



AUDITOR GENERAL
DAVID W. MARTIN, CPA



SUMTER COUNTY
DISTRICT SCHOOL BOARD
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

Sumter County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<i><u>District No.</u></i>
<i>Janet S. Yest, to 11-20-06</i>	<i>1</i>
<i>Haydn L. Evans, from 11-21-06</i>	<i>1</i>
<i>Chris Norris, Vice-Chair to 11-20-06, Chair from 11-21-06</i>	<i>2</i>
<i>Linda J. Winchester, Chair to 11-20-06</i>	<i>3</i>
<i>Kenneth P. Jones, Vice-Chair from 11-21-06</i>	<i>4</i>
<i>Michael T. Foote</i>	<i>5</i>

Richard A. Shirley, Superintendent

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

SUMTER COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Sumter County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

Finding No. 1: Annual Financial Report

Improvements could be made in District procedures to ensure that the estimated unpaid claims liability is properly reported on the financial statements.

Finding No. 2: Cellular Telephones

The District did not maintain records substantiating the business use of cellular telephones (cell phones), nor did it report the value of cell phone services provided to each employee to the Internal Revenue Service (IRS). In addition, the District paid E911 taxes on cell phones from which it is exempt.

Finding No. 3: Taxable Meal Allowances

The District did not report to the IRS certain taxable meal allowances as wages or other compensation, contrary to Federal requirements.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition and Twenty-First Century programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, 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 law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2007-077.

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, 2007. We

obtained an understanding of internal control and assessed control risk 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, administrative 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*.

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

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

FINDINGS AND RECOMMENDATIONS

Significant Deficiency

Finding No. 1: Annual Financial Report

Our review of the District's 2006-07 fiscal year annual financial report, as presented for audit, indicated that amounts on the financial statements were, for the most part, materially correct and properly classified; however, enhancements in procedures could be made for reporting the estimated unpaid claims liability on the financial statements. We noted that the District, before audit adjustments, understated its estimated unpaid claims liability by approximately \$297,000 in the Internal Service Fund. The understatement occurred mainly because the District reported an amount that was incorrectly estimated by its third party administrator, and the actuarial estimate of the liability was received after preparation of the financial statements. Although the District had a contract with an actuary to compute the estimate, the contract did not establish the date the actuary would provide the information to the District. The actuary subsequently provided the estimate to the District, and the District accepted an audit adjustment based on the estimate to properly report the liability on the financial statements.

Recommendation: To facilitate necessary financial reporting, the District should improve procedures to ensure that the estimated unpaid claims liability is properly reported on the financial statements. Such procedures may include adding specific provisions in the District's contract with its actuary to timely obtain the estimated unpaid claims liability amount to report on the financial statements.

Additional Matters

Finding No. 2: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to District records, as of June 30, 2007, 82 cell phones were assigned to the transportation department for bus drivers. These phones are restricted and can only call 911, the District office, and the transportation department. Additionally, 28 employees in various departments were assigned cell phones which were unrestricted, allowing employees to make business and personal calls. The costs associated with these 28 cell phones totaled approximately \$12,413 for the 2006-07 fiscal year.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the District to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of

such a record. In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business.

District procedures for cell phone use provided that employees would reimburse the District for personal calls which contributed to the minutes used in excess of the number of minutes on the District's plan. However, for the 28 unrestricted use cell phones, no logs or notated copies of cell phone bills were maintained. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

We also noted that, although the District is exempt from certain Federal, State, and local taxes on telephone services, the District was billed and paid approximately \$673 for E911 taxes on cell phone billings for the 2006-07 fiscal year.

Recommendation: The District should confer with the IRS regarding development and implementation of a policy and procedure, as appropriate, and any corrective actions regarding previously unreported income. Additionally, the District should request that cell phone service providers remove exempt taxes from the District's bills, and seek credit for exempt taxes previously paid.

Finding No. 3: Taxable Meal Allowances

Section 112.061(2)(m), Florida Statutes, provides that Class C travel is for short or day trips where the traveler is not away from the traveler's official headquarters overnight. Further, the District pays a subsistence meal allowance to Class C travelers as authorized by Section 112.061(5)(b), Florida Statutes. Internal Revenue Code Section 162(a)(2) provides that there shall be allowed as a deduction all the necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including travel expenses while "away from home." The United States Supreme Court has interpreted the "away from home" requirement as requiring that the taxpayer be away from home overnight or at least long enough to require rest or sleep. Since Class C travel does not involve travel away from home overnight, the meal allowances for this travel should be reported as wages or other compensation, and subjected to withholding for Federal income tax and employment taxes. United States Treasury Regulation 1.62-2(A) provides that reimbursements for nondeductible traveling expenses must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes.

According to District personnel, payments for Class C travel meal allowances were not reported as wages or other compensation and were not subject to withholding for payment of Federal income tax and other employment taxes, contrary to Federal regulations. To avoid potential IRS penalties and interest related to such payments, the District should ensure these amounts are properly determined and reported to the IRS.

Recommendation: District procedures should be strengthened to ensure that payments for Class C meal allowances are properly reported to the IRS. Further, the District should contact the IRS to determine what corrective action should be taken regarding previously unreported amounts for payments of taxable meal allowances.

