

**SUMTER COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2011



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Haydn L. Evans, Chair to 11-15-10	1
Christine S. Norris	2
Linda J. Winchester, Vice Chair to 11-15-10, Chair from 11-16-10	3
Kenneth P. Jones, Vice Chair from 11-16-10	4
Michael T. Foote to 11-15-10	5
Kathie L. Joiner from 11-16-10	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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

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

Finding No. 2: The District had not developed a written information technology security incident response plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; Improving Teacher Quality; Education Technology State Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Funds programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2011-136.

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, 2011. 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.



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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, 2011, 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 29 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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
January 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Sumter County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 12 through 50.

FINANCIAL HIGHLIGHTS

- Overall, the District's financial position improved from the prior fiscal year. The District's total net assets increased by \$2,158,721 (or 5 percent). This may be compared to an increase of \$642,440 (or 1 percent) for the prior fiscal year.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,447,832. This may be compared to the prior fiscal year's results in which General Fund expenditures exceeded revenues and other financing sources by \$329,744.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net 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 District's financial health. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents 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 for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included (blended) as an integral part of the primary government.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of 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. The 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 Fund – Other Federal Programs Fund, Special Revenue Fund – Federal Economic Stimulus Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. 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 funds to account for its self-insured workers' compensation program

and its health insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Total assets of the District amount to \$89,258,430 and \$88,597,398 as of June 30, 2011, and 2010, respectively. The current ratio is 12.90:1 with current assets of \$13,972,308 and current liabilities of \$1,083,038. 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 \$7,098,472, debt service of \$385,434, and insurance of \$41,039. The prior year current ratio was approximately 7.94:1 with current assets of \$12,746,600 and current liabilities of \$1,605,044.

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, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-11	6-30-10
Current Assets	\$ 13,972,308	\$ 12,746,600
Other Assets	8,076,967	6,657,940
Capital Assets	67,209,154	69,192,858
Total Assets	89,258,429	88,597,398
Long-Term Liabilities	41,324,406	42,300,089
Other Liabilities	1,083,038	1,605,044
Total Liabilities	42,407,444	43,905,133
Net Assets:		
Invested in Capital Assets - Net of Related Debt	32,734,154	34,252,755
Restricted	10,110,137	7,970,320
Unrestricted	4,006,694	2,469,190
Total Net Assets	\$ 46,850,985	\$ 44,692,265

The largest portion of the District’s net assets (70 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 capital assets decreased by \$1,983,703, primarily due to depreciation and a change in capitalization thresholds. The change in capitalization threshold decreased net capital assets by \$844,564, as explained in Note 4 to the financial statements.

The restricted portion of the District’s net assets (22 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (8 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 610,276	\$ 610,405
Operating Grants and Contributions	2,593,685	2,628,354
Capital Grants and Contributions	1,580,205	1,683,996
General Revenues:		
Property Taxes, Levied for Operational Purposes	39,775,967	38,743,700
Property Taxes, Levied for Capital Projects	9,887,259	9,777,800
Grants and Contributions Not Restricted to Specific Programs	22,613,000	18,377,573
Unrestricted Investment Earnings	200,261	268,401
Miscellaneous	825,184	1,143,217
Total Revenues	78,085,837	73,233,446
Functions/Program Expenses:		
Instruction	45,232,757	42,203,170
Pupil Personnel Services	2,764,493	2,637,003
Instructional Media Services	807,278	866,805
Instruction and Curriculum Development Services	2,250,261	2,246,928
Instructional Staff Training Services	1,327,212	1,263,404
Instruction Related Technology	790,477	649,373
School Board	460,465	436,891
General Administration	507,018	576,134
School Administration	2,815,645	2,719,171
Facilities Acquisition and Construction	1,697,490	687,375
Fiscal Services	604,717	571,393
Food Services	3,131,311	2,875,591
Central Services	882,915	841,227
Pupil Transportation Services	2,648,717	3,336,023
Operation of Plant	3,489,796	3,966,821
Maintenance of Plant	1,605,084	1,608,727
Administrative Technology Services	270,311	170,385
Unallocated Interest on Long-Term Debt	1,595,906	1,641,679
Unallocated Depreciation/Amortization Expense	3,040,297	3,260,606
Loss on Disposal of Capital Assets	4,966	32,301
Total Functions/Program Expenses	75,927,116	72,591,007
Increase in Net Assets	\$ 2,158,721	\$ 642,439

The largest revenue source is property tax revenue (64 percent). Property tax revenue levied for operational purposes increased by \$1,032,267. Notable during the current fiscal year is the increase of \$4,235,427 in grants and contributions not restricted to specific programs, most of which was due to the Federal Economic Stimulus Programs.

Instruction expenditures increased by \$3,029,587. The increase in instruction expenditures was primarily due to the increase in payments made to the Charter School and expenditures pursuant to the Enhancing Education Through Technology grant received by the District and used for science technology initiatives. The increased expenditures to the Charter School was a result of student growth, increase in the Charter School’s share of property tax revenues, and Federal Economic Stimulus Programs. Other 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, 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 \$17,174,756, an increase of \$2,847,019, in comparison with the prior fiscal year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2011, and June 30, 2010.

Fund Balance	Fiscal Year Ended		Increase (Decrease)	Percentage Change
	2011	2010		
Major Governmental Funds				
General Fund	\$ 9,405,229	\$ 7,957,397	\$ 1,447,832	18.19%
Special Revenue - Other Federal Programs Fund	1,026	1,026		0.00%
Capital Projects:				
Local Capital Improvement Fund	6,061,503	4,342,859	1,718,644	39.57%
Other Governmental Funds (Nonmajor)	1,706,998	2,026,455	(319,457)	-15.76%
Total	\$ 17,174,756	\$ 14,327,737	\$ 2,847,019	19.87%

Note: Does not include Special Revenue - Federal Economic Stimulus Fund which reports revenues to the extent of expenditures and does not maintain a fund balance.

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance was \$4,168,074, while the total fund balance was \$9,405,229. Included in this total amount are \$326,605 in inventories reported as nonspendable, \$2,341,636 in State required carryover program funds and other grantor and donor funds reported as restricted, and \$45,334 in encumbrances reported as assigned. These items are reappropriated in the budget for the 2011-12 fiscal year. In addition, the District has assigned \$2,523,581 for spending in the 2011-12 fiscal year.

During the current fiscal year, the total fund balance increased by \$1,447,832. While revenues and other financing sources increased \$2,279,631 from the prior fiscal year, expenditures and other financing uses declined by \$502,055. Many expenditures, previously paid from the General Fund, were paid from the Federal Economic Stimulus Fund during the 2010-11 fiscal year, in order to conserve General Fund resources for future years, given the current economic uncertainty in the State.

