETS	$ 12,927,168.58	$ 2,643,972.10
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accrued Salaries and Benefits	$ 36,847.32	$ -
Payroll Deductions and Withholdings	88,091.60	-
Accounts Payable	248,596.64	172,552.90
Due to Other Funds	4,251,855.12	-
Due to Other Agencies	1,091.00	-
Total Liabilities	4,626,481.68	172,552.90
Deferred Inflows of Resources:		
Unavailable Revenue - Capital Outlay and Debt Service	-	-
Fund Balances:		
Nonspendable:		
Inventories	510,924.45	-
Restricted for:		
State Required Carryover Programs	1,484,185.55	-
Debt Service	-	-
Capital Projects	-	2,471,419.20
Food Service	-	-
Total Restricted Fund Balance	1,484,185.55	2,471,419.20
Assigned for:		
2016-17 Budget	1,341,405.79	-
Unassigned Fund Balance	4,964,171.11	-
Total Fund Balances	8,300,686.90	2,471,419.20
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 12,927,168.58	$ 2,643,972.10

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

	Other Governmental Funds		Total Governmental Funds
$	592,923.78	$	12,965,401.49
	2,364.63		2,364.63
	-		16,445.04
	1,266,595.04		3,843,983.80
	303,587.10		394,466.82
	-		3,025.00
	54,132.05		565,056.50
$	2,219,602.60	$	17,790,743.28
$	47,787.55	$	84,634.87
	17,492.78		105,584.38
	19,512.98		440,662.52
	201,221.15		4,453,076.27
	11.13		1,102.13
	286,025.59		5,085,060.17
	1,950.16		1,950.16
	54,132.05		565,056.50
	-		1,484,185.55
	200,488.38		200,488.38
	1,276,370.67		3,747,789.87
	400,635.75		400,635.75
	1,877,494.80		5,833,099.55
	-		1,341,405.79
	-		4,964,171.11
	1,931,626.85		12,703,732.95
$	2,219,602.60	$	17,790,743.28

Sumter County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds		$ 12,703,732.95
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.		68,151,490.54
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.		267,400.05
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.		1,453,712.92
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 year-end consist of:		
Bonds Payable	$ (3,399,000.00)	
Certificates of Participation Payable	(26,290,000.00)	
Compensated Absences Payable	(3,753,290.02)	
Net Pension Liability	(21,593,583.00)	
Other Postemployment Benefits Payable	(4,398,849.00)	(59,434,722.02)
The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	$ 5,594,308.00	
Deferred Inflows Related to Pensions	(3,131,030.00)	2,463,278.00
Net Position - Governmental Activities		$ 25,604,892.44

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

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Sumter County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Capital Projects - Local Capital Improvement Fund
Revenues		
Intergovernmental:		
Federal Direct	$ 57,002.58	$ -
Federal Through State and Local	-	-
State	13,115,960.59	-
Local:		
Property Taxes	47,431,555.83	13,786,986.81
Charges for Services - Food Service	-	-
Miscellaneous	877,933.84	15,645.37
Total Local Revenues	48,309,489.67	13,802,632.18
Total Revenues	61,482,452.84	13,802,632.18
Expenditures		
Current - Education:		
Instruction	49,967,270.29	-
Student Support Services	1,967,650.08	-
Instructional Media Services	755,996.70	-
Instruction and Curriculum Development Services	1,448,186.84	-
Instructional Staff Training Services	552,556.30	-
Instruction-Related Technology	666,224.86	-
Board	580,237.22	-
General Administration	503,534.29	-
School Administration	2,797,525.67	-
Facilities Acquisition and Construction	136,042.45	780,676.03
Fiscal Services	512,962.41	-
Food Services	9,026.91	-
Central Services	938,780.35	-
Student Transportation Services	2,615,783.07	-
Operation of Plant	3,575,501.41	-
Maintenance of Plant	1,682,313.55	-
Administrative Technology Services	442,302.12	-
Community Services	9,190.60	-
Fixed Capital Outlay:		
Facilities Acquisition and Construction	-	1,903,488.31
Other Capital Outlay	226,374.29	410,134.00
Debt Service:		
Principal	-	-
Interest and Fiscal Charges	42,122.36	-
Total Expenditures	69,429,581.77	3,094,298.34
Excess (Deficiency) of Revenues Over Expenditures	(7,947,128.93)	10,708,333.84
Other Financing Sources (Uses)		
Transfers In	8,127,401.24	-
Transfers Out	-	(9,535,298.44)
Total Other Financing Sources (Uses)	8,127,401.24	(9,535,298.44)
Net Change in Fund Balances	180,272.31	1,173,035.40
Fund Balances, Beginning	8,120,414.59	1,298,383.80
Fund Balances, Ending	$ 8,300,686.90	$ 2,471,419.20

