

SUMTER COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Sumter County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Haydn L. Evans, Vice Chair from 11-18-08	1
Christine S. Norris	2
Linda J. Winchester	3
Kenneth P. Jones, Chair to 11-17-08	4
Michael T. Foote, Vice Chair to 11-17-08, Chair from 11-18-08	5

Richard A. Shirley, Superintendent

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

The audit team leader was Anna A. McCormick, CPA, and the audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: A charter school received a total of \$9,941,723 from the District's optional capital outlay taxes and State charter school capital outlay funds, but the school used the funds mainly for operating purposes, which appears to be contrary to Sections 1011.71 and 1013.62, Florida Statutes.

Finding No. 2: Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Charter Schools grant, and Rural Education programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-096.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 7 percent of the assets and 23 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial 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 aggregate discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Sumter County District School Board as of June 30, 2009, and the respective changes in financial position and cash flows,

where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the financial statements, the District changed its method of reporting its health, dental, and vision programs from the General Fund to an internal service fund in the 2008-09 fiscal year.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 48 through 50) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
March 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Sumter County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds, for the fiscal year ended June 30, 2009. 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 found on pages 11 through 47.

FINANCIAL HIGHLIGHTS

- Overall, the District's financial position improved somewhat from the prior year. The District's total net assets increased by \$1,778,457 (or 4 percent). This may be compared to \$5,339,629 (or 14 percent) for the prior year.
- During the current year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by \$897,892. This may be compared to the prior year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,683,029.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis, budgetary comparison schedules, and a schedule of funding progress for the other postemployment benefits plan.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in 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 two separate legal entities in this report including The Villages Charter School, Inc. (Charter School), which operates The Villages Charter Elementary School, The Villages

Charter Middle School, and The Villages Charter High School, and the Sumter Schools Enhancement Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units 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 of 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 assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

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

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

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary fund is maintained, an internal service fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund 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 fund has been included within governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$87,950,958 and \$89,824,565 as of June 30, 2009, and 2008, respectively. The current ratio is 10.3:1 with current assets of \$13,102,972 and current liabilities of \$1,268,870. The other assets not considered to be current assets for the purpose of computing the current ratio include capital credits receivable totaling \$180,995; deferred charges totaling \$374,248; and cash, cash equivalents, and investments restricted for capital improvements of \$5,488,105 and for debt service of \$174,414. The prior year current ratio was approximately 3.9:1 with current assets of \$19,697,915 and current liabilities of \$5,094,642.

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

Net Assets, End of Year

	Governmental Activities	
	6-30-09	6-30-08
Current Assets	\$ 13,102,972	\$ 19,697,915
Other Assets	6,217,762	4,093,536
Capital Assets (Net)	68,630,224	66,033,114
Total Assets	87,950,958	89,824,565
Current Liabilities	1,268,870	5,094,642
Long-Term Liabilities	42,632,263	42,458,555
Total Liabilities	43,901,133	47,553,197
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	32,488,716	28,297,471
Restricted	7,862,731	8,639,198
Unrestricted	3,698,378	5,334,699
Total Net Assets	\$ 44,049,825	\$ 42,271,368

The largest portion of the District's net assets (74 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (18 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (8 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal year ended June 30, 2009, and June 30, 2008, are as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 743,371	\$ 1,223,632
Operating Grants and Contributions	3,434,035	3,643,926
Capital Grants and Contributions	4,105,476	2,159,949
General Revenues:		
Property Taxes, Levied for Operational Purposes	35,993,470	31,690,330
Property Taxes, Levied for Capital Projects	9,231,407	10,549,000
Grants and Contributions Not Restricted to Specific Programs	19,829,691	23,725,888
Unrestricted Investment Earnings	55,731	1,193,938
Miscellaneous	558,506	1,309,712
Total Revenues	73,951,687	75,496,375
Functions/Program Expenses:		
Instruction	42,915,088	41,017,837
Pupil Personnel Services	2,520,429	2,347,032
Instructional Media Services	737,537	728,972
Instruction and Curriculum Development Services	2,280,665	1,982,951
Instructional Staff Training Services	1,232,429	1,087,735
Instruction Related Technology	554,219	579,793
Board of Education	432,846	400,568
General Administration	413,751	427,341
School Administration	2,819,884	2,842,111
Facilities Acquisition and Construction	774,008	1,014,116
Fiscal Services	566,230	561,490
Food Services	2,922,214	3,355,865
Central Services	690,872	779,928
Pupil Transportation Services	2,938,131	2,930,679
Operation of Plant	3,953,371	3,861,825
Maintenance of Plant	1,443,971	1,517,165
Administrative Technology Services	343,213	352,259
Community Services	830	689
Interest on Long-Term Debt	1,689,677	1,682,081
Unallocated Depreciation/Amortization Expense	2,918,323	2,642,934
Loss on Disposal of Capital Assets	25,542	43,375
Total Functions/Program Expenses	72,173,230	70,156,746
Increase in Net Assets	\$ 1,778,457	\$ 5,339,629

The largest revenue source is property tax revenue (61 percent). Most notable during the current year is the increase of \$4,303,140 in property tax revenue levied for operational purposes, which was primarily a result of the increase in the required local effort tax levy of \$4,290,490, as mandated by the State. Property tax revenue levied for capital projects decreased by \$1,317,593 primarily because the Board voted to lower capital outlay millage from 1.88 to 1.50 mills for the 2008-09 fiscal year. Total property tax revenue increased by \$2,985,547. Revenue from State

sources decreased by \$3,574,412. State revenues decreased primarily due to an increase in required local effort funding, which resulted in a decrease of Florida Education Finance Program (FEFP) revenue.

Instruction expenses increased by \$1,897,251 due to an increase in the amount of funding paid to the Charter School, as a result of increased Charter School student enrollment. There were also some increases in personnel due to new instructional programs.

Facilities acquisition and construction expenses decreased by \$240,108 as less construction expenditures were incurred. Additionally, of the construction expenditures incurred, more were of a capitalizable nature, which is not reflected in the operating expenditures. Food services expenses decreased by \$433,651, primarily due to the discontinuance of food service operations by the District at the Charter School.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

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

At fiscal year-end, the District's governmental funds reported combined ending fund balances of \$14,781,009, a decrease of \$1,729,657, in comparison with the prior year. Unreserved fund balances of \$10,715,068 represent 72 percent of the ending fund balances and are available to meet the District's short term spending needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to fund State categorical programs (\$1,917,240); liquidate construction contracts and purchase orders outstanding at year-end (\$1,213,006); reserved for debt service (\$174,414); reserved for inventory (\$337,533); and reserved for various other purposes (\$423,748).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$5,596,294, while the total fund balance was \$8,287,141. The unreserved fund balance decreased by \$1,331,835, while the total fund balance decreased by \$897,892 during the fiscal year. While revenues and other financing sources decreased \$2,741,883 from the prior year, expenditures and other financing uses declined only \$160,962. The Board chose to use fund balance to compensate for the reduction in revenues, rather than cutting expenditures, which the District believes would adversely affect students and staff.

The Capital Projects – PECO Fund has a total fund balance of \$525,946, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance did not change, while total fund balance increased by \$525,946. The fund balance increased in the current year primarily due to several construction and renovation projects completed and in progress as identified in the capital assets section.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$4,280,749, all of which is also restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance increased by \$1,502,844, while total fund balance increased by \$352,307. The fund balance increased in the current year due to several major construction and renovation projects completed and in progress as identified in the capital assets section.

