

**SUMTER COUNTY
DISTRICT SCHOOL BOARD**

**Financial, Operational, and Federal Single
Audit**

For the Fiscal Year Ended
June 30, 2010



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Haydn L. Evans, Vice Chair to 11-17-09, Chair from 11-18-09	1
Christine S. Norris	2
Linda J. Winchester, Vice Chair from 11-18-09	3
Kenneth P. Jones	4
Michael T. Foote, Chair to 11-17-09	5

Richard A. Shirley, Superintendent

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

The audit team leader was Joanna Slater, and the audit was supervised by Janice Priolo, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SUMTER COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS	10
Statement of Net Assets	10
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds.....	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	24
Notes to Financial Statements	25
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	50
Schedule of Funding Progress – Other Postemployment Benefits Plan	52
Notes to Required Supplementary Information	53
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	54
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 <i>GOVERNMENT AUDITING STANDARDS</i>	55
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	63
EXHIBIT A MANAGEMENT'S RESPONSE	64

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 a certain additional matter as summarized below.

ADDITIONAL MATTER

Finding No. 1: The District transferred State charter school capital outlay funds totaling \$2,647,002 to a charter school, but the school used the funds for operating purposes, which appears to be contrary to Section 1013.62, Florida Statutes.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Child Nutrition Discretionary Grants Limited Availability; Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Procedures could be improved to ensure indirect costs are properly calculated for the food service program.

Audit Objectives and Scope

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

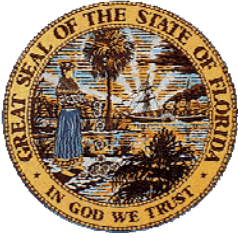
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-135.

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, 2010. 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
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 24 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds 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 discretely presented component unit, each major fund, and the aggregate remaining fund information for the Sumter County District School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Sumter Schools Enhancement Foundation, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2009-10 fiscal year. This affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 4 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 50 through 53) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 1, 2011

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, 2010. 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.

FINANCIAL HIGHLIGHTS

- Overall, the District's financial position improved somewhat from the prior fiscal year. The District's total net assets increased by \$642,440 (or 1 percent). This may be compared to an increase of \$1,778,457 (or 4 percent) for the prior fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues and other financing sources by \$329,744. This may be compared to the prior fiscal year's results in which General Fund expenditures exceeded revenues and other financing sources by \$897,892.

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, including the MD&A, 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 provide most of the resources that support these activities.
- Component units - The District presents one separate legal entity in this report, The Villages Charter School, Inc. (Charter School), which operates The Villages Charter Elementary School, The Villages Charter Middle School, and The Villages Charter High School. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting

principles. Financial information for the component unit 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 non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

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

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

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and Special Revenue – 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 fiscal year to the prior fiscal year.

The District’s total assets were \$88,597,398 and \$87,950,958 at June 30, 2010, and June 30, 2009, respectively. The current ratio is 7.94:1 with current assets of \$12,746,600 and current liabilities of \$1,605,044. The other assets not considered to be current assets for the purpose of computing the current ratio include capital credits receivable, deferred charges, and cash and cash equivalents and investments restricted for capital improvements of \$5,912,786, and for debt service of \$192,509. The prior fiscal year current ratio was approximately 10.3:1 with current assets of \$13,102,972 and current liabilities of \$1,268,870.

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, 2010, compared to net assets as of June 30, 2009:

Net Assets, End of Year

	Governmental Activities	
	6-30-10	6-30-09
Current Assets	\$ 12,746,600	\$ 13,102,972
Other Assets	6,657,940	6,217,762
Capital Assets (Net)	69,192,858	68,630,224
Total Assets	88,597,398	87,950,958
Current Liabilities	1,605,044	1,268,870
Long-Term Liabilities	42,300,089	42,632,263
Total Liabilities	43,905,133	43,901,133
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	34,252,755	32,488,716
Restricted	7,970,320	7,862,731
Unrestricted	2,469,190	3,698,378
Total Net Assets	\$ 44,692,265	\$ 44,049,825

The largest portion of the District’s net assets (77 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The 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 (5 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, 2010, and June 30, 2009, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 610,405	\$ 743,371
Operating Grants and Contributions	2,628,354	3,434,035
Capital Grants and Contributions	1,683,996	4,105,476
General Revenues:		
Property Taxes, Levied for Operational Purposes	38,743,700	35,993,470
Property Taxes, Levied for Capital Projects	9,777,800	9,231,407
Grants and Contributions Not Restricted to Specific Programs	18,377,573	19,829,691
Unrestricted Investment Earnings	268,401	55,731
Miscellaneous	1,143,217	558,506
Total Revenues	73,233,445	73,951,687
Functions/Program Expenses:		
Instruction	42,203,170	42,915,088
Pupil Personnel Services	2,637,003	2,520,429
Instructional Media Services	866,805	737,537
Instruction and Curriculum Development Services	2,246,928	2,280,665
Instructional Staff Training Services	1,263,404	1,232,429
Instruction Related Technology	649,373	554,219
Board of Education	436,891	432,846
General Administration	576,134	413,751
School Administration	2,719,171	2,819,884
Facilities Acquisition and Construction	687,375	774,008
Fiscal Services	571,393	566,230
Food Services	2,875,591	2,922,214
Central Services	841,227	690,872
Pupil Transportation Services	3,336,023	2,938,131
Operation of Plant	3,966,821	3,953,371
Maintenance of Plant	1,608,727	1,443,971
Administrative Technology Services	170,385	343,213
Community Services		830
Unallocated Interest on Long-Term Debt	1,641,679	1,689,677
Unallocated Depreciation/Amortization Expense	3,260,606	2,918,323
Loss on Disposal of Capital Assets	32,301	25,542
Total Functions/Program Expenses	72,591,005	72,173,230
Increase in Net Assets	\$ 642,440	\$ 1,778,457

The largest revenue source is property tax revenue (66 percent). Most notable during the current fiscal year is the increase of \$2,750,230 in property tax revenue levied for operational purposes, which was primarily a result of the increase in the required local effort tax levy of \$2,375,382, as mandated by the State. Property tax levied for capital projects increased by \$546,393. Total property tax revenue increased by \$3,296,623.