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

Other Governmental Funds	Total Governmental Funds
$ -	$ 57,002.58
7,430,853.19	7,430,853.19
1,398,356.03	14,514,316.62
-	61,218,542.64
305,870.24	305,870.24
4,555.44	898,134.65
310,425.68	62,422,547.53
9,139,634.90	84,424,719.92
2,276,375.18	52,243,645.47
387,511.40	2,355,161.48
-	755,996.70
1,030,478.70	2,478,665.54
594,880.81	1,147,437.11
-	666,224.86
-	580,237.22
127,768.82	631,303.11
43,479.99	2,841,005.66
-	916,718.48
-	512,962.41
3,132,962.44	3,141,989.35
120,415.63	1,059,195.98
133,467.34	2,749,250.41
26,258.09	3,601,759.50
-	1,682,313.55
-	442,302.12
-	9,190.60
-	1,903,488.31
46,138.04	682,646.33
1,463,000.00	1,463,000.00
1,100,125.82	1,142,248.18
10,482,862.26	83,006,742.37
(1,343,227.36)	1,417,977.55
2,224,069.58	10,351,470.82
(816,172.38)	(10,351,470.82)
1,407,897.20	-
64,669.84	1,417,977.55
1,866,957.01	11,285,755.40
$ 1,931,626.85	$ 12,703,732.95

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, 2016

Net Change in Fund Balances - Governmental Funds			$ 1,417,977.55
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.			(383,180.03)
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.			(281,336.43)
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 of repayments in the current fiscal year.			
	Bond Principal Payments	$ 208,000.00	
	Certificate of Participation Payments	1,255,000.00	1,463,000.00
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, 2016	$ 267,400.05	
	Capital Credits Receivable, June 30, 2015	(256,137.46)	11,262.59
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year.			166,099.10
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.			(393,000.00)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.			
	FRS Pension Contribution	$ 1,851,458.00	
	HIS Pension Contribution	538,169.00	
	FRS Pension Expense	(839,186.00)	
	HIS Pension Expense	(796,024.00)	754,417.00
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.			644,992.45
Change in Net Position - Governmental Activities			$ 3,400,232.23

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, 2016

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,959,118.15
Accounts Receivable	7,550.12
Due from Budgetary Funds	609,092.47
TOTAL ASSETS	2,575,760.74
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,667.63
Unearned Revenues	391,088.19
Estimated Liability for Self-Insurance Program	150,000.00
Total Current Liabilities	542,755.82
Noncurrent Liabilities:	
Estimated Liability for Self-Insurance Program	579,292.00
TOTAL LIABILITIES	1,122,047.82
NET POSITION	
Unrestricted	1,453,712.92
TOTAL NET POSITION	$ 1,453,712.92

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, 2016

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums	$ 6,959,570.85
OPERATING EXPENSES	
Salaries	14,528.10
Employee Benefits	4,199.87
Purchased Services	105,736.98
Insurance Claims	66,031.48
Insurance Premiums	6,131,867.06
Total Operating Expenses	6,322,363.49
Operating Income	637,207.36
NONOPERATING REVENUES	
Interest	7,785.09
Change in Net Position	644,992.45
Total Net Position - Beginning	808,720.47
Total Net Position - Ending	$ 1,453,712.92

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, 2016

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 6,981,677.26
Cash Payments to Suppliers for Goods and Services	(104,069.35)
Cash Payments to Employees for Services	(18,727.97)
Cash Payments for Insurance Claims	(128,234.48)
Cash Payments for Premiums and Other Fees	(6,131,867.06)
Net Cash Provided by Operating Activities	598,778.40
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Loan to Other Funds	(609,092.47)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	7,785.09
Net Decrease in Cash and Cash Equivalents	(2,528.98)
Cash and Cash Equivalents, Beginning	1,961,647.13
Cash and Cash Equivalents, Ending	$ 1,959,118.15

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

Operating Income	$ 637,207.36
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	24,271.33
Accounts Payable	1,667.63
Unearned Revenues	(2,164.92)
Estimated Liability for Self-Insurance Program	(62,203.00)
Total Adjustments	(38,428.96)
Net Cash Provided by Operating Activities	$ 598,778.40

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

Sumter County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 480,672.00
LIABILITIES	
Internal Accounts Payable	$ 480,672.00

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

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 certain 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 (FDOE), 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 District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Sumter County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Unit. The component unit's 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, 2016. The audit report is filed in the District's administrative offices at 2680 West County Road 476, Bushnell, Florida 33513.