Proprietary Funds

The internal service funds account for the District's workers' compensation self-insurance program and the health insurance programs. Unrestricted net assets of the internal service funds total \$2,032,113 at June 30, 2009, increasing \$820,583 from June 30, 2008. The increase occurred primarily because of the creation of the internal service fund for the health insurance programs for fiscal year end June 30, 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues and transfers amounting to \$2,162,075, or 4 percent. At the same time, final appropriations are more than the original budgeted amounts by \$82,772. However, the District's actual expenditures are \$4,465,075 below the final budgeted expenditure amount. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance. Each year the District budgets in full for all funds available for categorical and restricted purposes, even though the full amount is not spent, and a significant portion is carried over to the succeeding year. Also, when the District was faced with State revenue reductions after the budget adoption, a major emphasis was placed on conservative spending, postponement of spending when practical, and conservation of fund balance in an effort to financially position the District to withstand future revenue budget cuts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$68,630,224 (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.

- The District completed construction of a number of projects as follows:

Administration Bldg Addition - South Sumter High School	\$ 1,323,649
Classroom Addition - South Sumter Middle School	5,269,262
Cafeteria Addition - South Sumter High School	5,850,801
Administration Bldg Addition - South Sumter Middle School	651,320
Other Projects	880,082
Total Cost of Projects Completed	<u><u>\$ 13,975,114</u></u>

- Numerous other construction projects are in progress including:

Classroom Addition - Webster Elementary School	\$ 1,612,413
Other Projects	187,384
Total Cost of Projects In Progress	<u><u>\$ 1,799,797</u></u>

Major contract commitments at fiscal year-end for construction activity amounted to \$864,672. Additional information on the District's capital assets can be found in Notes 4 and 16 to the financial statements.

Due to declining student populations and budgetary constraints for the 2009-10 school year, the District decided to merge North Sumter Primary School with Wildwood Elementary School, and Wildwood Middle School with Wildwood High School. The North Sumter Primary and Wildwood Middle School facilities will continue to be used as facilities for professional staff training and storage.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$36,805,000. This amount is comprised of \$3,605,000 of bonds and \$33,200,000 of certificates of participation. During the year, retirement of debt amounted to \$1,100,000.

State school bonds outstanding at June 30, 2009, accounted for \$1,080,000 of the total bonds, and the bonds 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, and proceeds were used for new school construction. The remainder of the District's long-term debt is secured solely by specified revenue sources.

Additional information on the District's long-term debt can be found in Notes 6 through 9 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SUMTER COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2009

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 15,440,851.50	\$ 535,557.00
Investments	720,118.98	119,935.00
Accounts Receivable	4,821.75	82,198.00
Taxes Receivable		7,102.00
Prepaid Items		55,167.00
Due from Other Agencies	2,262,165.78	
Inventories	337,533.02	5,266.00
Deferred Charges	374,248.26	
Capital Credits Receivable	180,995.14	
Capital Assets:		
Nondepreciable Capital Assets	3,793,898.60	
Depreciable Capital Assets, Net	64,836,325.26	593,337.00
TOTAL ASSETS	\$ 87,950,958.29	\$ 1,398,562.00
LIABILITIES		
Salaries and Benefits Payable	\$ 29,832.54	\$
Accounts Payable	808,474.13	525,742.00
Construction Contracts Payable	362,449.55	
Construction Contracts Payable - Retainage	63,830.65	
Due to Other Agencies	4,283.13	
Deferred Revenue		280,574.00
Note Payable		271,994.00
Long-Term Liabilities:		
Portion Due Within One Year	1,530,800.00	
Portion Due After One Year	41,101,463.68	
Total Liabilities	43,901,133.68	1,078,310.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	32,488,715.74	593,337.00
Restricted for:		
State Categorical Programs	1,917,240.05	
Debt Service	174,413.76	
Capital Projects	5,347,329.27	
Other Purposes	423,747.95	172,336.00
Unrestricted	3,698,377.84	(445,421.00)
Total Net Assets	44,049,824.61	320,252.00
TOTAL LIABILITIES AND NET ASSETS	\$ 87,950,958.29	\$ 1,398,562.00

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, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 42,915,087.81	\$ 58,418.00	\$	\$
Pupil Personnel Services	2,520,428.59			
Instructional Media Services	737,537.04			
Instruction and Curriculum Development Services	2,280,664.70			
Instructional Staff Training Services	1,232,428.60			
Instruction Related Technology	554,219.07			
Board of Education	432,845.89			
General Administration	413,751.07			
School Administration	2,819,884.31			
Facilities Acquisition and Construction	774,007.68			2,860,791.39
Fiscal Services	566,230.44			
Food Services	2,922,214.08	670,089.04	2,176,287.34	
Central Services	690,872.40			
Pupil Transportation Services	2,938,130.71	14,863.66	1,257,748.00	
Operation of Plant	3,953,371.39			
Maintenance of Plant	1,443,970.95			1,068,740.00
Administrative Technology Services	343,213.47			
Community Services	829.93			
Interest on Long-Term Debt	1,689,677.40			175,944.62
Unallocated Depreciation/Amortization Expense	2,918,322.66			
Loss on Disposal of Capital Assets	25,542.21			
Total Primary Government	\$ 72,173,230.40	\$ 743,370.70	\$ 3,434,035.34	\$ 4,105,476.01
Component Units				
Charter School/Foundation	\$ 19,349,287.00	\$ 2,866,438.00	\$ 522,588.00	\$ 1,256,357.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Units
Activities	
\$ (42,856,669.81)	\$
(2,520,428.59)	
(737,537.04)	
(2,280,664.70)	
(1,232,428.60)	
(554,219.07)	
(432,845.89)	
(413,751.07)	
(2,819,884.31)	
2,086,783.71	
(566,230.44)	
(75,837.70)	
(690,872.40)	
(1,665,519.05)	
(3,953,371.39)	
(375,230.95)	
(343,213.47)	
(829.93)	
(1,513,732.78)	
(2,918,322.66)	
(25,542.21)	
(63,890,348.35)	
	(14,703,904.00)
35,993,469.66	
9,231,406.93	
19,829,691.40	14,546,853.00
55,730.59	5,576.00
558,506.34	138,469.00
65,668,804.92	14,690,898.00
1,778,456.57	(13,006.00)
42,271,368.04	333,258.00
\$ 44,049,824.61	\$ 320,252.00

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 9,072,443.74	\$
Investments		
Accounts Receivable, Net	4,821.75	
Due from Other Funds	967,457.46	
Due from Other Agencies	168,481.60	37,321.83
Inventories	291,514.06	
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 10,504,718.61</u></u>	<u><u>\$ 37,321.83</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 17,374.66	\$
Accounts Payable	312,930.03	24,604.80
Construction Contracts Payable		
Construction Contracts Payable - Retainage		
Due to Other Funds	1,886,612.74	12,717.03
Due to Other Agencies	660.00	
	<u> </u>	<u> </u>
Total Liabilities	<u>2,217,577.43</u>	<u>37,321.83</u>
Fund Balances:		
Reserved for State Categorical Programs	1,917,240.05	
Reserved for Encumbrances	58,344.92	
Reserved for Inventories	291,514.06	
Reserved for Debt Service		
Reserved for Other Purposes	423,747.95	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Terminal Leave	700,000.00	
Undesignated, Reported in:		
General Fund	4,896,294.20	
Special Revenue Funds		
Capital Projects Funds		
	<u> </u>	<u> </u>
Total Fund Balances	<u>8,287,141.18</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,504,718.61</u></u>	<u><u>\$ 37,321.83</u></u>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 4,279,715.95	\$ 969,721.28	\$ 14,321,880.97
		676,581.49	676,581.49
			4,821.75
			967,457.46
1,667,416.32	25,621.96	363,324.07	2,262,165.78
		46,018.96	337,533.02
<u>\$ 1,667,416.32</u>	<u>\$ 4,305,337.91</u>	<u>\$ 2,055,645.80</u>	<u>\$ 18,570,440.47</u>
\$	\$	\$ 12,457.88	\$ 29,832.54
		137,430.92	474,965.75
333,597.27	24,589.28	4,263.00	362,449.55
63,830.65			63,830.65
744,042.00		210,698.43	2,854,070.20
		3,623.13	4,283.13
<u>1,141,469.92</u>	<u>24,589.28</u>	<u>368,473.36</u>	<u>3,789,431.82</u>
525,946.40	599,280.94	29,433.31	1,917,240.05
		46,018.96	1,213,005.57
		174,413.76	337,533.02
			174,413.76
			423,747.95
			700,000.00
			4,896,294.20
		262,613.60	262,613.60
	3,681,467.69	1,174,692.81	4,856,160.50
<u>525,946.40</u>	<u>4,280,748.63</u>	<u>1,687,172.44</u>	<u>14,781,008.65</u>
<u>\$ 1,667,416.32</u>	<u>\$ 4,305,337.91</u>	<u>\$ 2,055,645.80</u>	<u>\$ 18,570,440.47</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds \$ 14,781,008.65