Revenue from State sources decreased by \$8,321,968 because of economic conditions and other factors. Certain categorical programs were combined by the Legislature into the Florida Education Finance Program (FEFP) funding

category, requiring more local effort and less State support. Also, the sparsity funding calculations, which the State changed during the fiscal year, and the full-time enrollment calculations were less than initial projections, creating a funding shift from State-funded FEFP to required local effort. Other sources of State revenue, such as Public Education Capital Outlay funding, also decreased. In addition, expenditures were consistent with the prior fiscal year due to budget constraints.

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 \$14,327,737, a decrease of \$453,272, in comparison with the prior fiscal year. Unreserved fund balances of \$10,456,041 represent 73 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 for State required carryover programs (\$1,897,751); construction contracts and purchase orders outstanding at year-end (\$965,322); debt service payments (\$192,509); inventory (\$392,961); and other purposes (\$423,153).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$5,098,133, while the total fund balance was \$7,957,397. The unreserved fund balance decreased by \$498,161, while the total fund balance decreased by \$329,744 during the fiscal year. While revenues and other financing sources decreased \$2,886,278 from the prior fiscal year, expenditures declined by \$3,454,426 because many expenditures, previously paid from the General Fund, were paid from American Recovery and Reinvestment Act (ARRA) Stabilization funds during the 2009-10 year.

The Special Revenue - ARRA Economic Stimulus Fund has total revenues and expenditures of \$4,319,730 each, and the funding was mainly used for instructional and instructional support expenditures. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$4,342,859, which is restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance decreased by \$101,827, while total fund balance increased by \$62,110. Encumbrances, representing resources reserved for specific projects, total \$763,218. The unreserved fund balance decreased in the current fiscal year due to several major construction and renovation projects completed, as identified in the **Capital Assets** section below.

Proprietary Funds

The internal service funds account for the District's workers' compensation self-insurance program and also the health insurance programs. Unrestricted net assets of the internal service funds total \$2,196,847 at June 30, 2010, increasing \$164,734 from June 30, 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues and transfers amounting to \$3,321,827 or 6 percent. At the same

time, final appropriations are less than the original budgeted amounts by \$2,129,724. However, the District’s actual expenditures are \$2,071,134 below the final budgeted expenditure amount. Budget revisions were due primarily to changes in estimated State funding levels. Each fiscal year the District budgets in full for all funds available for categorical and other restricted purposes, even though the full amount is not spent, and a significant portion is carried over to the succeeding fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$69,192,858 (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:

Classroom Addition - Webster Elementary School	\$ 2,017,919
Other Projects	1,086,445
Total Cost of Major Projects Completed	<u>\$ 3,104,364</u>

Other construction projects are in progress including:

Wildwood Middle High School Renovation	\$ 1,486,502
Other Projects	3,434
Total Cost of Major Projects In Progress	<u>\$ 1,489,936</u>

Major contract commitments at fiscal year-end for construction activity amounted to \$249,341. Additional information on the District’s capital assets can be found in Notes 4 and 16 to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total long-term debt outstanding of \$35,660,000. This amount is comprised of \$3,400,000 of bonds and \$32,260,000 of certificates of participation. During the fiscal year, retirement of debt amounted to \$1,145,000.

State School Bonds outstanding at June 30, 2010, accounted for \$955,000 of the total bonds. They are secured by a pledge of the District’s portion of the State-assessed motor vehicle license tax. The State’s full faith and credit is also pledged as security for these bonds. Proceeds were used for new school construction. The remainder of the District’s bonded 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, 2010**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 17,097,667.83	\$ 832,124.00
Investments	793,026.10	
Accounts Receivable	3,446.75	50,093.00
Due from Other Agencies	564,198.61	
Prepaid Items	595.00	54,512.00
Deferred Charges	352,862.26	
Inventories	392,961.23	6,689.00
Capital Credits Receivable	199,782.45	
Capital Assets:		
Nondepreciable Capital Assets	3,484,038.29	
Depreciable Capital Assets, Net	65,708,819.22	495,931.00
TOTAL ASSETS	\$ 88,597,397.74	\$ 1,439,349.00
LIABILITIES		
Accounts Payable	\$ 1,344,776.56	\$ 1,151,151.00
Construction Contracts Payable - Retainage	60,573.85	
Due to Other Agencies	199,694.00	
Deferred Revenue		134,305.00
Long-Term Liabilities:		
Portion Due Within One Year	2,016,076.00	
Portion Due After One Year	40,284,012.66	
Total Liabilities	43,905,133.07	1,285,456.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	34,252,754.52	495,931.00
Restricted for:		
State Required Carryover Programs	1,897,751.04	
Debt Service	192,508.85	
Capital Projects	4,941,080.61	
Food Service	515,827.06	
Other Purposes	423,152.74	
Unrestricted	2,469,189.85	(342,038.00)
Total Net Assets	44,692,264.67	153,893.00
TOTAL LIABILITIES AND NET ASSETS	\$ 88,597,397.74	\$ 1,439,349.00