PRIOR AUDIT FINDINGS

The District corrected the deficiencies and exceptions cited in our report No. 2007-077.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Sumter County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in the Management Response Section, beginning on page 60.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

EXHIBIT – D *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

EXHIBIT – E *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

EXHIBIT – F *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

EXHIBIT – G *Statement of Net Assets – Proprietary Fund.*

EXHIBIT – H *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.*

EXHIBIT – I *Statement of Cash Flows – Proprietary Fund.*

EXHIBIT – J *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT – L *Budgetary Comparison Schedule – General Fund.*



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sumter County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed on page 4. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 23 percent of the assets and 44 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Sumter County District School Board as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the 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, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading ***INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 7 through 13) and the Budgetary Comparison Schedule (shown as Exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



David W. Martin, CPA
February 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the District's financial statements found on pages 14 through 49.

FINANCIAL HIGHLIGHTS

- Overall, the District's financial position improved somewhat from the prior year. The District's total net assets increased by \$2,607,525 (or 7.6 percent). This may be compared to an increase of \$3,573,930 (or 11.6 percent) for the prior year.
- During the current year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,039,836. This may be compared to the prior year's results in which General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,686,257.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes management's discussion and analysis.

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 primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District’s services including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report including the Villages Charter School, Inc., which operates the Villages Charter Elementary School, the Villages Charter Middle School, and the Villages Charter High School, and the Sumter Schools Enhancement Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Sumter County School Board Leasing Corporation, Inc. (Corporation), although also a legally separate entity, was formed to facilitate financing of the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Corporation, the 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 entity-wide perspective contained in the government-wide statements.

All of the District’s funds are classified within one of the following categories:

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

Proprietary Funds – Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary fund is maintained, an internal service fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for its self-insured workers' compensation program.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Total assets of the District School Board of Sumter County amount to \$83,801,272 and \$78,334,515 as of June 30, 2007, and 2006, respectively. The current ratio is 3.4:1 with current assets of \$11,693,911 and current liabilities of \$3,456,561. The other assets not considered to be current assets for the purpose of computing the current ratio include certificates of participation proceeds restricted to capital improvements that amounted to \$16,158,474, and investments restricted for debt service of \$147,757. The prior year current ratio was approximately 8.5:1 with current assets of \$7,449,657 and current liabilities of \$875,668.

Proceeds were received from the Series 2007, Certificates of Participation issued in the amount of \$13,860,000. Principal payments and other debt service activity payments of \$13,920,000 were made during the year, for a net decrease in total bonds and certificates of participation of \$60,000.

Net Assets, End of Year

	Governmental Activities	
	6-30-07	6-30-06
Current Assets	\$ 11,693,911	\$ 7,449,657
Other Assets	16,306,231	21,419,520
Capital Assets (Net)	55,801,130	49,465,338
Total Assets	83,801,272	78,334,515
Current Liabilities	3,456,561	875,668
Long-Term Liabilities	43,412,972	43,134,633
Total Liabilities	46,869,533	44,010,301
Net Assets:		
Invested in Capital Assets -		
Net of Debt	26,860,147	26,612,338
Restricted	6,025,663	5,394,799
Unrestricted	4,045,929	2,317,077
Total Net Assets	\$ 36,931,739	\$ 34,324,214

Operating Results

	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 1,230,131	\$ 1,117,064
Operating Grants and Contributions	3,640,686	3,639,549
Capital Grants and Contributions	2,305,687	1,729,526
General Revenues:		
Property Taxes Levied for Operational Purposes	25,799,065	19,903,293
Property Taxes Levied for Capital Projects	8,837,285	6,589,857
Grants and Contributions Not Restricted to Specific Programs	26,633,669	27,404,367
Unrestricted Investment Earnings	1,852,360	654,121
Miscellaneous	677,961	626,045
Total Revenues	70,976,844	61,663,822
Expenses:		
Instruction	38,671,309	32,592,252
Pupil Personnel Services	2,212,617	1,989,127
Instructional Media Services	944,097	812,122
Instruction and Curriculum Development Services	2,073,661	1,531,034
Instructional Staff Training	837,846	746,058
Instruction Related Technology	451,137	427,793
Board of Education	316,376	272,664
General Administration	626,897	599,026
School Administration	2,846,900	2,662,347
Facilities Acquisition and Construction	430,141	225,400
Fiscal Services	489,487	447,588
Food Services	3,567,926	3,315,379
Central Services	589,281	579,198
Pupil Transportation Services	2,768,844	2,322,622
Operation of Plant	3,995,859	3,363,355
Maintenance of Plant	2,260,629	2,243,585
Administrative Technology Services	316,528	271,648
Community Services	862	3,357
Interest on Long-Term Debt	2,460,410	1,364,380
Unallocated Depreciation Expense	2,453,774	2,320,957
Loss on Disposal of Capital Assets	54,738	
Total Expenses	68,369,319	58,089,892
Increase in Net Assets	2,607,525	3,573,930
Net Assets, Beginning of Year	34,324,214	30,750,284
Net Assets, End of Year	\$ 36,931,739	\$ 34,324,214

Most notable during the current year is the large increase in property tax revenue, primarily a result of the increase in the required local effort of \$5,895,772 as mandated by the State. Total property tax revenue increased by \$8,143,199. Capital expenditures also increased over the prior fiscal year by \$4,668,298 for a total of capital expenditures of \$8,897,139. Both the revenues and capital expenditures are included in the governmental funds statement of revenues, expenditures, and changes in fund balances. In the government-wide statement of net assets the capital expenditures are capitalized and allocated over useful lives of the assets through depreciation. These two items account for most of the increase in net assets.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