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 68,630,223.86

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. 180,995.14

Deferred issuance costs on certificates of participation are not expensed in the government-wide statements in the year of issuance but are reported as deferred charges, and amortized over the life of the debt. 374,248.26

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 2,032,113.38

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

Bonds Payable	\$ 3,605,000.00	
Certificates of Participation Payable	33,200,000.00	
Compensated Absences Payable	4,498,519.68	
Other Postemployment Benefits Payable	645,245.00	
	(41,948,764.68)	

Total Net Assets - Governmental Activities \$ 44,049,824.61

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, 2009

	General Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 68,596.67	\$
Federal Through State and Local State	14,872,278.76	69,392.82
Local:		
Property Taxes	35,993,469.66	
Charges for Services - Food Service		
Miscellaneous	797,856.05	
Total Revenues	<u>51,732,201.14</u>	<u>69,392.82</u>
Expenditures		
Current - Education:		
Instruction	39,657,952.54	69,392.82
Pupil Personnel Services	2,043,957.45	
Instructional Media Services	735,276.54	
Instruction and Curriculum Development Services	1,097,948.03	
Instructional Staff Training Services	589,417.09	
Instruction Related Technology	512,422.71	
Board of Education	432,685.15	
General Administration	274,131.23	
School Administration	2,701,809.09	
Facilities Acquisition and Construction	156,073.10	
Fiscal Services	552,112.98	
Food Services	62,551.68	
Central Services	660,475.13	
Pupil Transportation Services	2,929,213.14	
Operation of Plant	3,975,710.48	
Maintenance of Plant	1,462,021.82	
Administrative Technology Services	334,455.33	
Community Services	837.11	
Fixed Capital Outlay:		
Facilities Acquisition and Construction		
Other Capital Outlay	310,252.78	
Debt Service:		
Principal		
Interest and Fiscal Charges	44,635.53	
Total Expenditures	<u>58,533,938.91</u>	<u>69,392.82</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,801,737.77)</u>	
Other Financing Sources (Uses)		
Transfers In	5,903,846.12	
Transfers Out		
Total Other Financing Sources (Uses)	<u>5,903,846.12</u>	
Net Change in Fund Balances	(897,891.65)	
Fund Balances, Beginning	9,185,032.83	
Fund Balances, Ending	<u>\$ 8,287,141.18</u>	<u>\$ 0.00</u>

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		7,973,091.89	68,596.67
3,834,034.00		551,808.61	8,042,484.71
	9,231,406.93		19,258,121.37
		670,089.04	45,224,876.59
	44,612.07	(147,854.74)	670,089.04
			694,613.38
<u>3,834,034.00</u>	<u>9,276,019.00</u>	<u>9,047,134.80</u>	<u>73,958,781.76</u>
		3,109,237.62	42,836,582.98
		437,016.11	2,480,973.56
		308.03	735,584.57
		1,114,279.62	2,212,227.65
		645,127.14	1,234,544.23
		11,123.98	523,546.69
		668.80	433,353.95
		137,516.49	411,647.72
		134,331.38	2,836,140.47
			156,073.10
			552,112.98
		2,891,836.05	2,954,387.73
		28,842.96	689,318.09
		24,682.77	2,953,895.91
		1,959.59	3,977,670.07
			1,462,021.82
			334,455.33
			837.11
1,734,869.60	2,230,136.16	1,619,489.49	5,584,495.25
		218,639.11	528,891.89
		1,100,000.00	1,100,000.00
		1,645,041.87	1,689,677.40
<u>1,734,869.60</u>	<u>2,230,136.16</u>	<u>13,120,101.01</u>	<u>75,688,438.50</u>
<u>2,099,164.40</u>	<u>7,045,882.84</u>	<u>(4,072,966.21)</u>	<u>(1,729,656.74)</u>
		2,362,947.47	8,266,793.59
(1,573,218.00)	(6,693,575.59)		(8,266,793.59)
(1,573,218.00)	(6,693,575.59)	2,362,947.47	
525,946.40	352,307.25	(1,710,018.74)	(1,729,656.74)
	3,928,441.38	3,397,191.18	16,510,665.39
<u>\$ 525,946.40</u>	<u>\$ 4,280,748.63</u>	<u>\$ 1,687,172.44</u>	<u>\$ 14,781,008.65</u>

**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, 2009**

Net Change in Fund Balances - Governmental Funds \$ (1,729,656.74)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	2,622,652.20
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(25,542.21)
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt. This is the change in deferred charges for the current period.	(21,386.00)
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. This is the change in capital credits for the current period.	(1,786.30)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	1,100,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(341,162.44)
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 in the current fiscal year.	(645,245.00)
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.	820,583.06

Change in Net Assets - Governmental Activities \$ 1,778,456.57

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2009**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,118,970.53
Due From Other Funds	1,886,612.74
Total Current Assets	3,005,583.27
Noncurrent Assets:	
Investments in SBA Fund B Surplus Funds Trust Fund	43,537.49
TOTAL ASSETS	\$ 3,049,120.76
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 333,508.38
Estimated Insurance Claims Payable	75,000.00
Total Current Liabilities	408,508.38
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	608,499.00
Total Liabilities	1,017,007.38
NET ASSETS	
Unrestricted	2,032,113.38
TOTAL LIABILITIES AND NET ASSETS	\$ 3,049,120.76

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 ASSETS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Contributions	\$ 5,862,352.81
OPERATING EXPENSES	
Salaries	41,289.97
Employee Benefits	10,581.18
Purchased Services	115,998.48
Insurance Claims	361,262.43
Insurance Premiums	4,490,012.20
Total Operating Expenses	5,019,144.26
Operating Income	843,208.55
NONOPERATING REVENUES	
Interest Income	18,588.22
Decrease in Fair Market Value of Investments	(41,213.71)
Total Nonoperating Revenues	(22,625.49)
Change in Net Assets	820,583.06
Total Net Assets - Beginning	1,211,530.32
Total Net Assets - Ending	\$ 2,032,113.38

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, 2009**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 3,984,847.07
Cash Payments to Suppliers for Goods and Services	(4,336,923.68)
Cash Payments for Insurance Claims	(73,961.43)
Net Cash Used by Operating Activities	(426,038.04)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(84,751.20)
Interest Income	18,588.22
Net Cash Used by Investing Activities	(66,162.98)
Net Decrease in Cash and Cash Equivalents	(492,201.02)
Cash and Cash Equivalents, Beginning	1,611,171.55
Cash and Cash Equivalents, Ending	\$ 1,118,970.53

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

Operating Income	\$ 843,208.55
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	9,107.00
Increase in Due From Other Funds	(1,886,612.74)
Increase in Accounts Payable	320,958.15
Increase in Estimated Insurance Claims Payable	287,301.00
Total Adjustments	(1,269,246.59)
Net Cash Used by Operating Activities	\$ (426,038.04)

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	<u>\$ 410,250.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 410,250.00</u>

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Sumter County School District is considered part of the Florida system of public education. The governing body of the school district is the Sumter County District School Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of 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 entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

- **Blended Component Units.** 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 6. Due to the substantive economic relationship between the Sumter County District School Board 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 Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units.