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.

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.
- 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 the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and 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 as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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 fiscal year-end). Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, 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 governmental organization and follows the same accounting model as the District's governmental activities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates 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.

The investment made locally consists of a money market fund and is reported at fair value.

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at weighted average cost, or last invoice, which approximates the first-in, first-out basis, except that 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 acquisition value at the date of donation.

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

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

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

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

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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 deferred and amortized over the life of the bonds using the effective interest method.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The item, deferred outflows of resources related to pensions, is discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting as deferred inflows of resources. The first is the deferred amount on pensions, which is reported only on the government-wide statement of net position. The deferred inflows of resources related to pensions is discussed in a subsequent note. The remaining item is unavailable revenue from the State of Florida for capital outlay and debt service. This item arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet.

8. 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.

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted

fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. 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 reported no committed fund balances at June 30, 2016.

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 in an amount equal to the projected excess of appropriations over expected revenues in an effort towards balancing the 2016-17 fiscal year budget. The District's approved budget for the 2016-17 fiscal year reflects a budget shortfall expected to be paid from ending fund balance in these financial statements, of which $1,341,405.79 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 FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year to be expended for the same educational programs. The FDOE 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.

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

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 2015 tax levy on September 8, 2015. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for workers' compensation, health, dental, and vision insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to 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.

B. Investments

The District's investments at June 30, 2016, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	39 Day Average	$ 251,160.25
Debt Service Accounts	6 Months	2,364.63
Dreyfus Treasury Securities Cash Management Money Market Fund (1)	51 Day Average	10.56
Total Investments		$ 253,535.44

Note: (1) These investments are reported as cash equivalents for financial statement reporting purposes.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The investments in SBA debt service accounts are valued using level 1 fair value measurement.

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 5 years. For construction proceeds of tax-exempt debt issues, such investments shall not exceed 3 years.

Florida PRIME and Dreyfus Treasury Securities Cash Management money market fund use a weighted average days to maturity (WAM). 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.

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and

withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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 U.S. *Code of Federal Regulations* Section 270.2a-7; 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 by the Board in advance.

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. Disclosures for the debt service accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

The District's investment in the Dreyfus Treasury Securities Cash Management money market fund is rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service.

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, the investment must be immediately placed for safekeeping in a secured vault.

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

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	2,190,790.92	1,903,488.31	2,959,380.91	1,134,898.32
Total Capital Assets Not Being Depreciated	4,234,047.34	1,903,488.31	2,959,380.91	3,178,154.74
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,511,717.38	-	931,031.84	2,580,685.54
Buildings and Fixed Equipment	92,996,742.93	2,959,380.91	-	95,956,123.84
Furniture, Fixtures, and Equipment	4,171,525.07	272,512.33	357,002.91	4,087,034.49
Motor Vehicles	6,964,708.42	410,134.00	323,672.68	7,051,169.74
Total Capital Assets Being Depreciated	107,644,693.80	3,642,027.24	1,611,707.43	109,675,013.61
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,599,671.74	173,033.94	658,633.42	1,114,072.26
Buildings and Fixed Equipment	32,795,180.97	2,209,436.07	-	35,004,617.04
Furniture, Fixtures, and Equipment	3,527,321.38	238,939.86	356,185.90	3,410,075.34
Motor Vehicles	5,140,560.05	347,904.80	315,551.68	5,172,913.17
Total Accumulated Depreciation	43,062,734.14	2,969,314.67	1,330,371.00	44,701,677.81
Total Capital Assets Being Depreciated, Net	64,581,959.66	672,712.57	281,336.43	64,973,335.80
Governmental Activities Capital Assets, Net	$ 68,816,007.00	$ 2,576,200.88	$ 3,240,717.34	$ 68,151,490.54

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled $2,969,314.67, was reported as unallocated on the statement of activities.