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

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**SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 42,203,170.28	\$ 21,010.00	\$	\$
Pupil Personnel Services	2,637,003.37			
Instructional Media Services	866,805.26			
Instruction and Curriculum Development Services	2,246,927.70			
Instructional Staff Training Services	1,263,403.55			
Instruction Related Technology	649,373.37			
School Board	436,890.56			
General Administration	576,134.01			
School Administration	2,719,170.63			
Facilities Acquisition and Construction	687,375.47			1,683,995.84
Fiscal Services	571,392.91			
Food Services	2,875,590.58	578,980.81	2,628,353.88	
Central Services	841,226.61			
Pupil Transportation Services	3,336,022.64	10,413.90		
Operation of Plant	3,966,821.11			
Maintenance of Plant	1,608,727.17			
Administrative Technology Services	170,384.83			
Unallocated Interest on Long-Term Debt	1,641,678.57			
Unallocated Depreciation/Amortization Expense	3,260,605.82			
Loss on Disposal of Capital Assets	32,300.74			
Total Primary Government	72,591,005.18	610,404.71	2,628,353.88	1,683,995.84
Component Unit				
Charter School	\$ 18,373,093.00	\$ 2,902,964.00	\$ 1,151,609.00	\$ 1,129,698.00
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				
Adjustment to Beginning Net Assets				
Net Assets - Beginning, Restated				
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 Activities	Unit
\$ (42,182,160.28)	
(2,637,003.37)	
(866,805.26)	
(2,246,927.70)	
(1,263,403.55)	
(649,373.37)	
(436,890.56)	
(576,134.01)	
(2,719,170.63)	
996,620.37	
(571,392.91)	
331,744.11	
(841,226.61)	
(3,325,608.74)	
(3,966,821.11)	
(1,608,727.17)	
(170,384.83)	
(1,641,678.57)	
(3,260,605.82)	
(32,300.74)	
<u>(67,668,250.75)</u>	
	<u>(13,188,822.00)</u>
38,743,699.82	
9,777,800.06	
18,377,573.22	13,047,451.00
268,401.06	
<u>1,143,216.65</u>	<u>166,852.00</u>
<u>68,310,690.81</u>	<u>13,214,303.00</u>
642,440.06	25,481.00
44,049,824.61	320,252.00
	<u>(191,840.00)</u>
<u>44,049,824.61</u>	<u>128,412.00</u>
<u>\$ 44,692,264.67</u>	<u>\$ 153,893.00</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	\$ 9,159,609.06	\$	\$ 4,594,667.65
Investments			
Accounts Receivable	3,446.75		
Prepaid Items	595.00		
Due from Other Funds	270,053.21		
Due from Other Agencies	182,561.13	100,983.21	7,059.15
Inventories	336,256.20		
	<u>9,952,521.35</u>	<u>100,983.21</u>	<u>4,601,726.80</u>
TOTAL ASSETS	\$ 9,952,521.35	\$ 100,983.21	\$ 4,601,726.80
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 725,602.31	\$	\$ 198,293.96
Construction Contracts Payable - Retainage			60,573.85
Due to Other Funds	1,069,827.84	100,983.21	
Due to Other Agencies	199,694.00		
	<u>1,995,124.15</u>	<u>100,983.21</u>	<u>258,867.81</u>
Total Liabilities	1,995,124.15	100,983.21	258,867.81
Fund Balances:			
Reserved for State Required Carryover Programs	1,897,751.04		
Reserved for Encumbrances	202,103.96		763,218.36
Reserved for Inventories	336,256.20		
Reserved for Debt Service			
Reserved for Other Purposes	423,152.74		
Unreserved:			
Designated, Reported in General Fund:			
Designated for Terminal Leave	700,000.00		
Undesignated, Reported in:			
General Fund	4,398,133.26		
Special Revenue Funds			
Capital Projects Funds			3,579,640.63
	<u>7,957,397.20</u>	<u></u>	<u>4,342,858.99</u>
Total Fund Balances	7,957,397.20		4,342,858.99
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,952,521.35	\$ 100,983.21	\$ 4,601,726.80

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 1,209,711.11	\$ 14,963,987.82
748,751.02	748,751.02
	3,446.75
	595.00
	270,053.21
273,595.12	564,198.61
56,705.03	392,961.23
<u> </u>	<u> </u>
\$ 2,288,762.28	\$ 16,943,993.64
<u> </u>	<u> </u>
\$ 92,211.36	\$ 1,016,107.63
	60,573.85
169,070.00	1,339,881.05
<u> </u>	199,694.00
<u>261,281.36</u>	<u>2,616,256.53</u>
	1,897,751.04
	965,322.32
56,705.03	392,961.23
192,508.85	192,508.85
	423,152.74
	700,000.00
	4,398,133.26
460,148.41	460,148.41
1,318,118.63	4,897,759.26
<u> </u>	<u> </u>
2,027,480.92	14,327,737.11
<u> </u>	<u> </u>
\$ 2,288,762.28	\$ 16,943,993.64
<u> </u>	<u> </u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Funds \$ 14,327,737.11

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. 69,192,857.51

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. 199,782.45

Deferred issuance costs on certificates of participation are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt. 352,862.26

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. 2,196,847.00

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	\$ 3,400,000.00	
Certificates of Participation Payable	32,260,000.00	
Compensated Absences Payable	4,550,935.66	
Other Postemployment Benefits Payable	1,366,886.00	
	(41,577,821.66)	(41,577,821.66)

Total Net Assets - Governmental Activities \$ 44,692,264.67

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, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 57,076.58	\$	\$
Federal Through State and Local State	8,971,115.78	4,319,730.49	
Local:			
Property Taxes	38,743,699.82		9,777,800.06
Charges for Services - Food Service			
Miscellaneous	1,260,576.65		38,973.34
Total Revenues	49,032,468.83	4,319,730.49	9,816,773.40
Expenditures			
Current - Education:			
Instruction	37,484,676.94	2,271,321.68	
Pupil Personnel Services	1,610,159.46	551,621.00	
Instructional Media Services	204,356.78	553,492.08	
Instruction and Curriculum Development Services	1,067,706.27	145,959.02	
Instructional Staff Training Services	432,829.30	263,762.19	
Instruction Related Technology	628,779.66		
School Board	432,598.80		
General Administration	289,329.20	147,281.18	
School Administration	2,490,607.98	77,444.10	
Facilities Acquisition and Construction	187,664.64	33,802.00	
Fiscal Services	562,773.56		
Food Services	21,289.78		
Central Services	717,475.27	1,567.50	
Pupil Transportation Services	2,812,125.97	44,650.29	
Operation of Plant	3,947,226.53		
Maintenance of Plant	1,585,448.69		
Administrative Technology Services	245,899.77		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			2,957,690.58
Other Capital Outlay	317,152.35	228,829.45	
Debt Service:			
Principal			
Interest and Fiscal Charges	41,412.41		
Total Expenditures	55,079,513.36	4,319,730.49	2,957,690.58
Excess (Deficiency) of Revenues Over Expenditures	(6,047,044.53)		6,859,082.82
Other Financing Sources (Uses)			
Transfers In	5,717,300.55		
Transfers Out			(6,796,972.46)
Total Other Financing Sources (Uses)	5,717,300.55		(6,796,972.46)
Net Change in Fund Balances	(329,743.98)		62,110.36
Fund Balances, Beginning	8,287,141.18		4,280,748.63
Fund Balances, Ending	\$ 7,957,397.20	\$	\$ 4,342,858.99