The Sumter Schools Enhancement Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, for the purpose of providing scholarships to students and financial assistance to teachers for innovative programs. The Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

The Villages Charter School, Inc. (Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Sumter County District School Board. The Charter School is considered a component unit because it is fiscally dependent on the District to levy taxes for its support.

Audits of the Charter School and the Foundation's financial statements for the fiscal year ended June 30, 2009, were conducted by independent certified public accountants and are on file at the District's administrative office.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense which is not readily associated with a particular function is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for financial resources generated by Legislative appropriation through the Public Education Capital Outlay program used for specific educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

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

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The Charter School is accounted for as a governmental organization and follows the same accounting model as the District’s governmental activities.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid, unrestricted investments with original maturities of three months or less. Investments classified as cash equivalents include the unrestricted amounts placed in money market accounts and with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within LGIP.

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

➤ **Inventories**

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

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing \$1,000 or more, except for computers, which are capitalized at \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Premiums and discounts on debt issues, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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

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

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 9, 2008. 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.

➤ **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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1) (2)	46 Day Average	\$ 1,035,186.46
Fund B Surplus Funds Trust Fund (Fund B) (2)	6.87 Year Average	222,293.69
Debt Service Accounts	6 Months	31,917.61
Dreyfus Treasury Prime Cash Management Fund (2)	60 Day Average	452,920.41
Total Investments, Primary Government		<u>\$ 1,742,318.17</u>

Notes:

(1) Includes unrestricted LGIP investments, totaling \$1,022,199.19, that are considered cash equivalents.

(2) Pursuant to the trust agreements, the trustee for the District's Certificates of Participation, Series 2006, holds the following investments in trust accounts: LGIP \$12,987.27, Fund B \$178,756.20, and Dreyfus \$452,920.41.

Interest Rate Risk

- 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 an appropriate term based on the District's needs and in accordance with debt covenants, but in no event shall the term exceed five years. For construction proceeds of tax-exempt debt issues, investment terms shall not exceed three years.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- The LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- As permitted in Section 218.415(16), Florida Statutes, the District's investment policy limits investments to LGIP; 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; Securities and Exchange Commission registered money market funds with the highest rating and in compliance with 17 CFR 270.2a-7 of the Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit that are either Federal Deposit Insurance Corporation insured and/or in State qualified public depositories; and other investments permitted by the State statute and not prohibited by this policy as may be recommended by the Superintendent and approved in advance by the Board.
- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. Fund B is unrated.
- As of June 30, 2009, the District's investment in the Dreyfus Treasury Prime Cash Management Fund is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- The District's investment policy requires that securities be held with certain third party custodians. Certificates of deposit must be placed in the provider's safekeeping department for the term of the deposit.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,994,101.85	\$	\$	\$ 1,994,101.85
Construction in Progress	11,226,877.70	4,548,032.97	13,975,113.92	1,799,796.75
Total Capital Assets Not Being Depreciated	13,220,979.55	4,548,032.97	13,975,113.92	3,793,898.60
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,576,019.82	553,034.67		2,129,054.49
Buildings and Fixed Equipment	66,391,961.14	13,422,079.25	43,088.15	79,770,952.24
Furniture, Fixtures, and Equipment	6,590,787.08	547,805.89	449,932.30	6,688,660.67
Motor Vehicles	5,436,943.80	423,750.00	177,148.00	5,683,545.80
Total Capital Assets Being Depreciated	79,995,711.84	14,946,669.81	670,168.45	94,272,213.20
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	534,552.93	118,329.88		652,882.81
Buildings and Fixed Equipment	19,254,550.13	1,671,819.21	43,088.16	20,883,281.18
Furniture, Fixtures, and Equipment	4,383,714.58	675,937.80	430,390.08	4,629,262.30
Motor Vehicles	3,010,759.88	430,849.77	171,148.00	3,270,461.65
Total Accumulated Depreciation	27,183,577.52	2,896,936.66	644,626.24	29,435,887.94
Total Capital Assets Being Depreciated, Net	52,812,134.32	12,049,733.15	25,542.21	64,836,325.26
Governmental Activities Capital Assets, Net	<u>\$ 66,033,113.87</u>	<u>\$ 16,597,766.12</u>	<u>\$ 14,000,656.13</u>	<u>\$ 68,630,223.86</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$2,896,936.66, is reported as unallocated on the statement of activities.

5. CHANGES IN SHORT-TERM DEBT

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

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$	\$ 2,250,000.00	\$ 2,250,000.00	\$

Pursuant to the provisions of Section 1011.13, Florida Statutes, the District issued a tax anticipation note, the purpose of which was to meet the disbursement requirements of the 2008-2009 fiscal year operating budget.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on December 1, 1998, and supplemental agreements dated July 1, 2002, May 1, 2006, and January 1, 2007, in which each arrangement was characterized as a lease-purchase agreement, with the Sumter County School Board Leasing Corporation (Leasing Corporation), whereby the District secured financing of various educational facilities in the total amount of \$5,100,000 for the Series 1998 Certificates of Participation, \$15,625,000 for the Series 2002 Certificates of Participation, \$16,695,00 for the Series 2006 Certificates of Participation, and \$13,860,000 for the Series 2007 Certificates of Participation. The Series 1998 Certificates of Participation were used, in part, to advance-refund the District's Lease-Revenue Debt dated July 1, 1990, of approximately \$2,100,000. The Series 2007 Certificates of Participation were used, to partially advance-refund the Series 1998 and 2002 Certificates of Participation. The financings were accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

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

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

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

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

Series 2006 Certificates of Participation

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

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.5 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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,342,463.01	\$ 940,000.00	\$ 1,402,463.01
2011	2,339,406.13	975,000.00	1,364,406.13
2012	2,344,709.63	1,020,000.00	1,324,709.63
2013	2,343,789.63	1,060,000.00	1,283,789.63
2014	2,339,945.50	1,100,000.00	1,239,945.50
2015-2019	11,716,569.00	6,255,000.00	5,461,569.00
2020-2024	11,732,193.89	7,715,000.00	4,017,193.89
2025-2029	11,784,253.38	9,610,000.00	2,174,253.38
2030-2031	4,736,709.00	4,525,000.00	211,709.00
Total Minimum Lease Payments	<u>\$ 51,680,039.17</u>	<u>\$ 33,200,000.00</u>	<u>\$ 18,480,039.17</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

7. DEFEASED DEBT

In prior years, portions of Certificates of Participation (COPS), Series 1998 and Series 2002, were advance-refunded by the District and considered defeased in substance by placing a portion of the proceeds of the COPS, Series 2007, in an irrevocable trust to provide for 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, 2009, \$1,470,000 of outstanding COPS, Series 1998, and \$11,520,000 of outstanding COPS, Series 2002, are considered defeased in substance.

8. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 895,000	5.0	2016
Series 2005B, Refunding	185,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	<u>2,525,000</u>	4.4 - 5.0	2028
Total Bonds Payable	<u>\$ 3,605,000</u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

These bonds are generally referred as Racetrack Improvement and Refunding Certificates of Indebtedness, Series 1998, and are authorized by Chapter 71-932, Laws of Florida, Special Acts of 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts 1976. The bonds are payable solely from and secured by a lien upon and pledge of the revenues distributed to the District from moneys deposited to the credit of the Pari-mutuel Wagering Trust Fund pursuant to Chapter 550, Florida Statutes, and allocated to the District as provided by law (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). 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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 179,000.00	\$ 125,000.00	\$ 54,000.00
2011	177,750.00	130,000.00	47,750.00
2012	176,250.00	135,000.00	41,250.00
2013	179,500.00	145,000.00	34,500.00
2014	172,250.00	145,000.00	27,250.00
2015-2018	<u>437,250.00</u>	<u>400,000.00</u>	<u>37,250.00</u>
Total State School Bonds	<u>1,322,000.00</u>	<u>1,080,000.00</u>	<u>242,000.00</u>
District Revenue Bonds:			
2010	199,691.26	80,000.00	119,691.26
2011	196,171.26	80,000.00	116,171.26
2012	197,541.26	85,000.00	112,541.26
2013	198,691.26	90,000.00	108,691.26
2014	199,621.26	95,000.00	104,621.26
2015-2019	995,312.55	545,000.00	450,312.55
2020-2024	987,903.14	685,000.00	302,903.14
2025-2029	<u>977,375.00</u>	<u>865,000.00</u>	<u>112,375.00</u>
Total District Revenue Bonds	<u>3,952,306.99</u>	<u>2,525,000.00</u>	<u>1,427,306.99</u>
Total	<u><u>\$ 5,274,306.99</u></u>	<u><u>\$ 3,605,000.00</u></u>	<u><u>\$ 1,669,306.99</u></u>

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,800,000.00	\$	\$ 195,000.00	\$ 3,605,000.00	\$ 205,000.00
Certificates of Participation Payable	34,105,000.00		905,000.00	33,200,000.00	940,000.00
Compensated Absences Payable	4,157,357.24	825,235.13	484,072.69	4,498,519.68	310,800.00
Estimated Insurance Claims Payable	396,198.00	361,262.43	73,961.43	683,499.00	75,000.00
Other Postemployment Benefits Payable		1,113,486.00	468,241.00	645,245.00	
Total Governmental Activities	<u><u>\$ 42,458,555.24</u></u>	<u><u>\$ 2,299,983.56</u></u>	<u><u>\$ 2,126,275.12</u></u>	<u><u>\$ 42,632,263.68</u></u>	<u><u>\$ 1,530,800.00</u></u>

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with resources of the proprietary funds, as discussed in Note 19.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 967,457.46	\$ 1,886,612.74
Special Revenue:		
ARRA Economic Stimulus		12,717.03
Capital Projects:		
Public Education Capital Outlay		744,042.00
Nonmajor Governmental		210,698.43
Internal Service	1,886,612.74	
Total	<u>\$ 2,854,070.20</u>	<u>\$ 2,854,070.20</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 5,903,846.12	\$
Capital Projects:		
Public Education Capital Outlay		1,573,218.00
Local Capital Improvement		6,693,575.59
Nonmajor Governmental	2,362,947.47	
Total	<u>\$ 8,266,793.59</u>	<u>\$ 8,266,793.59</u>

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from capital projects funds to the General Fund to reimburse the General Fund for allowable capital expenditures recorded in the General Fund. Additionally, funds are transferred from the capital projects funds to the debt service funds to make debt service payments for the certificates of participation.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

11. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund total \$3,735.93 at June 30, 2009.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 3,700,877.00
Categorical Educational Programs:	
Class Size Reduction	7,346,578.00
Transportation	1,257,748.00
Instructional Materials	726,391.00
Voluntary Prekindergarten	555,965.43
School Recognition	538,720.00
Other	243,235.46
Charter School Capital Outlay Funding	1,256,357.00
Class Size Reduction Construction	1,147,414.00
Gross Receipts Tax (Public Education Capital Outlay)	1,068,740.00
Classrooms for Kids	361,523.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	271,442.01
Workforce Development Program	263,416.00
Discretionary Lottery Funds	174,204.00
Food Service Supplement	61,076.00
Mobile Home License Tax	51,336.72
Miscellaneous	233,097.75
Total	<u><u>\$ 19,258,121.37</u></u>

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.234	\$ 33,501,318.44
Basic Discretionary Local Effort	0.498	3,187,553.80
Supplemental Discretionary Local Effort	0.122	780,886.67
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>9,601,065.66</u>
Total	<u><u>7.354</u></u>	<u><u>\$ 47,070,824.57</u></u>

14. FLORIDA RETIREMENT SYSTEM

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

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 106 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$315,466.99.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,655,152.76, \$3,091,458.80, and \$2,808,054.44, respectively, which were equal to the required contributions for each fiscal year.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

15. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$10,436,711 at the July 1, 2008, date of transition amortized over 15 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

Plan Description. The Other Postemployment Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicit 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 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 Other Postemployment Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Contribution requirements of the District and 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 other postemployment benefit (OPEB) costs or the net OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, the District provided contributions of \$468,241 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling \$522,778 through their required contributions averaging \$309 per month for retiree only coverage, and \$187 per month additionally for spouse coverage.

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 Governmental Accounting Standards Board 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 year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for other postemployment benefits:

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Normal Cost (service cost for one year)	\$ 278,145
Amortization of Unfunded Actuarial Accrued Liability	748,488
Interest on Normal Cost and Amortization	86,853
Annual Required Contribution	1,113,486
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	1,113,486
Contribution Toward the OPEB Cost	(468,241)
Increase in Net OPEB Obligation	645,245
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	<u>\$ 645,245</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$		\$ 0
2008-09	1,113,486	42.05%	645,245

Funded Status and Funding Progress. As of October 1, 2006, the most recent valuation date, the actuarial accrued liability for benefits was \$10,436,711, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,436,711 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$26,481,615 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.41 percent.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

The District's initial OPEB actuarial valuation as of October 1, 2006, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.75 percent rate of return on invested assets, which is the District's long-term expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 11 percent initially for the 2007 calendar year, reduced by various decrements, to an ultimate rate of 5 percent after the 2019 calendar year. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 14 years.

16. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Webster Elementary School Classrooms			
Architect	\$ 86,366.00	\$ 83,916.93	\$ 2,449.07
Contractor	1,539,849.58	1,154,156.05	385,693.53
South Sumter High School Cafeteria Conversion to Classrooms			
Architect	36,455.00	26,247.80	10,207.20
Contractor	588,779.00	122,457.06	466,321.94
Total	<u>\$ 2,251,449.58</u>	<u>\$ 1,386,777.84</u>	<u>\$ 864,671.74</u>

17. JOINT VENTURES

The District School Board and the Lake-Sumter Community 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 District School Board and the Lake-Sumter Community 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 prorations, and other matters not covered in the land use agreement. The operating agreement further provides that should the District School Board decide to vacate the facilities, ownership shall revert to the College with no further obligation on the part of either party.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

The District School Board entered into a lease agreement on July 1, 2006, 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 Villages Charter School, Inc., for The Villages Charter Elementary, Middle, and High Schools. The Board shall pay to The Villages of Lake-Sumter, Inc., annual rent that shall be a percentage of the two mill tax base multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes, for each lease year. The lease agreement establishes percentage rates to be used in lease calculations beginning with 5 percent in the first year and increasing to 25 percent for the fifth year and beyond. The initial lease term is for 12 years.

18. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc., established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2009, the accumulated credits to the District's account are \$180,995.14. During the 2008-09 fiscal year, the District received \$1,786.30 related to 2008 capital credits.

19. RISK MANAGEMENT PROGRAMS

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

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

Liabilities in the amounts of \$578,127 (discounted at 4 percent) and \$683,499 (undiscounted) were actuarially determined to cover estimated incurred, but not reported, workers' compensation insurance claims at June 30, 2009. The District elected to use the most conservative approach to record the liability, using the undiscounted actuarial computation.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2007-08	\$ 400,479	\$ 148,962	\$ 153,243	\$ 396,198
2008-09	396,198	361,262	73,961	683,499

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, and the dental and vision plans are self-insured. All other insurances are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2008-09 fiscal year:

	Total	Workers' Compensation Insurance	Health/Dental/ Vision Insurance
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 3,049,120.76</u>	<u>\$ 2,062,366.65</u>	<u>\$ 986,754.11</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 333,508.38	\$ 5,980.58	\$ 327,527.80
Estimated Insurance Claims Payable	683,499.00	683,499.00	
Net Assets:			
Unrestricted Net Assets	<u>2,032,113.38</u>	<u>1,372,887.07</u>	<u>659,226.31</u>
Total Liabilities and Net Assets	<u>\$ 3,049,120.76</u>	<u>\$ 2,062,366.65</u>	<u>\$ 986,754.11</u>
Revenues:			
Premium Contributions	\$ 5,862,352.81	\$ 713,114.30	\$ 5,149,238.51
Interest Income	18,588.22	18,588.22	
Decrease in Fair Market Value of Investments	<u>(41,213.71)</u>	<u>(41,213.71)</u>	
Total Revenues	5,839,727.32	690,488.81	5,149,238.51
Total Expenses	<u>(5,019,144.26)</u>	<u>(529,132.06)</u>	<u>(4,490,012.20)</u>
Change in Net Assets	<u>\$ 820,583.06</u>	<u>\$ 161,356.75</u>	<u>\$ 659,226.31</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

21. LOSS CONTINGENCIES

The District received funds from the State of Florida and the Sumter County Tax Collector in the form of grants, categorical funding, and property taxes levied for capital projects as discussed in Notes 12 and 13. The disbursement of funds received under these programs generally requires compliance with specific terms and conditions and is subject to final determination by the Florida Department of Education. Any inappropriate use of these funds may result in the repayment of the noncompliant expenditures, and thus could become a liability of the General Fund. During the 2008-09 fiscal year audit, the Auditor General questioned expenditures totaling \$9,941,723, of which \$2,706,150 is related to the charter school capital outlay funding and \$7,235,573 is related to the property tax levied for the capital project expenditures for the charter school lease payment. The District does not agree with any of the questioned costs. In addition, the District's contract with the charter school states the charter school would be responsible for the reimbursement of any moneys determined inappropriate by the Florida Department of Education. The final determination of questioned costs rests with the Florida Department of Education.

22. ACCOUNTING CHANGE

The District previously accounted for its health, dental, and vision insurance programs in the General Fund. During the 2008-09 fiscal year, the District began accounting for these programs in an internal service fund in order to better account for program activity. No adjustment to beginning fund balance was necessary since there was no ending fund balance related to those programs from the previous fiscal year.

23. SUBSEQUENT EVENTS

On September 15, 2009, the Sumter County District School Board issued Tax Anticipation Note, Series 2009, in the amount of \$2,900,000, pursuant to Section 1011.13, Florida Statutes. The note proceeds will be utilized by the District to provide interim funds for the payment of operating expenditures for the 2009-10 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note carries an interest rate of 1.66 percent and a maturity date of June 30, 2010.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 55,000.00	\$ 68,596.67	\$ 68,596.67	\$
Federal Through State and Local State	15,861,719.00	14,872,278.76	14,872,278.76	
Local:				
Property Taxes	35,548,648.00	35,993,469.66	35,993,469.66	
Miscellaneous	1,208,476.00	793,808.24	797,856.05	4,047.81
Total Revenues	52,673,843.00	51,728,153.33	51,732,201.14	4,047.81
Expenditures				
Current - Education:				
Instruction	42,350,939.68	41,939,966.22	39,657,952.54	2,282,013.68
Pupil Personnel Services	2,303,561.92	2,355,134.82	2,043,957.45	311,177.37
Instructional Media Services	751,966.84	793,980.63	735,276.54	58,704.09
Instruction and Curriculum Development Services	1,208,117.58	1,143,520.91	1,097,948.03	45,572.88
Instructional Staff Training Services	650,853.71	670,440.14	589,417.09	81,023.05
Instruction Related Technology	726,894.70	635,667.66	512,422.71	123,244.95
Board of Education	439,676.00	455,272.00	432,685.15	22,586.85
General Administration	303,062.00	302,609.76	274,131.23	28,478.53
School Administration	2,753,452.73	2,714,005.69	2,701,809.09	12,196.60
Facilities Acquisition and Construction	224,780.84	341,828.31	156,073.10	185,755.21
Fiscal Services	577,568.00	565,727.95	552,112.98	13,614.97
Food Services		62,680.19	62,551.68	128.51
Central Services	910,488.00	856,684.32	660,475.13	196,209.19
Pupil Transportation Services	3,472,852.00	3,512,864.09	2,929,213.14	583,650.95
Operation of Plant	4,069,386.00	4,184,083.03	3,975,710.48	208,372.55
Maintenance of Plant	1,671,689.00	1,655,283.00	1,462,021.82	193,261.18
Administrative Technology Services	352,053.00	350,112.08	334,455.33	15,656.75
Community Services	31,900.00	31,900.00	837.11	31,062.89
Fixed Capital Outlay:				
Other Capital Outlay		310,252.78	310,252.78	
Debt Service:				
Interest and Fiscal Charges	117,000.00	117,000.00	44,635.53	72,364.47
Total Expenditures	62,916,242.00	62,999,013.58	58,533,938.91	4,465,074.67
Deficiency of Revenues Under Expenditures	(10,242,399.00)	(11,270,860.25)	(6,801,737.77)	4,469,122.48
Other Financing Sources				
Transfers In	7,120,231.00	5,903,846.12	5,903,846.12	
Net Change in Fund Balances	(3,122,168.00)	(5,367,014.13)	(897,891.65)	4,469,122.48
Fund Balances, Beginning	9,185,032.83	9,185,032.83	9,185,032.83	
Fund Balances, Ending	\$ 6,062,864.83	\$ 3,818,018.70	\$ 8,287,141.18	\$ 4,469,122.48

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2006	\$ 0	\$ 10,436,711	\$ 10,436,711	0.00%	\$ 26,481,615	39.41%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 571,291.64	\$
National School Lunch Program	10.555	300	1,448,689.18	
Summer Food Service Program for Children	10.559	323	45,497.52	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	50,271.00	
Total Child Nutrition Cluster			2,115,749.34	
Total United States Department of Agriculture			2,115,749.34	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	1,376,623.58	
Special Education - Preschool Grants	84.173	267	24,697.16	
ARRA - Special Education Grants to States, Recovery Act	84.391	263	69,392.82	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	1,520.37	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	19,236.49	
Orange County District School Board:				
Special Education - Grants to States	84.027	None	17,405.96	
Total Special Education Cluster			1,508,876.38	
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	98,985.00	
Title I Grants to Local Educational Agencies	84.010	212, 226, 228	2,320,934.18	
Migrant Education - State Grant Program	84.011	217	219,846.13	
Career and Technical Education - Basic Grants to States	84.048	151,161	104,876.00	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	29,266.45	
Charter Schools	84.282	298	459,120.00	459,120.00
Twenty-First Century Community Learning Centers	84.287	244	369,353.65	
State Grants for Innovative Programs	84.298	113	4,925.53	
Education Technology State Grants	84.318	121	3,614.32	
Rural Education	84.358	110	184,445.23	
English Language Acquisition Grants	84.365	102	56,779.97	
Improving Teacher Quality State Grants	84.367	224	461,336.26	
School Improvement Grants	84.377	126	88,909.27	
Lake Sumter Community College:				
Career and Technical Education - Basic Grants to States	84.048	None	8,618.00	
Lake County District School Board:				
Tech-Prep Education	84.243	None	6,849.00	
Total Indirect			5,926,735.37	459,120.00
Total United States Department of Education			5,926,735.37	459,120.00
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	68,596.67	
Total Expenditures of Federal Awards			\$ 8,111,081.38	\$ 459,120.00