The following schedule shows the changes in General Fund revenues and transfers in for fiscal years ended June 30, 2011, and June 30, 2010.

General Fund	Fiscal Year Ended		Increase (Decrease)	Percentage Change
	2011	2010		
<u>Revenues:</u>				
Federal Revenues	\$ 58,983	\$ 57,076	\$ 1,907	3.34%
State Revenues	10,691,460	8,971,116	1,720,344	19.18%
Property Taxes	39,775,967	38,743,700	1,032,267	2.66%
Other Local Revenue	923,214	1,260,577	(337,363)	-26.76%
Total Revenues	51,449,624	49,032,469	2,417,155	4.93%
<u>Other Financing Sources:</u>				
Transfers	5,579,776	5,717,301	(137,525)	-2.41%
Total Revenues & Other Financing Sources	\$ 57,029,400	\$ 54,749,770	\$ 2,279,630	4.16%

State revenues and property tax revenues increased from the prior fiscal year due to a slight increase in property values. Other local revenues decreased slightly.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2011, and June 30, 2010.

General Fund	Fiscal Year Ended		Increase (Decrease)	Percentage Change
	2011	2010		
<u>Expenditures:</u>				
Salaries	\$ 25,329,460	\$ 25,630,134	\$ (300,674)	-1.17%
Employee Benefits	7,561,993	7,503,549	58,444	0.78%
Purchased Services	18,034,735	16,553,944	1,480,791	8.95%
Energy Services	1,693,888	1,835,343	(141,455)	-7.71%
Materials and Supplies	1,440,031	2,007,797	(567,766)	-28.28%
Capital Outlay	1,002,027	829,084	172,943	20.86%
Other	465,853	719,662	(253,809)	-35.27%
Total Expenditures	55,527,987	55,079,513	448,474	0.81%
<u>Other Financing Uses:</u>				
Transfers Out	53,581		53,581	100.00%
Total Expenditures and Other Financing Uses	\$ 55,581,568	\$ 55,079,513	\$ 502,055	0.91%

The increase in purchased services was due to the increased instructional expenditures made to the Charter School, as discussed in the government-wide analysis section. Other expenses were consistent, or actually decreased, due to budgetary constraints, and an intentional effort by the District to spend Federal economic stimulus resources first, in order to conserve funds for future years.

The Special Revenue – Other Federal Programs Funds and Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$5,744,948 each and \$5,911,177 each, respectively. The resources for these funds were mainly used for instructional and instructional support expenditures. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate balances.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$6,061,503, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$1,718,644 in the current fiscal year as major new construction did not commence until later in the year.

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 \$2,512,979 at June 30, 2011, increasing \$316,132 from June 30, 2010, mostly due to a decrease in insurance claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in a total decrease in budgeted revenues and transfers in of \$952,107, or 2 percent.

Final appropriations and transfers out were also less than the original budgeted amounts, by \$1,089,621. Budget revisions were due primarily to changes in receiving the additional Federal Education Jobs Fund grant, which was received after adoption of the original budget. However, the District's actual expenditures are \$3,193,148 below the final budgeted expenditure amount. Each year the District budgets in full for all funds available for categorical and restricted purposes, even though the full amount is not spent, and a significant portion is carried over to the succeeding year. Reductions were also realized through the District's conservative spending and through savings initiatives that were implemented during the fiscal year. The District also made an effort to spend Federal economic stimulus funds first, in order to conserve General Fund resources for future years, given the current economic uncertainty in State education funding.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$67,209,154 (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.

Capital asset activity during the 2010-11 fiscal year included the following:

- The District purchased additional land adjacent to Lake Panasoffkee Elementary School.
- The District completed construction of the Wildwood Middle High School renovation at a cost of \$1,798,254.
- Other construction projects are in progress including:
 - Webster Elementary School Administration Building - \$499,431
 - South Sumter Middle School Gym Renovation - \$5,977

Contract commitments at fiscal year-end for construction activity amounted to \$4,042,112. 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, 2011, the District has total long-term debt outstanding of \$34,475,000, comprised of \$3,190,000 of bonds and \$31,285,000 of certificates of participation. During the current fiscal year, retirement of debt amounted to \$1,185,000.

State school bonds outstanding at June 30, 2011, accounted for \$825,000 of the total bonds and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Proceeds were used for new school construction and the remainder of the District's long-term debt is paid 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.

OTHER MATTERS OF SIGNIFICANCE

During the 2010-11 fiscal year, the District received \$2,317,565 in American Recovery and Reinvestment Act (ARRA) funding through the State Fiscal Stabilization Fund (SFSF). This was the second and final year of these funds being available. During the 2009-10 fiscal year, the District received \$2,496,325 in SFSF funding.

The Education Jobs Act was implemented in the 2010-11 fiscal year to pay salaries and benefits of teachers, school administrators, and other essential school-based staff. The District used the \$1,487,635 that it received to pay salaries and benefits for 38 instructional paraprofessionals and pupil personnel service employees.

The District was awarded a Race-to-the-Top grant, which is a national initiative to reform public education. This is a four-year grant totaling \$1,056,426. During the 2010-11 fiscal year, \$199,364 was spent from this grant.

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 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, 2011**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 19,806,150.06	\$ 554,374.00
Investments	238,139.77	
Accounts Receivable	75,266.04	99,284.00
Due from Other Agencies	999,106.24	
Prepaid Expenses		42,034.00
Inventories	378,591.45	3,011.00
Deferred Charges	331,476.26	
Capital Credits Receivable	220,545.40	
Capital Assets:		
Nondepreciable Capital Assets	2,690,386.71	
Depreciable Capital Assets, Net	<u>64,518,767.61</u>	<u>448,414.00</u>
TOTAL ASSETS	<u>\$ 89,258,429.54</u>	<u>\$ 1,147,117.00</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 42,245.15	\$
Payroll Deductions and Withholdings	754.70	
Accounts Payable	825,897.77	993,530.00
Construction Contracts Payable - Retainage	13,388.37	
Due to Other Agencies	200,752.25	
Deferred Revenue		90,985.00
Long-Term Liabilities:		
Portion Due Within One Year	1,830,258.00	
Portion Due After One Year	<u>39,494,147.98</u>	<u></u>
Total Liabilities	<u>42,407,444.22</u>	<u>1,084,515.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	32,734,154.33	448,414.00
Restricted for:		
State Required Carryover Programs	1,824,787.53	
Debt Service	385,434.28	
Capital Projects	6,752,616.81	
Food Service	630,449.83	
Other Purposes	516,848.30	(135,807.00)
Unrestricted	<u>4,006,694.24</u>	<u>(250,005.00)</u>
Total Net Assets	<u>46,850,985.32</u>	<u>62,602.00</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 89,258,429.54</u>	<u>\$ 1,147,117.00</u>