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

At fiscal year end, the District's governmental funds reported combined ending fund balances of \$23,427,004, a decrease of \$4,392,888 in comparison with the prior year. Unreserved fund balances of \$20,564,085 represent 88 percent of the ending fund balances and are available to meet the District's short-term spending needs. The remainder of the balance is reserved to indicate that it is not available for new spending because it has already been committed to fund state categorical programs (\$428,291); liquidate construction contracts and purchase orders outstanding at year-end (\$1,862,797); reserved for debt service (\$144,785); and reserved for inventory (\$427,046).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance was \$5,629,789, while the total fund balance was \$7,502,003. The unreserved fund balance increased by \$268,538, while the total fund balance increased by \$1,039,836 during the fiscal year. The fund balance increased due to vacant budgeted positions and conservative spending practices followed by the District.

The Debt Service – Other Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. This fund has a fund balance of \$7,685.96, all of which is restricted for debt service. The fund balance decreased by \$150,180.36, in the current year, due to redemption of long-term debt.

The Capital Projects – Local Capital Improvement Fund is used 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 and renovation and remodeling projects. This fund had an unreserved fund balance of \$4,412,644 and a total fund balance of \$4,420,125, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance increased by \$1,297,599, while total fund balance increased by \$998,356. The fund balance increased in the current year due to revenues received for a number of construction projects, which cannot be completed within a one-year period.

The Capital Projects – Other Fund is used to account for and report on other miscellaneous funds from various sources, which are restricted for capital outlay purposes. This fund had an unreserved fund balance of \$10,054,017 and a total fund balance of \$10,776,384, all of which is also restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance decreased by \$5,589,091 while total fund balance decreased by \$6,273,901. The fund balance decreased in the current year due to completion of several major construction projects.

BUDGET VARIANCES IN THE GENERAL FUND

The final General Fund budgeted expenditures exceeded the original budget by \$3,027,572 or 5 percent. Salary increases for the 2006-07 fiscal year were not appropriated to functions until after approval of the original budget.

Total actual expenditures for the General Fund were \$56,292,628, which was \$5,123,585, or 8 percent, less than final budgeted expenditures. Actual expenditures were less than final budgeted expenditures in each functional category.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the District completed construction of a number of projects as follows:

Classroom Additions - Webster Elementary School	\$ 1,731,754
Sports Complex - Wildwood High School	594,094
Concession Stands - Wildwood High School	390,783
Other Projects	36,938
Total Cost of Projects Completed	<u>\$ 2,753,569</u>

Numerous other construction projects are in progress including:

Classroom Addition - North Sumter Intermediate School	\$ 5,361,950
Classroom Addition - South Sumter Middle School	471,674
Cafeteria Addition - South Sumter High School	180,717
Sports Complex (Track) - South Sumter High School	105,284
Remodeling - North Sumter Intermediate School	117,894
Other Projects	31,741
Total Cost of Projects In Progress	<u>\$ 6,269,260</u>

Future commitments for construction activity amounted to \$7,138,497. Standard & Poor's Ratings Services assigned its 'A' rating, and stable outlook, to Sumter County School Board, Series 2007, Certificates of Participation (COPS), and affirmed its 'A' underlying rating on the Board's Series 2006, COPS. Officials used Series 2007, COPS proceeds to partially defease Series 1998 and 2002 COPS. There were no debt limitations in place that would affect the financing of planned facilities and services.

SIGNIFICANT ECONOMIC FACTORS

Ad valorem tax assessed values continue to increase due to growth in construction activity and appreciating property values in the county. Ad valorem tax revenue increased \$8,143,199, or 31 percent, over the prior year.

REQUESTS FOR INFORMATION

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

EXHIBIT - A
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 6,447,594.65	\$ 571,039.00
Investments	18,841,828.30	
Accounts Receivable	25,960.36	108,368.00
Taxes Receivable	188,881.21	
Capital Credits Receivable	177,721.96	
Prepaid Items		8,027.00
Due from Other Agencies	1,463,396.09	
Deferred Charges	427,713.26	
Inventories	427,045.64	
Capital Assets:		
Land	1,994,101.85	
Construction in Progress	6,269,260.58	
Improvements Other Than Buildings, Net	995,737.27	1,712.00
Buildings and Fixed Equipment, Net	42,092,762.80	412,310.00
Furniture, Fixtures, and Equipment, Net	2,274,156.73	124,382.00
Motor Vehicles, Net	2,175,110.87	1,084.00
Library Books, Net		44,011.00
Leasehold Improvements, Net		43,158.00
TOTAL ASSETS	\$ 83,801,271.57	\$ 1,314,091.00
LIABILITIES		
Salaries and Benefits Payable	\$ 63,387.49	\$
Payroll Deductions and Withholdings	204,748.08	
Accounts Payable	1,319,523.09	886,929.00
Construction Contracts Payable - Retainage	199,217.97	
Accrued Interest	2,971.81	
Due to Other Agencies	255,546.17	
Deferred Revenue	1,411,166.00	128,186.00
Long-Term Liabilities:		
Portion Due Within One Year:		
Bonds Payable	185,000.00	
Certificates of Participation Payable	905,000.00	
Estimated Insurance Claims Payable	400,479.00	
Compensated Absences Payable	784,902.00	
Portion Due After One Year:		
Bonds Payable	3,800,000.00	
Certificates of Participation Payable	34,105,000.00	
Compensated Absences Payable	3,232,591.25	
Total Liabilities	46,869,532.86	1,015,115.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	26,860,146.96	626,657.00
Restricted for:		
State Categorical Programs	428,291.07	
Debt Service	144,785.27	
Capital Projects	5,452,586.58	
Other Purposes		184,505.00
Unrestricted	4,045,928.83	(512,186.00)
Total Net Assets	36,931,738.71	298,976.00
TOTAL LIABILITIES AND NET ASSETS	\$ 83,801,271.57	\$ 1,314,091.00