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
	57,076.58
7,376,962.33	11,696,692.82
1,965,037.76	10,936,153.54
	48,521,499.88
578,980.81	578,980.81
92,054.81	1,391,604.80
<u>10,013,035.71</u>	<u>73,182,008.43</u>
2,431,509.79	42,187,508.41
398,203.91	2,559,984.37
21,808.36	779,657.22
1,046,297.62	2,259,962.91
557,968.69	1,254,560.18
2,984.07	631,763.73
	432,598.80
145,897.29	582,507.67
132,008.53	2,700,060.61
	221,466.64
	562,773.56
2,902,155.89	2,923,445.67
22,605.47	741,648.24
77,114.67	2,933,890.93
708.75	3,947,935.28
	1,585,448.69
	245,899.77
702,316.40	3,660,006.98
91,499.94	637,481.74
1,145,000.00	1,145,000.00
1,600,266.16	1,641,678.57
<u>11,278,345.54</u>	<u>73,635,279.97</u>
<u>(1,265,309.83)</u>	<u>(453,271.54)</u>
2,375,980.85	8,093,281.40
(1,296,308.94)	(8,093,281.40)
<u>1,079,671.91</u>	<u> </u>
(185,637.92)	(453,271.54)
<u>2,213,118.84</u>	<u>14,781,008.65</u>
<u>\$ 2,027,480.92</u>	<u>\$ 14,327,737.11</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, 2010**

Net Change in Fund Balances - Governmental Funds \$ (453,271.54)

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. 594,934.39

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. (32,300.74)

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.

Bonds Payable	\$	205,000.00	
Certificates of Participation Payable		940,000.00	1,145,000.00

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 net decrease in deferred charges for the current period.

Deferred Charges, June 30, 2010	\$	352,862.26	
Deferred Charges, June 30, 2009		374,248.26	(21,386.00)

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. (52,415.98)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (721,641.00)

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.

Capital Credits Receivable, June 30, 2010	\$	199,782.45	
Capital Credits Receivable, June 30, 2009		180,995.14	18,787.31

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. 164,733.62

Change in Net Assets - Governmental Activities **\$ 642,440.06**

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, 2010**

	Governmental Activities - Internal Service Funds <hr/>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,133,680.01
Due From Other Funds	<u>1,069,827.84</u>
Total Current Assets	<u>3,203,507.85</u>
Noncurrent Assets:	
Investments in SBA Fund B Surplus Funds Trust Fund	<u>44,275.08</u>
TOTAL ASSETS	<u><u>\$ 3,247,782.93</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 328,668.93
Estimated Insurance Claims Payable	<u>280,000.00</u>
Total Current Liabilities	<u>608,668.93</u>
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	<u>442,267.00</u>
Total Liabilities	<u>1,050,935.93</u>
NET ASSETS	
Unrestricted	<u>2,196,847.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,247,782.93</u></u>

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, 2010**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 5,903,441.57
OPERATING EXPENSES	
Salaries	43,508.34
Employee Benefits	10,941.18
Purchased Services	115,687.31
Insurance Claims	318,208.96
Insurance Premiums	5,282,438.66
Total Operating Expenses	5,770,784.45
Operating Income	132,657.12
NONOPERATING REVENUES	
Interest Income	12,323.43
Increase in Fair Market Value of Investments	19,753.07
Total Nonoperating Revenues	32,076.50
Change in Net Assets	164,733.62
Total Net Assets - Beginning	2,032,113.38
Total Net Assets - Ending	\$ 2,196,847.00

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, 2010**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 6,720,226.47
Cash Payments to Suppliers for Goods and Services	(5,457,414.94)
Cash Payments for Insurance Claims	(279,440.96)
	983,370.57
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	19,015.48
Interest Income	12,323.43
	31,338.91
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	1,014,709.48
Cash and Cash Equivalents, Beginning	1,118,970.53
	\$ 2,133,680.01

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

Operating Income	\$ 132,657.12
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due From Other Funds	816,784.90
Decrease in Accounts Payable	(4,839.45)
Increase in Estimated Insurance Claims Payable	38,768.00
	850,713.45
Total Adjustments	
Net Cash Provided by Operating Activities	\$ 983,370.57

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, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>404,876.00</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>404,876.00</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, 2010**

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 (District) is considered part of the Florida system of public education. The governing body of the District is the Sumter County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Sumter County.

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

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

- **Blended Component Unit.** 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 Unit.** The component unit columns in the government-wide financial statements include the financial data of the District's other component unit.

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

The financial data reported on the accompanying statements were derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2010. The audit report is on file in the District's administrative office.

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 was considered a component unit of the District in prior years because of the nature and significance of its

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

relationship with the District. Beginning July 1, 2009, the District no longer considers the Foundation to be a component unit because the activities of the Foundation are no longer considered significant to the District. As a result, an adjustment to beginning net assets in the component unit column was necessary to remove the net assets of the Foundation.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the 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 – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

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

- Internal Service Funds – to account for the District's individual self-insured workers' compensation program, and health, dental, and vision insurance plans.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

- 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.

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.

➤ **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) in Florida PRIME, formally known as Local Government Surplus Funds Trust Fund Investment Pool.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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 .67353149 at June 30, 2010. 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 Florida PRIME, 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 Florida PRIME.

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 donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, 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.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 capital assets is described in a subsequent note.

➤ **Long-Term Liabilities**

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

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 for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

➤ **State Revenue Sources**

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

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. 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.

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

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, 2010**

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.
- 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, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 1,062,197.66
Fund B Surplus Funds Trust Fund (Fund B) (2)	8.05 Year Average	229,415.64
Debt Service Accounts	6 Months	28,854.01
Dreyfus Treasury Prime Cash Management Fund (2)	60 Day Average	534,756.45
Total Investments, Primary Government		\$ 1,855,223.76

Notes:

(1) Investments considered cash equivalents for financial statement reporting purposes.