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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 45,232,757.12	\$ 19,583.00	\$	\$
Pupil Personnel Services	2,764,492.53			
Instructional Media Services	807,278.02			
Instruction and Curriculum Development Services	2,250,261.49			
Instructional Staff Training Services	1,327,212.08			
Instruction Related Technology	790,476.89			
School Board	460,465.28			
General Administration	507,018.15			
School Administration	2,815,645.39			
Facilities Acquisition and Construction	1,697,489.64			1,070,323.21
Fiscal Services	604,717.42			
Food Services	3,131,311.44	578,510.39	2,593,684.94	
Central Services	882,914.87			
Pupil Transportation Services	2,648,717.35	12,182.97		
Operation of Plant	3,489,795.69			
Maintenance of Plant	1,605,084.10			331,394.00
Administrative Technology Services	270,311.40			
Unallocated Interest on Long-Term Debt	1,595,906.34			178,488.04
Unallocated Depreciation/Amortization Expense	3,040,296.53			
Loss on Disposal of Capital Assets	4,965.66			
Total Primary Government	75,927,117.39	610,276.36	2,593,684.94	1,580,205.25
Component Unit				
Charter School	\$ 19,834,798.00	\$ 3,071,885.00	\$ 1,583,666.00	\$ 986,880.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (45,213,174.12)	\$
(2,764,492.53)	
(807,278.02)	
(2,250,261.49)	
(1,327,212.08)	
(790,476.89)	
(460,465.28)	
(507,018.15)	
(2,815,645.39)	
(627,166.43)	
(604,717.42)	
40,883.89	
(882,914.87)	
(2,636,534.38)	
(3,489,795.69)	
(1,273,690.10)	
(270,311.40)	
(1,417,418.30)	
(3,040,296.53)	
(4,965.66)	
<u>(71,142,950.84)</u>	
	<u>(14,192,367.00)</u>
39,775,967.49	
9,887,258.62	
22,612,999.69	13,913,202.00
200,260.78	
<u>825,184.91</u>	<u>187,874.00</u>
<u>73,301,671.49</u>	<u>14,101,076.00</u>
2,158,720.65	(91,291.00)
<u>44,692,264.67</u>	<u>153,893.00</u>
<u>\$ 46,850,985.32</u>	<u>\$ 62,602.00</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General Fund</u>	<u>Special Revenue - Other Federal Programs Fund</u>	<u>Special Revenue - Federal Economic Stimulus Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 8,857,513.36	\$ 2,040.90	\$	\$ 6,407,358.50
Investments				
Accounts Receivable	2,284.75			
Due from Other Funds	847,678.17			
Due from Other Agencies	86,484.27	545,381.21	336,106.49	2,823.08
Inventories	326,604.61			
TOTAL ASSETS	<u>\$ 10,120,565.16</u>	<u>\$ 547,422.11</u>	<u>\$ 336,106.49</u>	<u>\$ 6,410,181.58</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 19,672.67	\$ 20,465.86	\$	\$
Payroll Deductions and Withholdings	754.70			
Accounts Payable	230,933.81	13,600.97	298.97	335,289.99
Construction Contracts Payable - Retainage				13,388.37
Due to Other Funds	263,681.05	511,870.65	335,807.52	
Due to Other Agencies	200,294.00	458.25		
Total Liabilities	<u>715,336.23</u>	<u>546,395.73</u>	<u>336,106.49</u>	<u>348,678.36</u>
Fund Balances:				
Nonspendable:				
Inventory	326,604.61			
Restricted for:				
Federal Required Carryover Programs		1,026.38		
State Required Carryover Programs	1,824,787.53			
Debt Service				
Capital Projects				6,061,503.22
Donor/Grantor	516,848.30			
Food Service				
Total Restricted Fund Balance	<u>2,341,635.83</u>	<u>1,026.38</u>		<u>6,061,503.22</u>
Assigned to:				
Budgetary Carryforwards	2,523,581.29			
Other	45,333.67			
Total Assigned Fund Balance	<u>2,568,914.96</u>			
Unassigned Fund Balance	<u>4,168,073.53</u>			
Total Fund Balances	<u>9,405,228.93</u>	<u>1,026.38</u>		<u>6,061,503.22</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,120,565.16</u>	<u>\$ 547,422.11</u>	<u>\$ 336,106.49</u>	<u>\$ 6,410,181.58</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 1,432,060.36	\$ 16,698,973.12
197,100.70	197,100.70
	2,284.75
	847,678.17
28,311.19	999,106.24
<u>51,986.84</u>	<u>378,591.45</u>
<u>\$ 1,709,459.09</u>	<u>\$ 19,123,734.43</u>
\$ 2,106.62	\$ 42,245.15
	754.70
354.77	580,478.51
	13,388.37
	1,111,359.22
	<u>200,752.25</u>
<u>2,461.39</u>	<u>1,948,978.20</u>
<u>51,986.84</u>	<u>378,591.45</u>
	1,026.38
	1,824,787.53
385,434.28	385,434.28
691,113.59	6,752,616.81
	516,848.30
<u>578,462.99</u>	<u>578,462.99</u>
<u>1,655,010.86</u>	<u>10,059,176.29</u>
	2,523,581.29
	<u>45,333.67</u>
	<u>2,568,914.96</u>
	<u>4,168,073.53</u>
<u>1,706,997.70</u>	<u>17,174,756.23</u>
<u>\$ 1,709,459.09</u>	<u>\$ 19,123,734.43</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds		\$ 17,174,756.23
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.		67,209,154.32
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.		220,545.40
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.		331,476.26
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.		2,512,979.09
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ 3,190,000.00	
Certificates of Participation	31,285,000.00	
Other Postemployment Benefits Payable	1,975,336.00	
Compensated Absences Payable	4,147,589.98	(40,597,925.98)
Total Net Assets - Governmental Activities		<u>\$ 46,850,985.32</u>