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

MAJOR COMPONENT UNIT	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	$ 35,422	$ -	$ 35,422	$ -
Capital Assets Being Depreciated:				
Leasehold Improvements	325,776	36,941	-	362,717
Buildings	425,457	-	-	425,457
Furniture and Equipment	2,234,792	238,075	132,269	2,340,598
Motor Vehicles	190,871	66,150	-	257,021
Infrastructure	47,452	-	-	47,452
Library Books	794,939	11,427	-	806,366
Total Capital Assets Being Depreciated	4,019,287	352,593	132,269	4,239,611
Less Accumulated Depreciation for:				
Leasehold Improvements	38,067	12,389	-	50,456
Buildings	100,420	10,909	-	111,329
Furniture and Equipment	1,461,774	266,438	131,353	1,596,859
Motor Vehicles	77,972	43,184	-	121,156
Infrastructure	13,259	3,065	-	16,324
Library Books	720,067	16,671	-	736,738
Total Accumulated Depreciation	2,411,559	352,656	131,353	2,632,862
Total Capital Assets Being Depreciated, Net	1,607,728	(63)	916	1,606,749
Governmental Activities Capital Assets, Net	$ 1,643,150	$ (63)	$ 36,338	$ 1,606,749

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled $1,635,210 for the fiscal year ended June 30, 2016.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in the Plan 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 to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation

is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $1,851,458 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of $10,728,505 for its proportionate share of the Plan's net pension liability. The net pension liability

was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.083061458 percent, which was a decrease of 0.001445622 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of $839,186. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,132,612	$ 254,447
Change of assumptions	712,087	-
Net difference between projected and actual earnings on FRS pension plan investments	-	2,561,787
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	464,209	189,729
District FRS contributions subsequent to the measurement date	1,851,458	-
Total	$ 4,160,366	$ 3,005,963

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $1,851,458, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ (776,549)
2018	(776,549)
2019	(776,549)
2020	1,337,005
2021	242,218
Thereafter	53,369
Total	$ (697,055)

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed Inflation - Mean		2.6%		1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability (asset)	$ 27,799,973	$ 10,728,505	$ (3,477,767)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $538,169 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of $10,865,078 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to

determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.106536805 percent, which was a decrease of 0.001611434 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of $796,024. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 854,798	$ -
Net difference between projected and actual earnings on HIS pension plan investments	5,882	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	35,093	125,067
District contributions subsequent to the measurement date	538,169	-
Total	$ 1,433,942	$ 125,067

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $538,169, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ 135,438
2018	135,438
2019	135,438
2020	134,242
2021	133,669
Thereafter	96,481
Total	$ 770,706

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
District's proportionate share of the net pension liability	$ 12,380,251	$ 10,865,078	$ 9,601,652

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS

Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan members' accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled $416,621 for the fiscal year ended June 30, 2016.

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, and 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 2015-16 fiscal year, 202 retirees received other postemployment benefits. The District provided required contributions of $547,113 toward the annual OPEB cost, net of retiree contributions totaling $554,268, which represents 1.69 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for 1 year)	$ 336,248
Amortization of Unfunded Actuarial Accrued Liability	720,205
Annual Required Contribution	1,056,453
Interest on Net OPEB Obligation	120,175
Adjustment to Annual Required Contribution	(236,515)
Annual OPEB Cost (Expense)	940,113
Contribution Toward the OPEB Cost	(547,113)
Increase in Net OPEB Obligation	393,000
Net OPEB Obligation, Beginning of Year	4,005,849
Net OPEB Obligation, End of Year	$ 4,398,849

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, 2016, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 823,318	39.04%	$ 3,514,822
2014-15	828,503	40.73%	4,005,849
2015-16	940,113	58.20%	4,398,849

Funded Status and Funding Progress. As of June 30, 2016, the most recent valuation date, the actuarial accrued liability for benefits was $12,198,054, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $12,198,054 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $32,864,118, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 37.12 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of June 30, 2016, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. 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 payroll growth rate of 2.3 percent per year, and an annual healthcare cost trend rate of 5 percent for the 2016 calendar year, changing by various decrements, to an ultimate rate of 3.94 percent after the 2080 calendar year. The unfunded actuarial accrued liability is being amortized as a level dollar on a closed basis over a 30-year period. The remaining amortization period at June 30, 2016, was 23 years.