(2) Pursuant to the trust agreements, the trustee for the District's Certificates of Participation, Series 2006, holds all or part of these investments in trust accounts as follow s: Fund B \$185,140.56, Dreyfus \$534,756.45.

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 need, and in accordance with debt covenants, but in no event shall the term exceed five years. For construction proceeds of tax-exempt debt issues, such investment terms shall not exceed three years. The District's participation in Fund B is involuntary.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. 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 8.05 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, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury.
- The District's investment policy limits investments to Florida PRIME; or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and Local Government Series (SLGS); obligations of United States Government Agencies and Instrumentalities; SEC registered money market funds with the highest rating and in compliance with 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 advanced by the Board.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on polices developed by SBA for managing interest rate risk and credit risk for the account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investment in the Dreyfus Treasury Prime Cash Management Fund is rated AAAm-G by Standard & Poor's and Aaa by Moody's Investor Services.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,994,101.85	\$	\$	\$ 1,994,101.85
Construction in Progress	1,799,796.75	3,255,277.47	3,565,137.78	1,489,936.44
Total Capital Assets Not Being Depreciated	3,793,898.60	3,255,277.47	3,565,137.78	3,484,038.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,129,054.49	460,774.01		2,589,828.50
Buildings and Fixed Equipment	79,770,952.24	3,104,363.77	12,545.70	82,862,770.31
Furniture, Fixtures, and Equipment	6,688,660.67	468,817.74	772,247.25	6,385,231.16
Motor Vehicles	5,683,545.80	110,059.00		5,793,604.80
Total Capital Assets Being Depreciated	94,272,213.20	4,144,014.52	784,792.95	97,631,434.77
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	652,882.81	145,135.64		798,018.45
Buildings and Fixed Equipment	20,883,281.18	1,969,972.08	6,387.07	22,846,866.19
Furniture, Fixtures, and Equipment	4,629,262.30	695,048.59	746,105.14	4,578,205.75
Motor Vehicles	3,270,461.65	429,063.51		3,699,525.16
Total Accumulated Depreciation	29,435,887.94	3,239,219.82	752,492.21	31,922,615.55
Total Capital Assets Being Depreciated, Net	64,836,325.26	904,794.70	32,300.74	65,708,819.22
Governmental Activities Capital Assets, Net	\$ 68,630,223.86	\$ 4,160,072.17	\$ 3,597,438.52	\$ 69,192,857.51

The District’s capital assets serve several functions; accordingly, depreciation expense, which totaled \$3,239,219.82, was reported as unallocated on the Statement of Activities.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

5. CHANGES IN SHORT-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Notes	\$	\$ 2,900,000.00	\$ 2,900,000.00	\$

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 2009-10 fiscal year operating budget.

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 term of the leases are 20 years commencing on December 1, 1998, for the Series 1998 Certificates of Participation, 25 years commencing on July 1, 2002, for the Series 2002 Certificates of Participation, 25 years commencing on May 1, 2006, for the Series 2006 Certificates of Participation; and 20 years commencing on January 1, 2007 for the Series 2007 Certificates of Participation. The properties covered by the ground 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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

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

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

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

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

- Bushnell Elementary School
- 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 3.65 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:

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Fiscal Year Ending June 30	Total	Principal	Interest
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	2,343,407.50	1,150,000.00	1,193,407.50
2016-2020	11,717,246.00	6,520,000.00	5,197,246.00
2021-2025	11,736,818.52	8,050,000.00	3,686,818.52
2026-2030	11,803,719.25	10,070,000.00	1,733,719.25
2031	2,368,534.00	2,315,000.00	53,534.00
Total Minimum Lease Payments	\$ 49,337,576.16	\$ 32,260,000.00	\$ 17,077,576.16

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, 2010, \$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, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 790,000	5.0	2016
Series 2005B, Refunding	165,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	2,445,000	4.4 - 5.0	2028
Total Bonds Payable	\$ 3,400,000		

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

➤ **State School Bonds**

These bonds are issued by the 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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District Revenue Bonds**

These Bonds are generally referred to 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.

The District has pledged a combined total of \$3,752,616 of pari-mutuel tax revenues in connection with the 1998 District Revenue Bonds, described above. During the 2009-10 fiscal year, the District recognized pari-mutuel tax revenues totaling \$223,250 and expended \$197,894 (89 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on September 1, 2028. Approximately 79 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	180,000.00	160,000.00	20,000.00
2016-2018	<u>257,250.00</u>	<u>240,000.00</u>	<u>17,250.00</u>
Total State School Bonds	<u>\$ 1,143,000.00</u>	<u>\$ 955,000.00</u>	<u>\$ 188,000.00</u>
District Revenue Bonds:			
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	200,156.26	100,000.00	100,156.26
2016-2020	993,753.17	570,000.00	423,753.17
2021-2025	983,681.26	715,000.00	268,681.26
2026-2029	<u>783,000.00</u>	<u>710,000.00</u>	<u>73,000.00</u>
Total District Revenue Bonds	<u>3,752,615.73</u>	<u>2,445,000.00</u>	<u>1,307,615.73</u>
Total	<u>\$ 4,895,615.73</u>	<u>\$ 3,400,000.00</u>	<u>\$ 1,495,615.73</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,605,000.00	\$	\$ 205,000.00	\$ 3,400,000.00	\$ 210,000.00
Certificates of Participation Payable	33,200,000.00		940,000.00	32,260,000.00	975,000.00
Compensated Absences Payable	4,498,519.68	437,338.75	384,922.77	4,550,935.66	551,076.00
Estimated Insurance Claims Payable	683,499.00	318,208.96	279,440.96	722,267.00	280,000.00
Other Postemployment Benefits Payable	645,245.00	1,014,410.00	292,769.00	1,366,886.00	
Total Governmental Activities	<u>\$ 42,632,263.68</u>	<u>\$ 1,769,957.71</u>	<u>\$ 2,102,132.73</u>	<u>\$ 42,300,088.66</u>	<u>\$ 2,016,076.00</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 the resources of the proprietary funds, as discussed in Note 19.