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, 2011**

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 58,983.26	\$	\$
Federal Through State and Local State	10,691,459.50	5,744,948.35	5,911,176.72
Local:			
Property Taxes	39,775,967.49		
Charges for Services - Food Service			
Miscellaneous	923,213.81		
Total Revenues	51,449,624.06	5,744,948.35	5,911,176.72
Expenditures			
Current - Education:			
Instruction	38,762,819.11	3,033,820.06	3,057,068.52
Pupil Personnel Services	1,137,394.90	460,632.47	1,108,067.60
Instructional Media Services	225,858.37	26,165.15	546,085.91
Instruction and Curriculum Development Services	795,683.03	1,210,885.45	292,377.62
Instructional Staff Training Services	368,550.57	559,563.40	425,207.99
Instruction Related Technology	707,992.07		66,676.00
School Board	457,433.36		
General Administration	315,218.51	162,925.58	55,610.67
School Administration	2,660,662.26	137,531.63	61,069.15
Facilities Acquisition and Construction	162,789.85		45,365.00
Fiscal Services	587,202.30		
Food Services	32,623.28		
Central Services	744,321.71	15,060.03	116,361.18
Pupil Transportation Services	2,831,261.61	84,689.31	55,266.62
Operation of Plant	3,506,873.06		
Maintenance of Plant	1,677,054.83		
Administrative Technology Services	268,074.81		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	241,230.66	53,675.27	82,020.46
Debt Service:			
Principal			
Interest and Fiscal Charges	44,942.69		
Total Expenditures	55,527,986.98	5,744,948.35	5,911,176.72
Excess (Deficiency) of Revenues Over Expenditures	(4,078,362.92)		
Other Financing Sources (Uses)			
Transfers In	5,579,776.08		
Transfers Out	(53,581.43)		
Total Other Financing Sources (Uses)	5,526,194.65		
Net Change in Fund Balances	1,447,831.73		
Fund Balances, Beginning	7,957,397.20	1,026.38	
Fund Balances, Ending	\$ 9,405,228.93	\$ 1,026.38	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	2,527,389.04	58,983.26
	1,852,933.01	14,183,514.11
		12,544,392.51
9,887,258.62		49,663,226.11
	578,510.39	578,510.39
<u>32,606.52</u>	<u>50,548.56</u>	<u>1,006,368.89</u>
<u>9,919,865.14</u>	<u>5,009,381.00</u>	<u>78,034,995.27</u>
		44,853,707.69
		2,706,094.97
		798,109.43
		2,298,946.10
		1,353,321.96
		774,668.07
		457,433.36
		533,754.76
		2,859,263.04
		208,154.85
		587,202.30
	3,102,667.34	3,135,290.62
		875,742.92
		2,971,217.54
		3,506,873.06
		1,677,054.83
		268,074.81
2,162,346.11		2,162,346.11
	2,887.00	379,813.39
	1,185,000.00	1,185,000.00
	<u>1,550,963.65</u>	<u>1,595,906.34</u>
<u>2,162,346.11</u>	<u>5,841,517.99</u>	<u>75,187,976.15</u>
<u>7,757,519.03</u>	<u>(832,136.99)</u>	<u>2,847,019.12</u>
	2,634,840.84	8,214,616.92
<u>(6,038,874.80)</u>	<u>(2,122,160.69)</u>	<u>(8,214,616.92)</u>
<u>(6,038,874.80)</u>	<u>512,680.15</u>	
1,718,644.23	(319,456.84)	2,847,019.12
<u>4,342,858.99</u>	<u>2,026,454.54</u>	<u>14,327,737.11</u>
<u>\$ 6,061,503.22</u>	<u>\$ 1,706,997.70</u>	<u>\$ 17,174,756.23</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, 2011**

Net Change in Fund Balances - Governmental Funds \$ 2,847,019.12

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capitalization threshold adjustments in excess of capital outlays in the current fiscal year. (1,978,737.53)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (4,965.66)

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 year.

Bonds Payable	\$ 210,000.00	
Certificates of Participation Payable	<u>975,000.00</u>	1,185,000.00

Deferred charges associated with long-term debt issued in the current fiscal year are reported in the statement of activities, but are not a current financial resource and, therefore, are not reported in the governmental funds. This is the net decrease in deferred charges during the current fiscal year.

Deferred Charges, June 30, 2011	\$ 331,476.26	
Deferred Charges, June 30, 2010	<u>352,862.26</u>	(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 used in excess of the amount earned in the current fiscal year. 403,345.68

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. (608,450.00)

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, 2011	\$ 220,545.40	
Capital Credits Receivable, June 30, 2010	<u>199,782.45</u>	20,762.95

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. 316,132.09

Change in Net Assets - Governmental Activities \$ 2,158,720.65

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, 2011**

		Governmental Activities - Internal Service Funds
<hr/>		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	3,107,176.94
Accounts Receivable		72,981.29
Due From Other Funds		263,681.05
		<hr/>
Total Current Assets		3,443,839.28
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund		41,039.07
		<hr/>
TOTAL ASSETS	\$	3,484,878.35
<hr/>		
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	245,419.26
Estimated Insurance Claims Payable		150,000.00
		<hr/>
Total Current Liabilities		395,419.26
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		576,480.00
		<hr/>
Total Liabilities		971,899.26
<hr/>		
NET ASSETS		
Unrestricted		2,512,979.09
		<hr/>
Total Net Assets		2,512,979.09
<hr/>		
TOTAL LIABILITIES AND NET ASSETS	\$	3,484,878.35
<hr/>		

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, 2011**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 5,994,667.00
OPERATING EXPENSES	
Salaries	44,075.99
Employee Benefits	11,542.99
Purchased Services	93,851.37
Insurance Claims	136,933.95
Insurance Premiums	5,420,942.25
Total Operating Expenses	5,707,346.55
Operating Income	287,320.45
NONOPERATING REVENUES	
Interest Revenue	18,282.93
Increase in Fair Market Value of Investments	10,528.71
Total Nonoperating Revenues	28,811.64
Change in Net Assets	316,132.09
Total Net Assets - Beginning	2,196,847.00
Total Net Assets - Ending	\$ 2,512,979.09

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, 2011**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 6,727,832.50
Cash Payments to Suppliers for Goods and Services	(5,653,662.27)
Cash Payments for Insurance Claims	(132,720.95)
	941,449.28
Net Cash Provided by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	13,764.72
Interest Income	18,282.93
	32,047.65
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	973,496.93
Cash and Cash Equivalents, Beginning	2,133,680.01
Cash and Cash Equivalents, Ending	\$ 3,107,176.94

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

Operating Income	\$ 287,320.45
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(72,981.29)
Decrease in Due From Other Funds	806,146.79
Decrease in Accounts Payable	(83,249.67)
Increase in Estimated Insurance Claims Payable	4,213.00
	654,128.83
Total Adjustments	654,128.83
Net Cash Provided by Operating Activities	\$ 941,449.28

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, 2011**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 392,791.00
LIABILITIES	
Internal Accounts Payable	\$ 392,791.00

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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 the application of 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 District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit 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 to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2011. The audit report is filed in the District's administrative offices.