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

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EXHIBIT - B
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 38,671,308.50	\$ 81,636.56	\$	\$
Pupil Personnel Services	2,212,617.07			
Instructional Media Services	944,096.97			
Instruction and Curriculum Development Services	2,073,660.86			
Instructional Staff Training Services	837,845.62			
Instruction Related Technology	451,137.36			
Board of Education	316,375.56			
General Administration	626,897.03			
School Administration	2,846,900.01			
Facilities Acquisition and Construction	430,141.44			1,630,003.11
Fiscal Services	489,487.28			
Food Services	3,567,925.50	1,139,130.74	2,251,703.39	
Central Services	589,280.89			
Pupil Transportation Services	2,768,844.38	9,363.77	1,388,983.00	
Operation of Plant	3,995,859.33			
Maintenance of Plant	2,260,629.38			502,728.00
Administrative Technology Services	316,528.06			
Community Services	861.46			
Interest on Long-Term Debt	2,460,410.25			172,955.53
Unallocated Depreciation Expense	2,453,774.46			
Loss on Disposal of Capital Assets	54,737.77			
Total Governmental Activities	\$ 68,369,319.18	\$ 1,230,131.07	\$ 3,640,686.39	\$ 2,305,686.64
Component Units				
Educational Foundation	\$ 29,576.00	\$	\$ 57,936.00	\$
Charter Schools	15,563,528.00	1,994,946.00	133,095.00	1,539,770.00
Total Component Units	\$ 15,593,104.00	\$ 1,994,946.00	\$ 191,031.00	\$ 1,539,770.00
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 - July 1, 2006				
Net Assets - June 30, 2007				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>		<u>Component</u>	
<u>Governmental</u>		<u>Units</u>	
<u>Activities</u>			
\$	(38,589,671.94)	\$	
	(2,212,617.07)		
	(944,096.97)		
	(2,073,660.86)		
	(837,845.62)		
	(451,137.36)		
	(316,375.56)		
	(626,897.03)		
	(2,846,900.01)		
	1,199,861.67		
	(489,487.28)		
	(177,091.37)		
	(589,280.89)		
	(1,370,497.61)		
	(3,995,859.33)		
	(1,757,901.38)		
	(316,528.06)		
	(861.46)		
	(2,287,454.72)		
	(2,453,774.46)		
	(54,737.77)		
	<u>(61,192,815.08)</u>		
			28,360.00
			<u>(11,895,717.00)</u>
			<u>(11,867,357.00)</u>
	25,799,064.82		
	8,837,285.05		
	26,633,668.82	11,575,550.00	
	1,852,360.07	3,260.00	
	677,961.36	363,424.00	
	<u>63,800,340.12</u>	<u>11,942,234.00</u>	
	2,607,525.04	74,877.00	
	<u>34,324,213.67</u>	<u>224,099.00</u>	
\$	<u>36,931,738.71</u>	\$	<u>298,976.00</u>

**EXHIBIT - C
SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007**

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 6,421,803.37	\$	\$
Investments	1,804,481.61	10,657.77	4,426,841.80
Taxes Receivable	188,881.21		
Accounts Receivable	23,443.21		
Due from Other Funds	87,604.60		
Due from Other Agencies	23,641.36		
Inventories	310,974.55		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 8,860,829.91</u></u>	<u><u>\$ 10,657.77</u></u>	<u><u>\$ 4,426,841.80</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 63,387.49	\$	\$
Payroll Deductions and Withholdings	204,748.08		
Accounts Payable	853,422.92		6,716.80
Construction Contracts Payable - Retainage			
Due to Other Funds			
Due to Other Agencies	237,267.94		
Deferred Revenue			
Accrued Interest Payable		2,971.81	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,358,826.43</u>	<u>2,971.81</u>	<u>6,716.80</u>
Fund Balances:			
Reserved for State Categorical Programs	428,291.07		
Reserved for Encumbrances	1,132,949.26		7,481.08
Reserved for Inventories	310,974.55		
Reserved for Debt Service		7,685.96	
Unreserved, Reported In:			
General Fund	5,629,788.60		
Special Revenue Funds			
Capital Projects Funds			4,412,643.92
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>7,502,003.48</u>	<u>7,685.96</u>	<u>4,420,125.00</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 8,860,829.91</u></u>	<u><u>\$ 10,657.77</u></u>	<u><u>\$ 4,426,841.80</u></u>