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	\$ 270,053.21	\$ 1,069,827.84
Special Revenue:		
ARRA Economic Stimulus		100,983.21
Nonmajor Governmental		169,070.00
Internal Service	<u>1,069,827.84</u>	
Total	<u>\$ 1,339,881.05</u>	<u>\$ 1,339,881.05</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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 5,717,300.55	\$
Capital Projects:		
Local Capital Improvement		6,796,972.46
Nonmajor Governmental	2,375,980.85	1,296,308.94
 Total	 \$ 8,093,281.40	 \$ 8,093,281.40

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from capital projects funds to the General Fund to reimburse 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.

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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 7,640,370.00
Charter School Capital Outlay Funding	1,129,698.00
Voluntary Pre-K	504,233.86
School Recognition	429,350.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	263,865.84
Workforce Development Program	242,026.00
Class Size Reduction Construction	176,370.00
Gross Receipts Tax (Public Education Capital Outlay)	114,062.00
Mobile Home License Tax	66,964.18
Food Service Supplement	61,123.00
Discretionary Lottery Funds	19,610.00
Miscellaneous	288,480.66
	<hr/>
Total	<u>\$ 10,936,153.54</u>

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.308	\$ 35,876,700.61
Basic Discretionary Local Effort	0.642	4,339,269.37
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>10,138,479.83</u>
Total	<u>7.450</u>	<u>\$ 50,354,449.81</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 Florida 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in 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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 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 to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$3,091,458.80, \$2,808,054.44, and \$3,097,638.24 respectively, which were equal to the required contributions for each fiscal year. There were 108 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$386,440.03.

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.

15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical 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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

primary coverage as soon as they are eligible. The 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. Plan 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 post employment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 148 retirees received other post employment benefits. The District provided required contributions of \$292,769 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 \$524,186, which represents 1.93 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 397,893
Amortization of Unfunded Actuarial Accrued Liability	<u>564,512</u>
Annual Required Contribution	962,405
Interest on Net OPEB Obligation	19,357
Adjustment to Annual Required Contribution	<u>32,648</u>
Annual OPEB Cost (Expense)	1,014,410
Contribution Toward the OPEB Cost	<u>(292,769)</u>
Increase in Net OPEB Obligation	721,641
Net OPEB Obligation, Beginning of Year	<u>645,245</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,366,886</u></u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2010, and the preceding year were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$		\$ 0
2008-09	1,113,486	42.05%	645,245
2009-10	1,014,410	28.86%	1,366,886

Funded Status and Funding Progress. As of June 30, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$11,157,073, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,157,073 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$27,162,625, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 41.08 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 the 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.

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 OPEB actuarial valuation as of June 30, 2010, used the projected unit credit actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.0 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns. The actuarial assumptions also included an annual healthcare cost trend rate of 6.3 percent for the 2010 calendar year, reduced by various decrements, to an ultimate rate of 6.9 percent after the 2020 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, 2010, was 28 years.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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
Wildwood Middle High School Renovations			
Architect	\$ 65,300.00	\$ 60,139.84	\$ 5,160.16
Contractor	1,415,556.73	1,211,476.90	204,079.83
South Sumter High School ESE Classroom Renovation			
Architect	5,730.00	5,157.00	573.00
Contractor	39,528.00		39,528.00
Total	\$ 1,526,114.73	\$ 1,276,773.74	\$ 249,340.99

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 proration, 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. 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 local capital improvement 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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2010, the accumulated credits to the District's account are \$199,782.45. During the 2009-10 fiscal year, the District received \$2,158.83 related to 2009 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.

Liabilities in the amounts of \$602,444 (discounted at 4 percent) and \$722,267 (undiscounted) were actuarially determined to cover estimated incurred, but not reported, workers' compensation insurance claims at June 30, 2010. The District elected to use the most conservative approach to record the liability, using the undiscounted actuarial computation.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2008-09	\$ 396,198.00	\$ 361,262.00	\$ (73,961.00)	\$ 683,499.00
2009-10	683,499.00	318,208.96	(279,440.96)	722,267.00

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2009-10 fiscal year:

	Total	Workers' Compensation Insurance	Health/Dental/ Vision Insurance
Total Assets	<u>\$ 3,247,782.93</u>	<u>\$ 2,283,862.69</u>	<u>\$ 963,920.24</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 328,668.93	\$ 135.00	\$ 328,533.93
Estimated Insurance Claims Payable	722,267.00	722,267.00	
Net Assets:			
Unrestricted Net Assets	<u>2,196,847.00</u>	<u>1,561,460.69</u>	<u>635,386.31</u>
Total Liabilities and Net Assets	<u>\$ 3,247,782.93</u>	<u>\$ 2,283,862.69</u>	<u>\$ 963,920.24</u>
Revenues:			
Premium Contributions	\$ 5,903,441.57	\$ 648,096.21	\$ 5,255,345.36
Interest Income	12,323.43	9,070.13	3,253.30
Increase in Fair Value of Investments	<u>19,753.07</u>	<u>19,753.07</u>	
Total Revenues	5,935,518.07	676,919.41	5,258,598.66
Total Expenses	<u>(5,770,784.45)</u>	<u>(488,345.79)</u>	<u>(5,282,438.66)</u>
Change in Net Assets	<u>\$ 164,733.62</u>	<u>\$ 188,573.62</u>	<u>\$ (23,840.00)</u>

21. LOSS CONTINGENCIES

The District received funds from the State of Florida in the form of grants and categorical funding as discussed in Note 12. 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 and 2009-10 fiscal year audits, the Auditor General questioned expenditures totaling \$2,647,002 related to the charter school capital outlay funding. 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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

22. SUBSEQUENT EVENTS

On September 8, 2010, the Sumter County District School Board issued Tax Anticipation Note, Series 2010, in the amount of \$4,400,000. The note proceeds will be utilized by the District to provide interim funds for the payment of operating expenditures for the 2010-11 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 0.782 percent and a maturity date of June 30, 2011.