➤ **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 District and its component unit.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **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 GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for workers' compensation 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned 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, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in

**SUMTER COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed 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, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. 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 date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

➤ **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. Effective July 1, 2010, the Board increased its capitalization threshold for computers (reported as furniture, fixtures, and equipment) from \$500 or more to \$1,000 or more and for renovation and remodeling projects from \$50,000 or more to \$100,000 or more. Other capital assets are defined by the Board as those costing \$1,000 or more. 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, 2011**

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability 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 restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

➤ **District Property Taxes**

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 2010 tax levy on September 7, 2010. 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.

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.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

- 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, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 1,104,613.57
Fund B Surplus Funds Trust Fund (Fund B)(2)	7.16 Year Average	209,388.60
Debt Service Accounts	6 Months	25,536.82
Dreyfus Institutional Preferred Money Market Fund (2)	60 Day Average	3,214.35
Total Investments, Primary Government		<u>\$ 1,342,753.34</u>

Notes:

(1) Investment reported as a cash equivalent for financial statement reporting purposes.

(2) Pursuant to the trust agreements, the Trustee for the District's Certificate of Participation, Series 2006, holds all or part of these investments in trust accounts as follows: Fund B \$168,349.53, and Dreyfus \$3,214.35.

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments of current short-term funds to a maximum of 12 months.
- Investments of bond reserves, construction monies, and other core funds shall have a term appropriate to the need for monies, and in accordance with debt covenants, but in no event shall exceed five years. For construction proceeds of tax-exempt debt issues, such investments shall not exceed five years. The District's participation in Fund B is involuntary.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

- The District's investment policy limits investments to the Florida PRIME; or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Treasury securities, included 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 advance 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 policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- As of June 30, 2011, the District's investment in the Dreyfus Institutional Preferred Money Market Fund is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

- Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault.
- The District investment policy requires that securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. A third party custodian is defined as any bank depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposit will 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, 2011**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments Note 1	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 1,994,101.85	\$	\$ 62,952.06	\$	\$ 2,057,053.91
Construction in Progress	1,489,936.44	(3,389.40)	945,039.66	(1,798,253.90)	633,332.80
Total Capital Assets Not Being Depreciated	3,484,038.29	(3,389.40)	1,007,991.72	(1,798,253.90)	2,690,386.71
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	2,589,828.50				2,589,828.50
Buildings and Fixed Equipment	82,862,770.31		1,798,253.90		84,661,024.21
Furniture, Fixtures, and Equipment	6,385,231.16	(2,089,715.29)	381,081.57	(269,740.50)	4,406,856.94
Motor Vehicles	5,793,604.80	(675.00)	495,664.00	(14,239.75)	6,274,354.05
Total Capital Assets Being Depreciated	97,631,434.77	(2,090,390.29)	2,674,999.47	(283,980.25)	97,932,063.70
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	798,018.45		143,366.76		941,385.21
Buildings and Fixed Equipment	22,846,866.19		2,085,756.32		24,932,622.51
Furniture, Fixtures, and Equipment	4,578,205.75	(1,248,540.40)	353,731.41	(265,774.84)	3,417,621.92
Motor Vehicles	3,699,525.16	(675.00)	436,056.04	(13,239.75)	4,121,666.45
Total Accumulated Depreciation	31,922,615.55	(1,249,215.40)	3,018,910.53	(279,014.59)	33,413,296.09
Total Capital Assets Being Depreciated, Net	65,708,819.22	(841,174.89)	(343,911.06)	(4,965.66)	64,518,767.61
Governmental Activities Capital Assets, Net	\$ 69,192,857.51	\$ (844,564.29)	\$ 664,080.66	\$ (1,803,219.56)	\$ 67,209,154.32

Note 1: Effective July 1, 2010, the Board increased its capitalization threshold for certain assets and the adjustments column removes amounts for assets, and their accumulated depreciation, previously capitalized under the old thresholds.

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$3,018,910.53, was reported as unallocated on the Statement of Activities.

5. CHANGES IN SHORT-TERM DEBT

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0	\$ 4,400,000	\$ 4,400,000	\$ 0

Pursuant to the provisions of Section 1011.13, Florida Statutes, the District issued a tax anticipation note, the purpose of which was to meet the disbursement requirements of the 2010-11 fiscal year operating budget.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, \$16,695,000 for the Series 2006 Certificates of Participation, and \$13,860,000 for the Series 2007 Certificates of Participation. The Series 1998 Certificates of Participation were used, in part, to advance refund the District's Lease Revenue Debt dated July 1, 1990, of approximately \$2,100,000. The Series 2007 Certificates of Participation were used, to partially advance refund the Series 1998 and 2002 Certificates of Participation. The financings were accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, 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 Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be up to 24.5 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include land on which the projects are to be constructed. The projects funded from the Series 1998 Certificates of Participation include the following:

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 3.625 to 4.8 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	2,340,131.50	1,195,000.00	1,145,131.50
2017-2021	11,726,446.00	6,805,000.00	4,921,446.00
2022-2026	11,734,649.77	8,395,000.00	3,339,649.77
2027-2031	<u>11,825,090.50</u>	<u>10,560,000.00</u>	<u>1,265,090.50</u>
Total Minimum Lease Payments	<u>\$46,998,170.03</u>	<u>\$ 31,285,000.00</u>	<u>\$15,713,170.03</u>

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

7. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 680,000	5.0	2016
Series 2005B, Refunding	145,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	<u>2,365,000</u>	4.4-5.0	2028
Total Bonds Payable	<u>\$ 3,190,000</u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