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

EXHIBIT - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
11,421,537.26	25,791.28	6,447,594.65
	667,167.92	18,330,686.36
	2,517.15	188,881.21
		25,960.36
		87,604.60
1,147,414.00	292,340.73	1,463,396.09
	116,071.09	427,045.64
<u>\$ 12,568,951.26</u>	<u>\$ 1,103,888.17</u>	<u>\$ 26,971,168.91</u>
\$	\$	\$
		63,387.49
		204,748.08
360,195.17	99,188.20	1,319,523.09
199,217.97		199,217.97
85,740.38	1,864.22	87,604.60
	18,278.23	255,546.17
1,147,414.00	263,752.00	1,411,166.00
		2,971.81
<u>1,792,567.52</u>	<u>383,082.65</u>	<u>3,544,165.21</u>
722,366.88		428,291.07
		1,862,797.22
	116,071.09	427,045.64
	137,099.31	144,785.27
		5,629,788.60
	157,540.42	157,540.42
10,054,016.86	310,094.70	14,776,755.48
<u>10,776,383.74</u>	<u>720,805.52</u>	<u>23,427,003.70</u>
<u>\$ 12,568,951.26</u>	<u>\$ 1,103,888.17</u>	<u>\$ 26,971,168.91</u>

**EXHIBIT - D
SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund Balances - Governmental Funds	\$ 23,427,003.70
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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.	55,801,130.10
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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.	177,721.96
---	------------

Debt issuance costs on certificates of participation are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt.	427,713.26
---	------------

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 fund is included in governmental activities in the statement of net assets.	110,662.94
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 3,985,000.00	
Certificates of Participation Payable	35,010,000.00	
Compensated Absences Payable	4,017,493.25	(43,012,493.25)

Total Net Assets - Governmental Activities	\$ 36,931,738.71
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The accompanying notes to financial statements are an integral part of this statement.

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EXHIBIT - E
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 49,776.53	\$	\$
Federal Through State	4,444.34		
State	22,904,613.70		
Local	27,286,163.65	6,274.00	9,126,770.87
Total Revenues	50,244,998.22	6,274.00	9,126,770.87
Expenditures			
Current - Education:			
Instruction	36,357,478.17		
Pupil Personnel Services	1,857,896.86		
Instructional Media Services	909,841.26		
Instruction and Curriculum Development Services	1,039,145.60		
Instructional Staff Training Services	325,975.08		
Instruction Related Technology	462,267.91		
Board of Education	316,375.56		
General Administration	477,276.78		
School Administration	2,592,190.73		
Facilities Acquisition and Construction	321,667.70		
Fiscal Services	482,454.90		
Food Services	8,471.49		
Central Services	668,875.49		
Pupil Transportation Services	2,739,395.92		
Operation of Plant	4,001,586.56		
Maintenance of Plant	2,300,504.27		
Administrative Technology Services	306,683.00		
Community Services	861.46		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			684,081.79
Other Capital Outlay	994,724.46		
Debt Service:			
Principal		755,000.00	
Interest and Fiscal Charges	128,954.97	1,803,549.54	
Total Expenditures	56,292,628.17	2,558,549.54	684,081.79
Excess (Deficiency) of Revenues Over Expenditures	(6,047,629.95)	(2,552,275.54)	8,442,689.08
Other Financing Sources (Uses)			
Transfers In	7,112,425.02	2,260,357.59	
Refunding Certificates of Participation Issued		13,860,000.00	
Discount on Refunding Certificates of Participation		(300,549.15)	
Payments to Escrow Agent for Refunded Certificates of Participation		(13,417,713.26)	
Transfers Out	(24,959.40)		(7,444,332.63)
Total Other Financing Sources (Uses)	7,087,465.62	2,402,095.18	(7,444,332.63)
Net Change in Fund Balances	1,039,835.67	(150,180.36)	998,356.45
Fund Balances, July 1, 2006	6,462,167.81	157,866.32	3,421,768.55
Fund Balances, June 30, 2007	\$ 7,502,003.48	\$ 7,685.96	\$ 4,420,125.00

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	7,032,766.30	49,776.53
193,466.00	2,394,974.98	7,037,210.64
790,102.50	1,166,813.06	25,493,054.68
		38,376,124.08
983,568.50	10,594,554.34	70,956,165.93
	2,347,239.33	38,704,717.50
	346,412.80	2,204,309.66
	54,048.81	963,890.07
	988,606.87	2,027,752.47
	511,870.54	837,845.62
	3,652.48	465,920.39
		316,375.56
	172,849.73	650,126.51
	251,670.51	2,843,861.24
	7,350.80	329,018.50
		482,454.90
	3,554,386.42	3,562,857.91
	30,037.25	698,912.74
	65,351.62	2,804,747.54
	1,365.97	4,002,952.53
		2,300,504.27
		306,683.00
		861.46
7,064,003.38		7,748,085.17
	154,329.36	1,149,053.82
	175,000.00	930,000.00
	227,356.59	2,159,861.10
7,064,003.38	8,891,529.08	75,490,791.96
(6,080,434.88)	1,703,025.26	(4,534,626.03)
	144,110.24	9,516,892.85
		13,860,000.00
		(300,549.15)
		(13,417,713.26)
(193,466.00)	(1,854,134.82)	(9,516,892.85)
(193,466.00)	(1,710,024.58)	141,737.59
(6,273,900.88)	(6,999.32)	(4,392,888.44)
17,050,284.62	727,804.84	27,819,892.14
\$ 10,776,383.74	\$ 720,805.52	\$ 23,427,003.70