F. Construction and Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2016:

Major Funds		
General	Capital Projects - Local Capital Improvement	Total Governmental Funds
$ 113,552.03	$ 918,618.82	$ 1,032,170.85

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

Project	Contract Amount	Completed to Date	Balance Committed
Wildwood Elementary School Administration - Addition and Renovation:			
Architect	$ 78,210.00	$ 73,492.20	$ 4,717.80
Construction Manager	831,010.29	603,642.90	227,367.39
South Sumter High School Athletic and Transportation Renovation:			
Architect	65,176.00	32,076.00	33,100.00
Wildwood Middle High School Parking Lot and Site Improvements:			
Architect	29,500.00	28,590.00	910.00
Construction Manager	474,658.00	325,012.80	149,645.20
Total	$ 1,478,554.29	$ 1,062,813.90	$ 415,740.39

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. The District established a Risk Management Internal Service Fund (Risk Management Fund) to account for and finance its uninsured risks of loss related to worker's compensation claims. Under this program, the Risk Management Fund provides coverage for up to $400,000 for each worker's compensation claim. 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 of $1,000,000 when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

A liability in the amount of $697,961 (discounted at 1 percent) and $729,292 (undiscounted) was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at

June 30, 2016. 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 2 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
2014-15	$ 622,528.00	$ 458,043.79	$ (289,076.79)	$ 791,495.00
2015-16	791,495.00	66,031.48	(128,234.48)	729,292.00

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 insurance with minimum deductibles for each line of coverage.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 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	$ 4,500,000	$ 4,500,000	$ 0

Pursuant to the provisions of Section 1011.13, Florida Statues, the District issued a tax anticipation note, the purpose of which was to meet the disbursement requirements of the 2015-16 fiscal year operating budget.

I. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on December 1, 1998, and supplemental agreements dated July 1, 2002, May 1, 2006, January 1, 2007, and March 1, 2015, 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, $13,860,000 for the Series 2007 Certificates of Participation, and $14,335,000 for the Series 2015 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 Series 2015 Certificates of Participation were used to partially advance refund the Series 2006 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 and Series 2015 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 Administration Building
- Bushnell Elementary School Addition
- Webster Elementary School Addition
- North Sumter Intermediate School Addition
- South Sumter Middle School Addition
- Wildwood Middle School Addition

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

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

- Bushnell Elementary School Addition
- Wildwood Middle School
- 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 (Refunded by Series 2015, 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 2.81 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
2017	$ 2,206,674.75	$ 1,335,000.00	$ 871,674.75
2018	2,206,621.25	1,385,000.00	821,621.25
2019	2,204,584.00	1,435,000.00	769,584.00
2020	2,206,215.50	1,490,000.00	716,215.50
2021	2,211,306.00	1,550,000.00	661,306.00
2022-2026	11,045,039.77	8,650,000.00	2,395,039.77
2027-2031	11,207,726.25	10,445,000.00	762,726.25
Total Minimum Lease Payments	$ 33,288,167.52	$ 26,290,000.00	$ 6,998,167.52

2. Bonds Payable

Bonds payable at June 30, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2014B, Refunding	$ 94,000.00	2.0 - 5.0	2020
District Revenue Bonds:			
Series 2011, Refunding	3,305,000.00	2.75 - 4.75	2042
Total Bonds Payable	$ 3,399,000.00		

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

State School Bonds

These bonds are issued by the State Board of Education (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 of 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). 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 $5,651,870.96 of pari-mutuel tax revenues in connection with the 2011 District Revenue Bonds, described above. During the 2015-16 fiscal year, the District recognized pari-mutuel tax revenues totaling $223,250 and expended 100 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, 2016, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2017	$ 67,010.00	$ 64,000.00	$ 3,010.00
2018	24,810.00	24,000.00	810.00
2019	3,135.00	3,000.00	135.00
2020	3,030.00	3,000.00	30.00
Total State School Bonds	97,985.00	94,000.00	3,985.00
District Revenue Bonds:			
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	217,531.26	80,000.00	137,531.26
2021	219,537.51	85,000.00	134,537.51
2022-2026	1,097,375.03	480,000.00	617,375.03
2027-2031	1,080,615.63	575,000.00	505,615.63
2032-2036	1,086,556.25	730,000.00	356,556.25
2037-2041	1,077,568.75	915,000.00	162,568.75
2042	214,987.50	210,000.00	4,987.50
Total District Revenue Bonds	5,651,871.96	3,305,000.00	2,346,871.96
Total	$ 5,749,856.96	$ 3,399,000.00	$ 2,350,856.96

3. Defeased Debt

In the prior year, the State School Bonds, Series 2005B was refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of State School Bonds, Series 2014B, in an irrevocable trust to provide for future debt service payments. 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, 2016, $70,000 of outstanding state school bonds Series 2005B are considered in-substance defeased.

In prior years, the 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, 2016, $615,000 of outstanding COPS, Series 1998, and $10,620,000 of outstanding COPS Series 2002 are considered defeased in substance.