These bonds are generally referred as “Racetrack Improvement and Refunding Certificates of Indebtedness, Series 1998” and are authorized by Chapter 71-932, Laws of Florida, Special Acts of 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts 1976. The bonds are payable solely from and secured by a lien upon and pledge of the revenues distributed to the District from moneys deposited to the credit of the Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes (2001)). 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 \$3,556,444 of sales tax revenues in connection with the 1998 District Revenue Bonds, described above. During the 2010-11 fiscal year, the District recognized sales tax revenues totaling \$223,250 and expended \$196,171 (88 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on September 1, 2029. Approximately 94 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	182,000.00	170,000.00	12,000.00
2017-2018	<u>75,250.00</u>	<u>70,000.00</u>	<u>5,250.00</u>
Total State School Bonds	<u>965,250.00</u>	<u>825,000.00</u>	<u>140,250.00</u>
District Revenue Bonds:			
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	200,287.51	105,000.00	95,287.51
2017-2021	990,846.91	595,000.00	395,846.91
2022-2026	982,675.01	750,000.00	232,675.01
20027-2028	<u>586,625.00</u>	<u>545,000.00</u>	<u>41,625.00</u>
Total District Revenue Bonds	<u>3,556,444.47</u>	<u>2,365,000.00</u>	<u>1,191,444.47</u>
Total	<u>\$ 4,521,694.47</u>	<u>\$ 3,190,000.00</u>	<u>\$ 1,331,694.47</u>

8. DEFEASED DEBT

In prior years, the Certificates of Participation (COPs), Series 1998 and Series 2002, were advance-refunded by the District and considered defeased in substance by placing a portion of the proceeds of the COPs, Series 2007, in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District’s financial statements. On June 30, 2011, \$1,470,000 of outstanding COPs, Series 1998, and \$11,520,000 of outstanding COPs Series 2002, are considered defeased in substance.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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					
Estimated Insurance Claims Payable	\$ 722,267.00	\$ 136,933.95	\$ 132,720.95	\$ 726,480.00	\$ 150,000.00
Bonds Payable	3,400,000.00		210,000.00	3,190,000.00	220,000.00
Certificates of Participation Payable	32,260,000.00		975,000.00	31,285,000.00	1,020,000.00
Compensated Absences Payable	4,550,935.66	66,141.14	469,486.82	4,147,589.98	440,258.00
Other Postemployment Benefits Payable	1,366,886.00	981,151.00	372,701.00	1,975,336.00	
Total Governmental Activities	\$ 42,300,088.66	\$ 1,184,226.09	\$ 2,159,908.77	\$ 41,324,405.98	\$ 1,830,258.00

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds, as discussed in Note 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	\$ 847,678.17	\$ 263,681.05
Special Revenue:		
Other - Federal		511,870.65
Federal Economic Stimulus		335,807.52
Nonmajor Governmental		
Internal Service	263,681.05	
Total	\$ 1,111,359.22	\$ 1,111,359.22

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, 2011**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 5,579,776.08	\$ 53,581.43
Capital Projects:		
Local Capital Improvement		6,038,874.80
Nonmajor Governmental	2,634,840.84	2,122,160.69
Total	\$ 8,214,616.92	\$ 8,214,616.92

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from Capital Projects Funds to the General Fund to reimburse the General Fund for allowable capital expenditures. 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. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The Board has appropriated existing fund balance to eliminate a projected budgetary deficit in the 2011-12 fiscal year in the amount equal to the projected excess of appropriations over expected revenues. The District’s approved budget for the 2011-12 fiscal year reflects a budget shortfall of \$2,523,581.29 expected to be paid from the ending fund balance in these financial statements and is considered assigned fund balance.

➤ **Unassigned**

The portion of fund balance that is residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 7,994,806.00
Florida Education Finance Program	1,363,978.00
Charter School Capital Outlay Funding	981,122.00
School Recognition	482,778.00
Voluntary Pre K	454,355.90
Gross Receipts Tax (Public Education Capital Outlay)	331,394.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	267,689.25
Workforce Development Program	252,580.00
Food Service Supplement	52,914.00
Mobile Home License Tax	51,786.54
Discretionary Lottery Funds	26,705.00
Miscellaneous	<u>284,283.82</u>
 Total	 <u><u>\$ 12,544,392.51</u></u>

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.009	\$ 34,396,632.10
Basic Discretionary Local Effort	0.748	5,136,490.48
Critical Operating Needs	0.250	1,716,741.47
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.492	10,245,513.10
Total	<u>7.499</u>	<u>\$ 51,495,377.15</u>

14. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the 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, death benefits, and annual cost-of-living adjustments.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled \$2,808,054.44, \$3,097,638.24, and \$3,407,961.42, respectively, which were equal to the required contributions for each fiscal year. There were 111 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$467,240.74.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, prescription drug, 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 (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The 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 postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 169 retirees received other postemployment benefits. The District provided required contributions of \$372,701 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administration expenses, and reinsurance premiums, and net of retiree contributions totaling \$571,169, which represents 2 percent of covered payroll.

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Normal Cost (service cost for one year)	\$ 417,788
Amortization of Unfunded Actuarial Accrued Liability	593,267
Annual Required Contribution	1,011,055
Interest on Net OPEB Obligation	39,048
Adjustment to Annual Required Contribution	(68,952)
Annual OPEB Cost (Expense)	981,151
Contribution Toward the OPEB Cost	(372,701)
Increase in Net OPEB Obligation	608,450
Net OPEB Obligation, Beginning of Year	1,366,886
Net OPEB Obligation, End of Year	\$ 1,975,336

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, 2011 and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/08	\$		\$
2008-09	1,113,486	42.05%	645,245
2009-10	1,014,410	28.86%	1,366,886
2010-11	981,151	37.99%	1,975,336

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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns. The actuarial assumptions also included an annual healthcare cost trend rate of 6.3 percent initially 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, 2011, was 27 years.

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds					
General	Special Revenue - Other	Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 130,990	\$ 2,240	\$ 58,150	\$ 4,877,510	\$ 0	\$ 5,068,891

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

Project	Contract Amount	Completed to Date	Balance Committed
Webster Elementary School Administration Addition:			
Architect	\$ 278,855.00	\$ 231,663.64	\$ 47,191.36
Contractor	4,261,715.00	267,767.34	3,993,947.66
South Sumter Middle School Gym Renovation:			
Architect	6,950.00	5,977.00	973.00
Total	\$ 4,547,520.00	\$ 505,407.98	\$ 4,042,112.02

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

17. JOINT VENTURES

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

The 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 lease agreement provides for the Board to pay the The Villages of Lake-Sumter, Inc., annual rent that is a percentage of the two mill tax base multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes, for each lease year. The lease agreement establishes percentage rates to be used in lease calculations beginning with 5 percent in the first year and increasing to 25 percent for the fifth year and beyond. The initial lease term was for 12 years. The lease agreement was restated with the new lease commencement date of July 1, 2010, and ending on June 30, 2018. After the initial term, the lease may be renewed for successive three year terms for as long as the District receives revenues pursuant to the provisions of Section 1011.71(2), Florida Statutes.

18. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc. (Cooperative), established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2011, the accumulated credits to the District's account are \$220,545.40. During the 2010-11 fiscal year, the District received \$3,288.05 related to 2010 capital credits.

19. RISK MANAGEMENT PROGRAMS

Self-Insured 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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 \$627,745 (discounted at 3 percent) and \$726,480 (undiscounted) was actuarially determined to cover estimated incurred, but not reported, workers compensation claims payable at June 30, 2011. 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
2009-10	\$ 683,499.00	\$ 318,208.96	\$ (279,440.96)	\$ 722,267.00
2010-11	722,267.00	136,933.95	(132,720.95)	726,480.00

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

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

20. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2010-11 fiscal year:

	<u>Total</u>	<u>Workers' Compensation Insurance</u>	<u>Health/Dental Vison Insurance</u>
Total Assets	<u>\$3,484,878.35</u>	<u>\$2,614,312.50</u>	<u>\$ 870,565.85</u>
Liabilities and Net Assets:			
Accounts Payable	\$ 245,419.26	\$	\$ 245,419.26
Estimated Insurance Claims Payable	726,480.00	726,480.00	
Net Assets:			
Unrestricted Net Assets	<u>2,512,979.09</u>	<u>1,887,832.50</u>	<u>625,146.59</u>
Total Liabilities and Net Assets	<u>\$3,484,878.35</u>	<u>\$2,614,312.50</u>	<u>\$ 870,565.85</u>
Revenues:			
Premium Contributions	\$5,994,667.00	\$ 587,798.36	\$5,406,868.64
Interest Income	18,282.93	14,449.04	3,833.89
Increase in Fair Market Value of Investments	<u>10,528.71</u>	<u>10,528.71</u>	
Total Revenues	6,023,478.64	612,776.11	5,410,702.53
Total Expenses	<u>5,707,346.55</u>	<u>286,404.30</u>	<u>5,420,942.25</u>
Change in Net Assets	<u>\$ 316,132.09</u>	<u>\$ 326,371.81</u>	<u>\$ (10,239.72)</u>

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 54,000.00	\$ 43,995.91	\$ 58,983.26	\$ 14,987.35
Federal Through State and Local State	10,511,840.00	10,657,915.70	10,691,459.50	33,543.80
Local:				
Property Taxes	39,534,516.00	39,534,516.00	39,775,967.49	241,451.49
Miscellaneous	554,684.00	631,102.82	923,213.81	292,110.99
Total Revenues	50,655,040.00	50,867,530.43	51,449,624.06	582,093.63
Expenditures				
Current - Education:				
Instruction	40,595,607.80	39,753,848.94	38,762,819.11	991,029.83
Pupil Personnel Services	1,831,545.40	1,766,949.90	1,137,394.90	629,555.00
Instructional Media Services	214,751.05	257,058.31	225,858.37	31,199.94
Instruction and Curriculum Development Services	964,540.68	1,023,990.94	795,683.03	228,307.91
Instructional Staff Training Services	437,735.54	433,682.14	368,550.57	65,131.57
Instruction Related Technology	1,029,673.29	887,513.59	707,992.07	179,521.52
School Board	492,284.90	507,779.90	457,433.36	50,346.54
General Administration	349,277.69	358,088.12	315,218.51	42,869.61
School Administration	2,608,789.86	2,688,766.90	2,660,662.26	28,104.64
Facilities Acquisition and Construction	261,575.55	177,457.79	162,789.85	14,667.94
Fiscal Services	613,534.27	596,497.27	587,202.30	9,294.97
Food Services	30,600.00	43,118.33	32,623.28	10,495.05
Central Services	852,131.48	812,097.02	744,321.71	67,775.31
Pupil Transportation Services	3,246,389.20	3,048,101.01	2,831,261.61	216,839.40
Operation of Plant	4,059,603.00	3,988,987.75	3,506,873.06	482,114.69
Maintenance of Plant	1,841,170.68	1,714,151.69	1,677,054.83	37,096.86
Administrative Technology Services	360,728.00	343,579.94	268,074.81	75,505.13
Community Services	29,400.00	29,400.00		29,400.00
Fixed Capital Outlay:				
Other Capital Outlay		241,230.66	241,230.66	
Debt Service:				
Interest and Fiscal Charges	45,000.00	48,835.00	44,942.69	3,892.31
Total Expenditures	59,864,338.39	58,721,135.20	55,527,986.98	3,193,148.22
Excess (Deficiency) of Revenues Over Expenditures	(9,209,298.39)	(7,853,604.77)	(4,078,362.92)	3,775,241.85
Other Financing Sources (Uses)				
Transfers In	6,744,373.64	5,579,776.08	5,579,776.08	
Transfers Out		(53,581.43)	(53,581.43)	
Total Other Financing Sources (Uses)	6,744,373.64	5,526,194.65	5,526,194.65	
Net Change in Fund Balances	(2,464,924.75)	(2,327,410.12)	1,447,831.73	3,775,241.85
Fund Balances, Beginning	7,957,397.20	7,957,397.20	7,957,397.20	
Fund Balances, Ending	\$ 5,492,472.45	\$ 5,629,987.08	\$ 9,405,228.93	\$ 3,775,241.85

Special Revenue - Other Federal Programs				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 5,706,504.59	\$ 6,856,445.84	\$ 5,744,948.35	\$ (1,111,497.49)	\$ 4,278,656.99	\$ 6,862,770.89	\$ 5,911,176.72	\$ (951,594.17)
<u>5,706,504.59</u>	<u>6,856,445.84</u>	<u>5,744,948.35</u>	<u>(1,111,497.49)</u>	<u>4,278,656.99</u>	<u>6,862,770.89</u>	<u>5,911,176.72</u>	<u>(951,594.17)</u>
2,759,345.85	3,456,957.08	3,033,820.06	423,137.02	2,275,314.46	3,393,727.53	3,057,068.52	336,659.01
465,271.97	628,162.84	460,632.47	167,530.37	493,072.03	1,122,897.53	1,108,067.60	14,829.93
	27,750.00	26,165.15	1,584.85	572,774.00	546,085.91	546,085.91	
1,369,144.65	1,416,976.85	1,210,885.45	206,091.40	170,458.03	298,803.62	292,377.62	6,426.00
658,652.50	742,656.86	559,563.40	183,093.46	473,384.06	505,641.52	425,207.99	80,433.53
				18,800.00	325,936.00	66,676.00	259,260.00
188,149.62	178,135.90	162,925.58	15,210.32	75,810.08	83,798.73	55,610.67	28,188.06
136,936.00	153,021.88	137,531.63	15,490.25	60,790.00	61,069.15	61,069.15	
1,000.00	2,000.00		2,000.00	44,880.32	45,365.00	45,365.00	
33,896.50	51,187.86	15,060.03	36,127.83	40,456.60	318,158.82	116,361.18	201,797.64
93,030.50	145,190.01	84,689.31	60,500.70	52,917.41	55,266.62	55,266.62	
1,077.00	731.29		731.29				
					24,000.00		24,000.00
	53,675.27	53,675.27			82,020.46	82,020.46	
<u>5,706,504.59</u>	<u>6,856,445.84</u>	<u>5,744,948.35</u>	<u>1,111,497.49</u>	<u>4,278,656.99</u>	<u>6,862,770.89</u>	<u>5,911,176.72</u>	<u>951,594.17</u>
<u>1,026.38</u>	<u>1,026.38</u>	<u>1,026.38</u>					
\$ 1,026.38	\$ 1,026.38	\$ 1,026.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