EXHIBIT - F
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, 2007

Net Change in Fund Balances - Governmental Funds \$ (4,392,888.44)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	6,390,530.33
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which repayments exceeded proceeds in the current period.	60,000.00
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(54,737.77)
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.	427,713.26
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period.	62,139.43
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.	4,105.29
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities.	110,662.94

Change in Net Assets - Governmental Activities \$ 2,607,525.04

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

EXHIBIT - G
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2007

Governmental Activities -
Internal
Service
Fund

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	511,141.94
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LIABILITIES

Long-term Liabilities:

Portion Due Within One Year:

Estimated Insurance Claims Payable	\$	400,479.00
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NET ASSETS

Unrestricted		110,662.94
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TOTAL LIABILITIES AND NET ASSETS	\$	511,141.94
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The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT - H
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	<hr/>
OPERATING REVENUES	
Premium Revenues	\$ 703,933.33
	<hr/>
OPERATING EXPENSES	
Purchased Services	78,133.18
Materials and Supplies	91.51
Insurance Claims	525,660.37
	<hr/>
Total Operating Expenses	603,885.06
	<hr/>
Operating Income	100,048.27
	<hr/>
NONOPERATING REVENUES	
Interest	10,614.67
	<hr/>
Change in Net Assets	110,662.94
	<hr/>
Total Net Assets, July 1, 2006	0.00
	<hr/>
Total Net Assets, June 30, 2007	\$ 110,662.94
	<hr/> <hr/>

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

EXHIBIT - I
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premium Revenues	\$ 703,933.33
Cash Payments to Suppliers for Goods and Services	(78,224.69)
Cash Payments for Workers' Compensation Claims	<hr/> (125,181.37)
Net Cash Provided by Operating Activities	<hr/> 500,527.27
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<hr/> 10,614.67
Net Increase in Cash and Cash Equivalents	511,141.94
Cash and Cash Equivalents, Beginning	<hr/>
Cash and Cash Equivalents, Ending	<hr/> \$ 511,141.94 <hr/>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 100,048.27
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Estimated Insurance Claims Payable	<hr/> 400,479.00
Net Cash Provided by Operating Activities	<hr/> \$ 500,527.27 <hr/>

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

EXHIBIT - J
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2007

	Agency Funds
	<hr/>
ASSETS	
Cash	<u>\$ 406,331.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 406,331.00</u>

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

EXHIBIT – K
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Blended Component Unit.** The Sumter County School Board Leasing Corporation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Sumter County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Units.** The component units columns in the basic financial statements, Exhibits A and B, include the financial data of the Sumter Schools Enhancement Foundation, Inc., (the Foundation) and three charter schools: the Villages Charter Elementary School, the Villages Charter Middle School, and the Villages Charter High School.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, for the purpose of providing scholarships to students and financial assistance to teachers for innovative programs.

The charter schools are operated by 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 schools operate under charters approved by their sponsor, the Sumter County District School Board.

Audits of the charter schools and the Foundation's financial statements for the fiscal year ended June 30, 2007, were conducted by independent certified public accountants and are on file at the District's administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

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

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

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.
- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- 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 and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for and report on other miscellaneous funds from various sources which are restricted for capital outlay purposes.

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

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

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

➤ **Basis of Accounting**

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

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

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

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

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

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Sumter Schools Enhancement Foundation, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

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

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2007

cash flows considers cash as those accounts used as demand deposit accounts and cash equivalents as those amounts on deposit in the State Board of Administration investment pool.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

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

➤ **Capital Assets**

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

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

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

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

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

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

➤ **Long-Term Liabilities**

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize premiums and discounts on debt issues, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

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

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

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

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2006 tax levy on September 5, 2006. 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 delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

- 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, 2007, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	26 Day Average	\$ 7,420,963.37
State Board of Administration Debt Service Accounts	6 Months	38,562.14
Nations Treasury Reserve Money Market Fund	(1)	<u>11,382,302.79</u>
Total Investments, Primary Government		<u><u>\$ 18,841,828.30</u></u>

Note: (1) Nations Treasury Reserve Money Market Fund - Invests only in United States Treasury bills, notes, bonds, and other direct obligations of the United States Treasury that are guaranteed as to payment of principal and interest by the full faith and credit of the United States Government. These funds are held under a trust agreement in connection with the Certificates of Participation, Series 1998, Series 2002, Series 2006, and Series 2007 financing arrangements. The moneys on deposit can be withdrawn by the District with no penalties for the payment of construction costs under the trust agreement. (See Note 6.)

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy authorizes investment of funds to earn the maximum return for the period available while assuring minimum risk to principal. The investment objectives include safety of capital and liquidity of funds and investment income.

Credit Risk

- Section 218.415(17), Florida Statutes, provides the authority to invest in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, and limits investments in money market funds to Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District's investment policy limits investments to obligations of the United States Government, certificates of deposit, and time deposits in State qualified public depositories, State-managed cooperative investment plans, such as the Local Government Surplus Funds Trust Fund, and other forms of investment authorized by Section 218.415, Florida Statutes.
- The District's investments in the State Board of Administration 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 the State Board of Administration for managing credit risk for this account.