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, 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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Sumter County District School Board's financial statements. For The Villages Charter School, Inc., this report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds and the Sumter Schools Enhancement Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Compliance and Other Matters

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

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 8, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

Compliance

We have audited the Sumter County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing

our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 8, 2010

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); Charter Schools (CFDA No. 84.282); and Rural Education (CFDA No. 84.358)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ADDITIONAL MATTERS

Finding No. 1: Charter School Lease

Section 1011.71(2), Florida Statutes, provides, in part, that each district school board may levy an optional tax levy that is limited to school capital outlay purposes. These capital outlay purposes include construction, renovation, and the lease of educational facilities, and the capital outlay purposes for which the optional millage is levied must be advertised in accordance with the requirements of Section 200.065, Florida Statutes, specifying the projects to be funded by such additional taxes. In addition, Section 1013.62(2), Florida Statutes, provides that charter schools may use State charter school capital outlay funding for certain limited purposes, such as the purchase of real property and the construction or lease-purchase of school facilities, or such funds should revert as required by Section 216.301(2), Florida Statutes.

The District sponsored The Villages Charter School, Inc. (charter school), which is a charter school-in-the workplace not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and Section 1002.33(15), Florida Statutes. Section 1002.33(15), Florida Statutes, states that the Legislature intends to encourage the formation of business partnership schools through charter school status in order to increase business partnerships in education, to reduce school and classroom overcrowding throughout the State, and to offset the high costs for educational facilities' construction. A charter school-in-the-workplace may be established when a business partner provides the school facility to be used and enrolls students based upon a random lottery that involves all of the children of employees of that business who are seeking enrollment. The Villages of Lake-Sumter, Inc. (Villages), incorporated the school in 1999, limiting enrollment to children of Villages' employees, direct contractors, and of businesses on Villages' property. The charter elementary school opened in 2000, the middle school in 2001, and the high school in 2003. Approximately 22 percent of the students resided in Sumter County and the remainder of the students resided in Lake and Marion Counties.

The contract between that District and the charter school (charter school contract) requires the District to pay the charter school funds for the operation of the school as if the charter school students were enrolled in a regular program of the District by allocating funds from the District's Florida Education Finance Program (FEFP) funds. The charter school receives operating funds for each enrolled student equal to the District's total FEFP funds divided by the total funded weighted full-time equivalent students (WFTE) in the District. In addition to payment of these operating funds, the District entered into a lease agreement with the Villages on March 20, 2006, for the real property that was currently being used by the charter school to operate its elementary, middle, and high schools. The lease requires that the leased property continue to be used by the charter school for operation of its schools pursuant to the charter school contract. The lease provides for an initial 12-year term beginning July 1, 2006, and may be renewed for three successive years as long as the District receives revenues pursuant to Section 1011.71(2), Florida Statutes. The lease automatically terminates if Florida's Attorney General or Auditor General determines that the lease is in violation of any applicable law, rule, or regulation and such violation can't be cured (the Auditor General determination must be subsequently adopted by the Florida Department of Education).

The District's annual rent payment under the lease is a varying percentage of the two mill tax base (defined in the lease as 95 percent of the taxable property located within the Villages) multiplied by the millage rate assessed pursuant to Section 1011.71(2), Florida Statutes, for the lease year. The varying percentage began at 5 percent for the 2006-07 fiscal year and increases 5 percent each year until it reaches 25 percent for the 2010-11 fiscal year. The lease also provides that the annual rent is to be paid to the charter school as assignee of the Villages. The District paid \$1,618,262, \$2,659,342, and \$2,957,969 (or a total of \$7,235,573) from tax levy proceeds to the charter school for the 2006-07, 2007-08, and 2008-09 fiscal years, respectively. The lease agreement did not restrict the charter school's use of the assigned rent, thus allowing the charter school to use the funds for operations.

The charter school and the Villages also entered a lease agreement effective July 1, 2006. The lease agreement provided that the charter school was to pay rent equal to the amount of State capital outlay funds received by the charter school from the District. For the 2006-07, 2007-08, and 2008-09 fiscal years, the District provided \$1,539,770, \$1,324,853, and \$1,256,357, respectively, of State charter school capital outlay funding to the charter school pursuant to Section 1013.62(2), Florida Statutes, and, pursuant to the lease agreement, the charter school paid this amount to the Villages as rent for those respective fiscal years. However, during those years, the Villages voluntarily contributed \$997,108, \$1,324,853, and \$1,229,213, respectively, (or a total of \$3,551,174) to the charter school, while the charter school only used¹ \$461,257, \$311,601, and \$72,166, respectively (or a total of \$845,024), for capital outlay purposes.

Section 1013.61, Florida Statutes, provides that "Each board shall, each year, adopt a capital outlay budget for the ensuing year in order that the capital outlay needs of the board for the entire year may be well understood by the public. The capital outlay budget shall be part of the annual budget and shall be based upon and in harmony with the board's capital outlay plan." The budget processes established in law provide for an assessment of the District's capital outlay needs and the subsequent determination of the amount of the optional capital outlay millage to be levied to meet the identified needs. During the 2008-09 fiscal year, the District advertised its optional tax levy in accordance with the requirements of Section 200.065, Florida Statutes, specifying charter school lease payments as one of the projects to be funded by these additional taxes.

Given that the Villages ultimately transferred \$7,235,573 of tax levy proceeds, and \$2,706,150 of State charter school capital outlay funding (\$3,551,174 of contributions from the Village less \$845,024 used by the charter school for capital outlay purposes), to the charter school, the net effect of the above transactions appears to have been the transfer of \$9,941,723 of capital outlay moneys to the charter school to use for operating purposes, contrary to the provisions of Section 1011.71(2) and 1013.62(2), Florida Statutes. The capital outlay millage levy is an optional tax levy that allows the Board flexibility to identify the capital outlay needs of the District to be met by the levy proceeds each year; however, since essentially all of the capital outlay moneys were returned to the charter school and used for operational purposes, District records did not evidence the charter school's capital outlay needs that would require use of the District's capital outlay moneys.

District records also did not evidence why the District agreed to provide funds to pay for the charter school facilities when Section 1002.33(15), Florida Statutes, specifies that a charter school-in-the-workplace may only be established when the business partner provides the educational facility. It was not apparent, of record, why the District agreed to utilize its optional capital outlay millage proceeds to fund the lease payments for the benefit of the charter school when approximately 78 percent of the students reside outside of Sumter County.

¹ The charter school capital outlay expenditures were obtained from the charter school's audited financial statements.