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

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

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	\$ 633,170.06	\$
National School Lunch Program	10.555	300, 350	1,655,686.44	
Summer Food Service Program for Children	10.559	323	60,913.03	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	177,619.51	
Total Child Nutrition Cluster			2,527,389.04	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	31,301.20	
Total United States Department of Agriculture			2,558,690.24	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	1,727,251.71	1,347.63
Special Education - Preschool Grants	84.173	267	29,732.07	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	639,744.58	25,000.00
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	10,602.10	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	2,588.33	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	2,131.63	1,400.00
Orange County District School Board:				
Special Education - Grants to States	84.027	None	13,852.66	
Total Special Education Cluster			2,425,903.08	27,747.63
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 220, 226, 228	2,487,579.58	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	582,536.11	
Total Title I, Part A Cluster			3,070,115.69	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	15,777.55	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	652,889.65	14,806.08
Total Educational Technology State Grants Cluster			668,667.20	14,806.08
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	2,272,200.00	643,768.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	45,365.00	
Total State Stabilization Fund Cluster			2,317,565.00	643,768.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	103,349.99	
Migrant Education -State Grant Program	84.011	217	32,691.44	
Career and Technical Education - Basic Grants to States	84.048	151	117,139.00	4,410.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	16,358.31	105.00
Twenty-First Century Community Learning Centers	84.287	244	395,496.49	
Rural Education	84.358	110	204,481.60	
English Language Acquisition Grants	84.365	102	57,137.07	
Improving Teacher Quality State Grants	84.367	224	461,313.47	
ARRA - Education of Homeless Children and Youth, Recovery Act	84.387	270	2,888.81	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	199,363.93	68,553.00
Education Jobs Fund	84.410	541	1,487,635.00	413,234.00
Washington County District School Board:				
Reading First State Grant	84.357	211	975.00	262.50
Polk County District School Board:				
Voluntary Public School Choice	84.361	None	57,348.79	
Lake-Sumter Community College:				
Career and Technical Education - Basic Grants to States	84.048	None	6,403.00	
Total Indirect			11,624,832.87	1,172,886.21
Total United States Department of Education			11,624,832.87	1,172,886.21

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011**

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 Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	\$ 58,983.26	\$
Total Expenditures of Federal Awards			\$ 14,242,506.37	\$ 1,172,886.21

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, 2011, 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 school internal funds and 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 certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

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

Respectfully submitted,



David W. Martin, CPA
January 10, 2012



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 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, 2011. 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.

The District's basic financial statements include the operations of The Villages Charter School, Inc., a charter school reported as a discretely presented component unit on the accompanying basic financial statements. The Villages Charter School, Inc., received \$1,583,817 in Federal awards for the fiscal year ended June 30, 2011. Our audit did not extend to the operations of The Villages Charter School, Inc., because pursuant to the provisions of Section 1002.33(9)(j), Florida Statutes, the charter school engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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, 2011.

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.

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
January 10, 2012

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 – ARRA, and 84.392 – ARRA); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 – ARRA); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 - ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 – ARRA and 84.397 – ARRA); Improving Teacher Quality (CFDA No. 84.367); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	\$427,275
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, 2011**

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

For the 2010-11 fiscal year, the District reported to FDOE 15,458 adult general education contact hours. To determine whether the hours were properly reported, we tested 474 hours reported for 12 students enrolled in 21 classes, and noted that the District inadvertently misreported hours for 6 of the students in 7 classes, resulting in 136 hours underreported. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult education classes to FDOE. Further, the District should contact FDOE to determine proper resolution of the underreported hours.

Finding No. 2: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

The District's *Employee Technology Handbook* requires employees to notify a system administrator if a security problem is identified; however, the District did not have a comprehensive written security incident response plan describing how the District would respond and designating who would be responsible to ensure that appropriate action is taken, including prompt notification of affected parties. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or information technology (IT) resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resource and prompt notification to affected parties.

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2011-136.

RELATED INFORMATION

In our report Nos. 2010-135 and 2011-136, we recommended that the District consult with the Florida Department of Education (FDOE) and the Attorney General to determine the legality of its charter school (The Villages Charter School) using State capital outlay proceeds to make lease payments to The Villages of Lake-Sumter, Inc. (lessor), and the lessor contributing proceeds back to the charter school to use for operating purposes. In November 2011, FDOE opined, "...based on the legislative changes made after Auditor General Report No. 2010-135, changes made to the School Board lease agreement, and the fair market appraisals of the property provided by the School Board, it would not be in the interest of the Department to pursue action against The Villages Charter School. The legislature controls how discretionary capital outlay millage funds and state capital outlay funds should be spent. Their intent to approve this transaction can be discerned by their actions."

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

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
2011-136 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)- Allowable Costs/Cost Principles	The District overcharged indirect costs to the food service program, resulting in questioned costs of \$53,581.43.	Corrected.	Overcharge was repaid to the food service program.

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

January 10, 2012

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, 2011

Dear Mr. Martin:

This letter is intended as the Sumter County School District's response to the preliminary and tentative audit findings dated December 20, 2011, for the District's fiscal year ending June 30, 2011.

Finding No. 1: Adult General Education Classes

The district has updated the software to correctly calculate contact hours for adult general education classes reported through the WDIS system. In addition the reporting procedure has been changed to more closely involve the adult education principal and staff in the data review process prior to submission to the state. Sumter contacted FDOE about resolving the underreported hours, but was informed by Tara Goodman, that FDOE would not accept any supplemental files for this time period.

Finding No. 2: Information Technology – Security Incident Response Plan

A written security incident plan is being developed.

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>