EXHIBIT - K (Continued)
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- As of June 30, 2007, the District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.
- As of June 30, 2007, the District's investment in the Nations Treasury Reserve Money Market Fund was rated AAAM by Standard and Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- The District's investment of \$11,382,302.79 in the Nations Treasury Reserve Money Market Fund is held by the trustee in the District's name.

Concentration of Credit Risk

- The District's investment policy places no limit on the amount that may be invested in any one issuer; however, the policy's objectives do provide for the safety of capital investment and liquidity of funds.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

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SUMTER COUNTY
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June 30, 2007

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,994,101.85	\$	\$	\$ 1,994,101.85
Construction in Progress	1,344,151.52	7,678,677.97	2,753,568.91	6,269,260.58
	<u>3,338,253.37</u>	<u>7,678,677.97</u>	<u>2,753,568.91</u>	<u>8,263,362.43</u>
Total Capital Assets Not Being Depreciated				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,433,797.33	36,938.09		1,470,735.42
Buildings and Fixed Equipment	57,225,706.68	2,716,630.82	79,655.93	59,862,681.57
Furniture, Fixtures, and Equipment	6,747,817.51	714,015.82	795,639.14	6,666,194.19
Motor Vehicles	4,925,445.38	451,611.00	360,484.10	5,016,572.28
Audio Visual Materials and Computer Software	118,636.32		118,636.32	
	<u>70,451,403.22</u>	<u>3,919,195.73</u>	<u>1,354,415.49</u>	<u>73,016,183.46</u>
Total Capital Assets Being Depreciated				
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	415,073.99	59,924.16		474,998.15
Buildings and Fixed Equipment	16,429,428.25	1,420,146.45	79,655.93	17,769,918.77
Furniture, Fixtures, and Equipment	4,520,459.07	644,277.19	772,698.80	4,392,037.46
Motor Vehicles	2,844,464.52	327,631.54	330,634.65	2,841,461.41
Audio Visual Materials and Computer Software	114,893.22	1,795.12	116,688.34	
	<u>24,324,319.05</u>	<u>2,453,774.46</u>	<u>1,299,677.72</u>	<u>25,478,415.79</u>
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	<u>46,127,084.17</u>	<u>1,465,421.27</u>	<u>54,737.77</u>	<u>47,537,767.67</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,465,337.54</u>	<u>\$ 9,144,099.24</u>	<u>\$ 2,808,306.68</u>	<u>\$ 55,801,130.10</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$2,453,774.46, is reported as unallocated on the Statement of Activities.

5. CHANGES IN SHORT-TERM DEBT

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

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Notes	<u>\$ 0.00</u>	<u>\$ 2,900,000.00</u>	<u>2,900,000.00</u>	<u>\$ 0.00</u>

The purpose of the tax anticipation note was to meet the disbursement requirements of the fiscal year 2006-07 operating budget.

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

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

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

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

EXHIBIT - K (Continued)
SUMTER COUNTY
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South Sumter Middle School Addition

Wildwood Middle School Addition

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

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

Bushnell Elementary School

Wildwood Middle School

Webster Elementary School

North Sumter Intermediate School

West Street School

South Sumter High School

South Sumter Middle School

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

Series 2006, Certificates of Participation

Webster Elementary School

North Sumter Intermediate School

South Sumter High School

South Sumter Middle School

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3.5 to 4.8 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

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SUMTER COUNTY
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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,377,156.26	\$ 905,000.00	\$ 1,472,156.26
2009	2,342,844.76	905,000.00	1,437,844.76
2010	2,342,463.01	940,000.00	1,402,463.01
2011	2,339,406.13	975,000.00	1,364,406.13
2012	2,344,709.63	1,020,000.00	1,324,709.63
2013-2017	11,712,058.13	5,755,000.00	5,957,058.13
2018-2022	11,728,380.50	7,095,000.00	4,633,380.50
2023-2027	11,734,424.77	8,760,000.00	2,974,424.77
2028-2031	9,478,597.00	8,655,000.00	823,597.00
Total Minimum Lease Payments	<u>\$ 56,400,040.19</u>	<u>\$ 35,010,000.00</u>	<u>\$ 21,390,040.19</u>

7. BONDS PAYABLE

Bonds payable at June 30, 2007, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1998A	\$ 20,000	4.5	2008
Series 2005A	1,090,000	5.0	2016
Series 2005B, Refunding	200,000	5.0	2018
District Revenue Bonds:			
Series 1998A, Refunding	<u>2,675,000</u>	4.1 - 5.0	2028
Total Bonds Payable	<u>\$ 3,985,000</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 to as "Racetrack Improvement and Refunding Certificates of Indebtedness, Series 1998" and are authorized by Chapter 71-932, Laws of Florida, Special Acts of 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts of 1976. The bonds are payable solely from, and secured by, a lien upon and pledge of the revenues distributed to the District from