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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, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 54,000.00	\$ 54,000.00	\$ 57,076.58	\$ 3,076.58
Federal Through State and Local State	10,404,383.00	8,897,193.58	8,971,115.78	73,922.20
Local:				
Property Taxes	38,392,069.00	38,392,069.00	38,743,699.82	351,630.82
Miscellaneous	634,992.00	832,156.26	1,260,576.65	428,420.39
Total Revenues	49,485,444.00	48,175,418.84	49,032,468.83	857,049.99
Expenditures				
Current - Education:				
Instruction	40,196,944.00	37,970,673.75	37,484,676.94	485,996.81
Pupil Personnel Services	1,740,527.12	1,783,333.38	1,610,159.46	173,173.92
Instructional Media Services	219,215.24	280,028.80	204,356.78	75,672.02
Instruction and Curriculum Development Services	1,181,332.00	1,124,051.00	1,067,706.27	56,344.73
Instructional Staff Training Services	424,480.16	464,295.50	432,829.30	31,466.20
Instruction Related Technology	698,913.60	778,697.16	628,779.66	149,917.50
School Board	478,284.00	467,863.00	432,598.80	35,264.20
General Administration	390,974.00	301,691.00	289,329.20	12,361.80
School Administration	2,437,437.00	2,516,569.74	2,490,607.98	25,961.76
Facilities Acquisition and Construction	290,409.00	280,769.00	187,664.64	93,104.36
Fiscal Services	593,132.00	578,549.00	562,773.56	15,775.44
Food Services	8,500.00	21,654.42	21,289.78	364.64
Central Services	702,663.00	858,192.70	717,475.27	140,717.43
Pupil Transportation Services	3,201,281.00	3,033,314.32	2,812,125.97	221,188.35
Operation of Plant	4,463,056.00	4,147,389.58	3,947,226.53	200,163.05
Maintenance of Plant	1,763,079.00	1,784,961.00	1,585,448.69	199,512.31
Administrative Technology Services	393,744.00	400,041.86	245,899.77	154,142.09
Community Services	29,400.00			
Fixed Capital Outlay:				
Other Capital Outlay		317,155.00	317,152.35	2.65
Debt Service:				
Interest and Fiscal Charges	67,000.00	41,417.00	41,412.41	4.59
Total Expenditures	59,280,371.12	57,150,647.21	55,079,513.36	2,071,133.85
Deficiency of Revenues Over Expenditures	(9,794,927.12)	(8,975,228.37)	(6,047,044.53)	2,928,183.84
Other Financing Sources				
Transfers In	7,729,101.94	5,717,300.55	5,717,300.55	
Total Other Financing Sources	7,729,101.94	5,717,300.55	5,717,300.55	
Net Change in Fund Balances	(2,065,825.18)	(3,257,927.82)	(329,743.98)	2,928,183.84
Fund Balances, Beginning	8,287,141.18	8,287,141.18	8,287,141.18	
Fund Balances, Ending	\$ 6,221,316.00	\$ 5,029,213.36	\$ 7,957,397.20	\$ 2,928,183.84

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 5,478,137.37	\$ 5,573,752.31	\$ 4,319,730.49	\$ (1,254,021.82)
<u>5,478,137.37</u>	<u>5,573,752.31</u>	<u>4,319,730.49</u>	<u>(1,254,021.82)</u>
3,293,922.93	3,009,001.93	2,271,321.68	737,680.25
590,021.16	881,343.09	551,621.00	329,722.09
550,831.00	553,492.08	553,492.08	
84,000.00	146,500.00	145,959.02	540.98
407,653.00	391,786.57	263,762.19	128,024.38
199,913.74	191,916.08	147,281.18	44,634.90
78,214.00	77,444.10	77,444.10	
205,381.32	33,839.32	33,802.00	37.32
24,658.80	13,381.35		13,381.35
7,145.30	1,567.50	1,567.50	
36,396.12	44,650.29	44,650.29	
	228,830.00	228,829.45	0.55
<u>5,478,137.37</u>	<u>5,573,752.31</u>	<u>4,319,730.49</u>	<u>1,254,021.82</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2006	\$ 0	\$ 10,436,711	\$ 10,436,711	0.00%	\$ 26,481,615	39.41%
June 30, 2010	0	11,157,073	11,157,073	0.00%	27,162,625	41.08%

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The June 30, 2010, unfunded actuarial accrued liability of \$11,157,073 was significantly higher than the October 1, 2006, liability of \$10,436,711 as a result of benefit changes and other changes in liabilities and costs effective May 2010 when the Board changed actuaries as discussed below:

- Amortization of unfunded AAL changed from 15 years to 30 years.
- Actuarial method changed from entry age to projected unit credit.
- The discount rate changed from 4.75 percent to 3 percent.
- The number of enrolled retirees decreased from 85 in the October 1, 2006, valuation to 71 in the June 30, 2010, valuation.
- Similarly, the number of active employees increased from 459 in the October 1, 2006, valuation to 505 in the June 30, 2010, valuation.
- The assumed annual healthcare cost trends for medical costs were revised. In the previous valuation, the initial healthcare cost trend was assumed to increase at 11 percent in the first year, decreasing by various decrements, to an ultimate rate of 5 percent after the 2019 calendar year. In the current valuation, the trend is assumed to be an increase of 0.3 percent until calendar year 2013 and remain during 2014 and then decrease at various decrements, to an ultimate rate of 5.9 percent in 2050.