The Series 2006 COPS was advance-refunded in the prior year by the District and considered defeased in substance by placing the proceeds of the Series 2015 COPS, after payment of issuance costs, in an irrevocable trust to provide for all future debt service payments on the old COPS. Accordingly, the trust account assets and liability for the in-substance defeased COPS are not included in the District's financial statements. On June 30, 2016, $13,745,000 of outstanding COPS, Series 2006, are considered defeased in substance.

The Race Track Refunding Bonds, Series 1998, was also advance-refunded in prior years by the District and considered defeased in substance by placing a portion of the proceeds of the Capital Improvement and Refunding Revenue Certificates, Series 2011, in an irrevocable trust to provide for all future debt service payments on the old Race Track Bonds. Accordingly, the trust assets and the liability for the in-substance defeased Bonds are not included in the District's financial statements. On June 30, 2016, $1,890,000 of outstanding Bonds, Series 1998, is considered defeased in substance.

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	$ 3,607,000.00	$ -	$ 208,000.00	$ 3,399,000.00	$ 139,000.00
Certificates of Participation Payable	27,545,000.00	-	1,255,000.00	26,290,000.00	1,335,000.00
Compensated Absences Payable	3,919,389.12	202,683.79	368,782.89	3,753,290.02	447,510.00
Estimated Insurance Claims Payable	791,495.00	66,031.48	128,234.48	729,292.00	150,000.00
Net Pension Liability	15,268,299.00	11,888,673.00	5,563,389.00	21,593,583.00	398,780.00
Other Postemployment Benefits Payable	4,005,849.00	940,113.00	547,113.00	4,398,849.00	-
Total Governmental Activities	$ 55,137,032.12	$13,097,501.27	$ 8,070,519.37	$ 60,164,014.02	$ 2,470,290.00

For the governmental activities, compensated absences, pensions, 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 II.G.

J. Fund Balance Reporting

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

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

K. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ -	$ 4,251,855.12
Capital Projects:		
Local Capital Improvement	2,577,388.76	-
Nonmajor Governmental	1,266,595.04	201,221.15
Internal Service	609,092.47	-
Total	$ 4,453,076.27	$ 4,453,076.27

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

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-16 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	$ 8,724,585.00
Florida Education Finance Program	2,990,047.00
Charter School Capital Outlay	685,480.00
Voluntary Prekindergarten Program	512,975.18
School Recognition	478,619.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	304,888.76
Gross Receipts Tax (Public Education Capital Outlay)	129,666.00
Workforce Development Program	116,034.00
Mobile Home License Tax	54,051.41
Food Service Supplement	49,694.00
Miscellaneous	468,276.27
Total	$ 14,514,316.62

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2015 tax roll for the 2015-16 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	3.798	$ 40,963,088.25
Basic Discretionary Local Effort	0.748	8,067,506.59
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.321	14,247,561.76
Total	5.867	$ 63,278,156.60

M. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$ 8,127,401.24	$ -
Capital Projects:		
Local Capital Improvement	-	9,535,298.44
Nonmajor Governmental	2,224,069.58	816,172.38
Total	$ 10,351,470.82	$ 10,351,470.82

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 Project – Local Capital Improvement Fund to nonmajor debt service funds to make debt service payments for the certificates of participation.

III. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2015-16 fiscal year:

	Total	Workers' Compensation Insurance	Health/ Dental/Vision Insurance
Total Assets	$2,575,760.74	$1,686,881.04	$ 888,879.70
Liabilities and Net Position:			
Liabilities:			
Accounts Payable	$ 1,667.63	$ 1,667.63	$ -
Unearned Revenues	391,088.19	-	391,088.19
Estimated Liability for Self-Insurance Program	729,292.00	729,292.00	-
Total Liabilities	1,122,047.82	730,959.63	391,088.19
Net Position:			
Unrestricted Net Position	1,453,712.92	955,921.41	497,791.51
Total Liabilities and Net Position	$2,575,760.74	$1,686,881.04	$ 888,879.70
Revenues:			
Premiums	$6,959,570.85	$ 363,252.42	$6,596,318.43
Interest	7,785.09	6,980.89	804.20
Total Revenues	6,967,355.94	370,233.31	6,597,122.63
Total Expenses	(6,322,363.49)	(190,496.43)	(6,131,867.06)
Change in Net Position	$ 644,992.45	$ 179,736.88	$ 465,255.57