The District requested, and received on April 18, 2006, an Attorney General opinion relating to certain aspects of its use of discretionary capital outlay taxes to aid the charter school. The District's first question addressed the allocation of revenues from its tax levy to the three charter schools located within Sumter County when the Board has no ownership or leasehold interest in the charter schools' land or facilities. However, the Attorney General declined to respond because of the speculative nature of the inquiry. The District also inquired as to whether the District could use a portion of the revenues from the discretionary capital outlay tax to pay for the charter school facilities rent. The Attorney General responded that this was acceptable, but also indicated that whether "the district receives a benefit from such a lease to justify the use of such funds is a determination that the school board, not this office, must make." However, the District's inquiry did not disclose that the capital outlay tax proceeds used for rent payments would ultimately be returned to the charter school to use for operations.

In response to our inquiry regarding the basis for the charter school's ultimate use of the optional capital outlay tax levy proceeds for operating purposes, District personnel referenced Section 1002.33(16), Florida Statutes, which provides that charter schools are exempt from all statutes in Florida Statute Chapters 1000 through 1013. However, Section 1002.33(16), Florida Statutes, provides that charter schools must comply with those sections that specifically apply to such schools, which is the case with Section 1011.71(2), Florida Statutes, since it specifically refers to charter schools. Further, the District would also be required to comply with the tax levy use restrictions of Section 1011.71(2), Florida Statutes. Although District personnel indicated that they do not have control over how the Villages spends its funds, the District could have required in the lease agreement and the charter school contract that the funds derived from the optional capital outlay tax levy be only used for authorized capital outlay purposes.

Recommendation: The District should consult with the Florida Department of Education and the Attorney General to determine the legality of its current lease arrangement with the Villages and whether such lease should be terminated. In determining the future millage levies to be assessed pursuant to Section 1011.71(2), Florida Statutes, the District should ensure that such taxes are only levied for required capital outlay purposes and expended for demonstrated and documented capital outlay needs. If appropriate, the District should take action to restore the \$7,235,573 to the appropriate tax levy fund and the \$2,706,150 to the State.

Follow-up to Management's Response:

The District's response indicates that, "this new Charter In The Workplace finding is surprising since the lease agreement was reviewed by the Auditor General's office at our request since 2007." However, the documents provided for our review did not fully disclose the arrangement between the charter school and the Villages, including the reciprocal payments by the Villages to the charter school. This matter came to our attention during our current audit through a review of the charter school's audit reports, which disclosed that the Villages was transferring rent moneys received from the District and the charter school to the charter school to use for operating expenses. The point of our finding is that the capital outlay funds are collected from District taxpayers and State resources, and the District has an obligation to ensure these funds are utilized for authorized and necessary capital outlay purposes. The District is not required to provide capital outlay tax funds to the charter school since Section 1011.71(2), Florida Statutes, specifies that these funds may be provided to charter schools at the discretion of the school board. In these circumstances, it is not clear why the District would voluntarily agree to use these funds for the benefit of the charter school without evidence that the charter school had capital outlay needs.

The District's response also states that our finding "incorrectly imposes its new opinion above that of the Attorney General's opinion of April 18, 2006." We do not believe this to be the case. The Attorney General's

opinion is limited to opining that the District may use discretionary capital outlay millage proceeds for the lease of charter school educational facilities and did not address the subsequent return of lease payments to the charter school to use for operating expenses.

The District's response further states that our finding "misinterprets the legislative intent and purpose of a decade old law, ignores 9 years of DOE/legislative past practice in regards to PECO dollars, and unjustly intrudes on a local governance issue." As indicated above, the legality of the District's current lease arrangement should be resolved through the District's consultation with the Florida Department of Education and the Attorney General.

Finding No. 2: Adult General Education Program

Section 1004.02(3), Florida Statutes defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. Also, FDOE procedures for reporting instructional hours stated that institutions must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule. Additionally, FDOE procedures for reporting instructional hours stated that a student must have at least 12 hours of instructional activity in a program before the enrollment hours for the student can be reported.

The District reported 24,865 adult general education hours to FDOE. Our review of the hours reported for 15 students enrolled in 29 adult general education classes disclosed that improvements in controls over enrollment reporting were needed, as follows:

- The District misreported hours, ranging from 21 hours underreported to 15 hours overreported, or 51 net hours underreported, for 8 students in 14 classes. The main reason for the underreported hours was because the District did not report hours for certain students who had less than six consecutive absences and were considered withdrawn, contrary to FDOE guidance. A contributing factor for the overreported hours was that the District double-reported certain students as attending classes that were held at the same time.
- The District overreported 3 hours for one student who did not participate in the minimum 12 instructional hours because District personnel were not aware of the minimum reporting requirement.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2009-096.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section __.510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-096.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2009-096		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



Richard A. Shirley
Superintendent of Schools

BOARD MEMBERS

Haydn L. Evans
District 1
Christine S. Norris
District 2
Linda J. Winchester
District 3
Kenneth P. Jones
District 4
Michael T. Foote
District 5

TELEPHONE

(352) 793-2315

Administration

Ext. 208 Fax 793-4180

Elementary Education

Ext. 206 Fax 793-4180

Secondary Education

Ext. 200 Fax 793-4180

Student Services

Ext. 211 Fax 793-4180

Federal Programs

Ext. 204 Fax 793-4180

Finance

Ext. 232 Fax 793-4963

Personnel

Ext. 220 Fax 793-4963

Employee Benefits

Ext. 229 Fax 793-2096

Food Service

Ext. 238 Fax 793-4963

Human Resource

Ext. 221 Fax 793-4963

Data Processing

Ext. 241 Fax 793-4963

Exceptional Education

Ext. 259 Fax 793-1612

Library Media / Instructional Technology

Ext. 256 Fax 793-4377

Adult Education

793-5719 Fax 793-6508

Facilities

793-1281 Fax 793-9298

Warehouse

793-7906 Fax 793-9298

Transportation

793-5705 Fax 793-1083

The Villages Charter Schools

352-259-2350

Fax 352-259-3850

SUMTER COUNTY SCHOOL BOARD

"Preparing the next generation today"

February 23, 2010

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

Re: Sumter County District School Board
Preliminary and Tentative Audit Findings
For Fiscal Year Ended June 30, 2009

Dear Mr. Martin:

This letter is intended as the Sumter County School District's response to the preliminary and tentative audit findings dated January 20, 2010, for the District's fiscal year ending June 30, 2009.

Finding No. 1: Charter School Lease

A charter school received a total of \$9,941,723 from the District's optional capital outlay taxes and State charter school capital outlay funds, but the school used the funds mainly for operating purposes, which appears to be contrary to Sections 1011.71, and 1013.62, Florida Statutes.

We agree to follow the Auditor General's recommendation until further clarification is provided.

However, this new Charter In The Workplace finding is surprising since the lease agreement was reviewed by the Auditor General's office at our request since 2007 and since the lease agreement was also reviewed twice by the Florida Department of Education during that same time frame through their required Exclusivity Review process. In fact, we received "points" in the Exclusivity Review because of that locally determined lease agreement in which sharing of two mil tax levy was specified.

2680 West County Road 476 - Bushnell, Florida 33513

We believe the Auditor General's new interpretation of an old issue will restrict any future Charters In The Workplace as business owners will be hesitant to permanently spend millions of dollars on permanent facility construction when statutory interpretation and department opinion seems temporary. We further believe the Auditors General's finding incorrectly imposes its new opinion above that of the Attorney General's opinion of April 18, 2006, misinterprets the legislative intent and purpose of a decade old law, ignores 9 years of DOE/legislative past practice in regards to PECO dollars, and unjustly intrudes on a local governance issue.

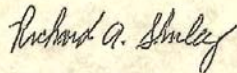
Finding No. 2: Adult General Education Program

Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

The recommendation is being followed.

Please contact Deborah W. Smith at 352-793-2315 x246 if you have any questions.

Sincerely,



Richard A. Shirley
Superintendent