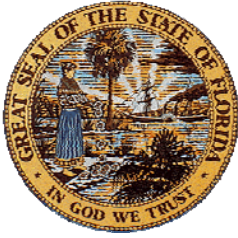
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

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	\$ 614,671.82	\$
National School Lunch Program	10.555	300, 350	1,620,759.07	
Summer Food Service Program for Children	10.559	323	43,954.06	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	176,914.52	
Total Child Nutrition Cluster			2,456,299.47	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	109,158.80	
Total United States Department of Agriculture			2,565,458.27	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	1,467,112.44	
Special Education - Preschool Grants	84.173	266, 267	49,102.52	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	980,484.60	39,950.27
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	42,597.90	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	2,063.54	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	199.59	
Orange County District School Board:				
Special Education - Grants to States	84.027	None	13,807.58	
Total Special Education Cluster			2,555,368.17	39,950.27
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	2,046,958.52	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	637,361.25	
Total Title I, Part A Cluster			2,684,319.77	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	16,692.54	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	39,993.00	
Total Educational Technology State Grants Cluster			56,685.54	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	2,306,919.00	632,178.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	189,406.17	12,331.92
Total State Fiscal Stabilization Fund Cluster			2,496,325.17	644,509.92
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	590	92,388.01	
Migrant Education - State Grant Program	84.011	217	175,450.34	
Career and Technical Education - Basic Grants to States	84.048	151	113,449.00	4,359.00
Safe and Drug - Free Schools and Communities - State Grants	84.186	103	20,688.55	879.13
Twenty - First Century Community Learning Centers	84.287	244	339,761.78	
English Language Acquisition Grants	84.365	102	42,347.86	
Improving Teacher Quality State Grants	84.367	224	505,741.45	
School Improvement Grants	84.377	126	28,145.53	
ARRA - Education of Homeless Children and Youth, Recovery Act	84.387	270	13,809.77	
Lake-Sumter Community College:				
Career and Technical Education - Basic Grants to States	84.048	None	4,981.00	
Total Indirect			9,129,461.94	689,698.32
Total United States Department of Education			9,129,461.94	689,698.32
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	57,076.58	
Total Expenditures of Federal Awards			\$ 11,751,996.79	\$ 689,698.32

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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board as of and for the fiscal year ended June 30, 2010, 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 discretely presented component unit, as described in our report on the Sumter County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 a certain additional matter that is discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

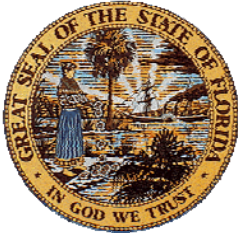
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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 1, 2011



DAVID W. MARTIN, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. 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 its 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 OMB *Circular A-133*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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 1, 2011

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 a 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 a material weakness(es)?	Yes
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> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579-ARRA); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$352,559
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, 2010**

ADDITIONAL MATTER

Finding No. 1: Charter School Lease

Section 1002.33(19), Florida Statutes, provides that charter schools are eligible for capital outlay funds pursuant to Section 1013.62, Florida Statutes. 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. The charter school and the Villages of Lake-Sumter, Inc. (Villages) entered a lease agreement, effective July 1, 2006, requiring the charter school 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, 2008-09, and 2009-10 fiscal years, the District provided \$1,539,770, \$1,324,853, \$1,256,357, and \$1,129,698, 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, \$1,229,213, and \$0.00, respectively, (or a total of \$3,551,174) to the charter school, while the charter school only used¹ \$461,257, \$311,601, \$72,166, and \$59,148, respectively, (or a total of \$904,172) 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. Given that the Villages ultimately transferred \$2,647,002 of State charter school capital outlay funding (\$3,551,174 of contributions from the Villages less \$904,172 used by the charter school for capital outlay purposes) to the charter school, the net effect appears to have been the transfer of capital outlay moneys to the charter school to use for operating purposes, contrary to Section 1013.62(2), Florida Statutes.

In response to our inquiry regarding the basis for the charter school’s ultimate use of the capital outlay proceeds, District personnel referenced Section 1002.33(19), Florida Statutes, which provides that capital outlay funds authorized in Section 1011.71(2), Florida Statutes, that have been shared with a charter school-in-the-workplace prior to July 1, 2010, are deemed to have met the authorized expenditure requirements for such funds. While this statute provides authority for capital outlay millage proceeds shared with the charter school prior to July 1, 2010, the basis for

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

transferring State charter school capital outlay funding to be used for operating purposes is not readily apparent. A similar finding was noted in our report No. 2010-135.

Recommendation: The District should ensure that State capital outlay funding provided to charter schools is used for required capital outlay purposes and expended for demonstrated and documented capital outlay needs. In addition, the District should consult with the Florida Department of Education and the Attorney General to determine the legality of such transfers used for operating purposes. If appropriate, the District should take action to restore the \$2,647,002 to the State.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: \$53,581.43

Allowable Cost/Cost Principles. United States Office of Management and Budget *Circular A-87* provides principles for determining allowable costs, including indirect costs that may be allocated to a Federal program. Indirect costs are costs that are incurred for a common or joint purpose, are not readily assignable to the cost objectives specifically benefited without efforts disproportionate to the results achieved, and are calculated by multiplying allowed costs by an approved indirect cost rate. To ensure consistent indirect cost rate computations and application of the rate to allowable expenditures, the Florida Department of Education (FDOE) published instructions for use by district school boards. The instructions require, in part, that school districts exclude the cost of food service program supplies from the computation of the indirect cost rate and from the expenditures to which the indirect cost rate is applied.

For the 2009-10 fiscal year, the District excluded the cost of food service program supplies from the computation of the indirect cost rate, but applied its FDOE-approved indirect cost rate of 4.06 percent to food service program total expenditures, including food service program supply costs totaling \$1,317,966.85, resulting in indirect cost overcharges totaling \$53,581.43. Subsequent to our inquiry, the District, in December 2010, reimbursed the food service program for the indirect cost overcharges.

Recommendation: The District should enhance procedures to ensure that it calculates indirect costs pursuant to guidance from the Florida Department of Education.

District Contact Person: Deborah Smith, Senior Director of Business and Institutional Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-135

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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
2010-135		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



SUMTER COUNTY SCHOOL BOARD
"Preparing the next generation today"

Richard A. Shirley
Superintendent of Schools

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

TELEPHONE
(352) 793-2315

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- 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

February 15, 2011

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, 2010

Dear Mr. Martin:

This letter is intended as the Sumter County School District's response to the preliminary and tentative audit findings dated January 27, 2011, for the District's fiscal year ending June 30, 2010.

Finding No. 1: Charter School Lease

The Charter School has received and expensed state capital outlay funds in this manner for 10 years without issue. However, the District is following the recommendation to contact DOE. DOE has assured the District no funds would need to be restored, nor any other negative ramifications. DOE, the Charter School, and the school district will work with the legislature for future clarification.

Federal Awards Finding No. 1: Noncompliance and Significant Deficiency

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

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