IV. 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 and asset for use from its owner for an agreed amount.

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

- Joint Venture – Board and College. The Board and College entered into a land use agreement on November 2, 1993, governing the use of a proposed joint-use facility (adult education and community college facility). This agreement provides, in part, for the appointment of a decision committee composed of individuals appointed by the parties to the agreement. The purpose of the committee is to make any necessary joint decisions regarding the facility. On January 18, 1995, the Board and the College entered into a statement of intent and operating

agreement. The land use agreement was made a part of the operating agreement. The operating agreement establishes 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 with 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 the receipt of the rents paid by the District discussed above. Operating lease expenditures were $685,480 for the year ended June 30, 2016. The future scheduled rent payments, based upon the current fiscal year Public Education Capital outlay funds remitted to the Charter School from the District is as follows:

Fiscal Year Ending June 30	Amount
2017	$ 887,016
2018	887,016
2019	887,016
2020	887,016
2021	887,016
Total Minimum Payments Required	$ 4,435,080

V. 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 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, 2016, the accumulated credits to the District's account are $267,400.05. During the 2015-16 fiscal year, the District received $2,356.65 related to 2015 capital credits.

VI. SUBSEQUENT EVENTS

In August 2016, the District approved the issuance of a tax anticipation note (Note) non-revolving line of credit agreement, not to exceed $6,500,000, to use for operating expenditures. In October 2016, the District drew $5,000,000 to use for operating expenditures and in November 2016, the District repaid the Note at par plus interest of $7,529.58.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 63,000.00	$ 57,002.58	$ 57,002.58	$ -
State	14,335,053.00	13,028,331.51	13,115,960.59	87,629.08
Local:				
Property Taxes	46,967,073.00	46,967,073.00	47,431,555.83	464,482.83
Miscellaneous	530,700.00	597,389.95	877,933.84	280,543.89
Total Local Revenues	47,497,773.00	47,564,462.95	48,309,489.67	745,026.72
Total Revenues	61,895,826.00	60,649,797.04	61,482,452.84	832,655.80
Expenditures				
Current - Education:				
Instruction	53,400,564.29	53,901,626.35	49,967,270.29	3,934,356.06
Student Support Services	2,054,066.36	2,044,410.49	1,967,650.08	76,760.41
Instructional Media Services	738,654.31	786,348.94	755,996.70	30,352.24
Instruction and Curriculum Development Services	1,371,224.34	1,481,649.55	1,448,186.84	33,462.71
Instructional Staff Training Services	627,013.65	684,379.84	552,556.30	131,823.54
Instruction-Related Technology	839,388.40	792,274.21	666,224.86	126,049.35
Board	609,027.71	650,264.56	580,237.22	70,027.34
General Administration	509,730.93	515,502.73	503,534.29	11,968.44
School Administration	2,970,582.72	3,005,073.15	2,797,525.67	207,547.48
Facilities Acquisition and Construction	193,923.03	205,088.03	136,042.45	69,045.58
Fiscal Services	582,857.67	553,567.67	512,962.41	40,605.26
Food Services	1,000.00	10,882.43	9,026.91	1,855.52
Central Services	1,036,103.69	1,058,855.99	938,780.35	120,075.64
Student Transportation Services	3,196,683.70	3,181,707.15	2,615,783.07	565,924.08
Operation of Plant	3,909,012.06	3,911,621.00	3,575,501.41	336,119.59
Maintenance of Plant	2,049,171.97	1,981,552.26	1,682,313.55	299,238.71
Administrative Technology Services	556,380.41	526,328.84	442,302.12	84,026.72
Community Services	35,096.21	53,759.21	9,190.60	44,568.61
Fixed Capital Outlay:				
Other Capital Outlay	-	226,374.29	226,374.29	-
Debt Service:				
Interest and Fiscal Charges	38,000.00	42,700.00	42,122.36	577.64
Total Expenditures	74,718,481.45	75,613,966.69	69,429,581.77	6,184,384.92
Deficiency of Revenues Over Expenditures	(12,822,655.45)	(14,964,169.65)	(7,947,128.93)	7,017,040.72
Other Financing Sources				
Transfers In	8,276,704.69	8,127,401.24	8,127,401.24	-
Net Change in Fund Balances	(4,545,950.76)	(6,836,768.41)	180,272.31	7,017,040.72
Fund Balances, Beginning	8,120,414.59	8,120,414.59	8,120,414.59	-
Fund Balances, Ending	$ 3,574,463.83	$ 1,283,646.18	$ 8,300,686.90	$ 7,017,040.72

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, 2012	$ -	$ 10,203,244	$ 10,203,244	0.0%	$ 27,936,949	36.52%
June 30, 2014	-	9,283,925	9,283,925	0.0%	31,995,583	29.02%
June 30, 2016	-	12,198,054	12,198,054	0.0%	32,864,118	37.12%

Note: (1) The District's OPEB actuarial valuation for the June 30, 2012, and 2014 valuation dates used the projected unit credit cost method and the OPEB actuarial valuation for the June 30, 2016, valuation date used the entry age normal actuarial cost method to estimate the actuarial accrued liability.

Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)

	2015	2014	2013
District's proportion of the FRS net pension liability	0.083061458%	0.084507080%	0.080556214%
District's proportionate share of the FRS net pension liability	$ 10,728,505	$ 5,156,175	$ 13,867,310
District's covered-employee payroll	$ 27,891,689	$ 27,784,894	$ 26,903,189
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	38.46%	18.56%	51.55%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions –
Florida Retirement System Pension Plan (1)

	2016	2015	2014
Contractually required FRS contribution	$ 1,851,458	$ 2,025,109	$ 1,851,064
FRS contributions in relation to the contractually required contribution	(1,851,458)	(2,025,109)	(1,851,064)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 27,720,203	$ 27,891,689	$ 27,784,894
FRS contributions as a percentage of covered-employee payroll	6.68%	7.26%	6.66%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

	2015	2014	2013
District's proportion of the HIS net pension liability	0.106536805%	0.108148239%	0.107590128%
District's proportionate share of the HIS net pension liability	$ 10,865,078	$ 10,112,124	$ 9,367,135
District's covered-employee payroll	$ 32,356,720	$ 32,132,634	$ 31,251,766
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.58%	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Health Insurance Subsidy Pension Plan (1)

	2016	2015	2014
Contractually required HIS contribution	$ 538,169	$ 407,250	$ 370,479
HIS contributions in relation to the contractually required contribution	(538,169)	(407,250)	(370,479)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 32,447,725	$ 32,356,720	$ 32,132,634
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. 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 transportation 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.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The June 30, 2016, unfunded actuarial accrued liability of $12,198,054 was significantly higher than the June 30, 2014, liability of $9,283,925 as a result of the following:

- The number of retirees enrolled in the medical plan increased from 56 in the June 30, 2014, valuation to 78 in the June 30, 2016, valuation. Conversely, the number of active employees decreased from 556 to 533 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 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. In the current valuation, the trend is assumed to be 5 percent for the 2016 calendar year changing by various decrements, to an ultimate rate of 3.94 percent after the 2080 calendar year.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

Sumter County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	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	15002	$ 661,646.17	$ -
National School Lunch Program	10.555	15001, 15003	1,982,645.62	-
Summer Food Service Program for Children	10.559	15006, 15007	41,164.98	-
Total United States Department of Agriculture			2,685,456.77	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	1,528,269.21	-
Putnam County District School Board		None	1,007.37	
Orange County District School Board		None	23,640.35	-
Total Special Education - Grants to States	84.027		1,552,916.93	-
Florida Department of Education:				
Special Education - Preschool Grants	84.173	267	30,482.54	-
Total Special Education Cluster			1,583,399.47	-
Career and Technical Education - Basic Grants to States:	84.048			
Florida Department of Education		161	76,286.00	5,197.03
Lake-Sumter State College		None	1,295.00	-
Total Career and Technical Education - Basic Grants to States	84.048		77,581.00	5,197.03
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	220,506.55	-
Title I Grants to Local Educational Agencies	84.010	212, 226	1,978,511.93	-
Twenty-First Century Community Learning Centers	84.287	244	422,516.32	-
English Language Acquisition State Grants	84.365	102	22,975.94	-
Improving Teacher Quality State Grants	84.367	224	357,998.80	44,162.54
Washington County District School Board:				
Mathematics and Science Partnerships	84.366	None	81,906.41	-
Total United States Department of Education			4,745,396.42	49,359.57
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	57,002.58	-
Total Expenditures of Federal Awards			$ 7,487,855.77	$ 49,359.57

The accompanying notes are an integral part of this schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Sumter County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance - National School Lunch Program. Includes $173,014.73 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

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, 2016, 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 20, 2017, 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 a 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 from 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*.

Purpose of this Report

The purpose of this report 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 communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2017

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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, 2016.

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 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 major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 a 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	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 Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major program:	
CFDA Numbers: 84.027 and 84.173	Name of Federal Program or Cluster: Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.