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SUMTER COUNTY
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moneys deposited to the credit of the Pari-mutuel Wagering Trust Fund pursuant to Chapter 550, Florida Statutes, and allocated to the District as provided by law (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<hr/>			
State School Bonds:			
2008	\$ 175,400.00	\$ 110,000.00	\$ 65,400.00
2009	180,000.00	120,000.00	60,000.00
2010	179,000.00	125,000.00	54,000.00
2011	177,750.00	130,000.00	47,750.00
2012	176,250.00	135,000.00	41,250.00
2013-2017	752,250.00	655,000.00	97,250.00
2018	36,750.00	35,000.00	1,750.00
	<hr/>	<hr/>	<hr/>
Total State School Bonds	1,677,400.00	1,310,000.00	367,400.00
	<hr/>	<hr/>	<hr/>
District Revenue Bonds:			
2008	201,101.26	75,000.00	126,101.26
2009	198,007.51	75,000.00	123,007.51
2010	199,691.26	80,000.00	119,691.26
2011	196,171.26	80,000.00	116,171.26
2012	197,541.26	85,000.00	112,541.26
2013-2017	994,056.30	495,000.00	499,056.30
2018-2022	991,468.78	625,000.00	366,468.78
2023-2027	984,628.13	790,000.00	194,628.13
2028-2029	388,750.00	370,000.00	18,750.00
	<hr/>	<hr/>	<hr/>
Total District Revenue Bonds	4,351,415.76	2,675,000.00	1,676,415.76
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 6,028,815.76</u>	<u>\$ 3,985,000.00</u>	<u>\$ 2,043,815.76</u>

8. DEFEASED DEBT

On January 24, 2007, the Board issued \$13,860,000 in Series 2007, Certificates of Participation, at a discount, with interest rates ranging from 3.50 to 4.25 percent. The proceeds were used to advance-refund \$1,470,000 in principal of the Series 1998, Certificates of Participation that mature on January 1 in the years 2012, 2013,

EXHIBIT - K (Continued)
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2017, and 2019, and \$11,520,000 in principal of the Series 2002, Certificates of Participation that mature on January 1 in the years 2015 through 2022, inclusive, and 2027. The net proceeds of \$13,417,713.26 (after payment of \$141,737.59 in issuance costs) were placed in an irrevocable trust to provide for future debt service payments of the Series 1998 and 2002 Certificates of Participation.

As a result, \$1,470,000 and \$11,520,000 of the Series 1998 and 2002, Certificates of Participation are considered defeased and the trust account assets and liability for that portion of the Series 1998 and 2002, Certificates of Participation have been removed from the District's government-wide financial statements.

The Series 2007, Certificates of Participation were issued to reduce the total debt service payments over the next 20 years by \$575,224.99 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of \$392,687.54.

In prior years, portions of the State School Bonds, Series 1998A were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of State School Bonds, Series 2005B in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account's assets and the liability for the in-substance defeased bonds are not included in the District's financial statements. At June 30, 2007, \$200,000, of outstanding State School Bonds, Series 1998A, are considered in-substance defeased.

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 4,160,000.00	\$	\$ 175,000.00	\$ 3,985,000.00	\$ 185,000.00
Certificates of Participation Payable	34,895,000.00	13,860,000.00	13,745,000.00	35,010,000.00	905,000.00
Compensated Absences Payable	<u>4,079,632.68</u>	<u>388,091.63</u>	<u>450,231.06</u>	<u>4,017,493.25</u>	<u>784,902.00</u>
Total Governmental Activities	<u>\$43,134,632.68</u>	<u>\$14,248,091.63</u>	<u>\$14,370,231.06</u>	<u>\$43,012,493.25</u>	<u>\$ 1,874,902.00</u>

For the governmental activities, compensated absences are generally liquidated with resources of the General Fund.

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

10. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

11. 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	\$87,604.60	\$
Capital Projects:		
Other		85,740.38
Nonmajor Governmental		1,864.22
Total	<u>\$87,604.60</u>	<u>\$87,604.60</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$7,112,425.02	\$ 24,959.40
Debt Service:		
Other	2,260,357.59	
Capital Projects:		
Local Capital Improvement		7,444,332.63
Other		193,466.00
Nonmajor Governmental	144,110.24	1,854,134.82
Total	<u>\$9,516,892.85</u>	<u>\$9,516,892.85</u>

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from Capital Projects Funds to the General Fund to reimburse the General Fund for allowable capital expenditures recorded in the General Fund. Additionally, funds are transferred from the Capital Projects Funds to the Debt Service Funds to make debt service payments for the Certificates of Participation.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2006-07 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 12,965,537.06
Categorical Educational Programs:	
Class Size Reduction	5,253,170.00
Transportation	1,388,983.00
Instructional Materials	695,186.00
Voluntary Prekindergarten	521,958.25
School Recognition	461,164.00
Other	334,762.46
Charter School Capital Outlay Funding	1,539,770.00
Gross Receipts Tax (Public Education Capital Outlay)	502,728.00
Workforce Development Program	291,802.00
Discretionary Lottery Funds	272,114.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	263,188.64
Pari Mutuel Tax	223,250.00
Food Service Supplement	63,339.03
Mobile Home License Tax	56,352.18
Miscellaneous	<u>659,750.06</u>
Total	<u><u>\$ 25,493,054.68</u></u>

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.158	\$23,846,842.00
Basic Discretionary Local Effort	0.510	2,357,869.00
Supplemental Discretionary Local Effort	0.170	785,956.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>9,246,546.00</u>
Total	<u><u>7.838</u></u>	<u><u>\$36,237,213.00</u></u>

14. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions 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 the FRS.

Benefits in the Plan vest at six years of service. All 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, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 the 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.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$1,783,173.74, \$2,015,541.70, and \$2,655,152.76, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 89 District participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$306,025.75.

Pension Reporting. The financial statements and other supplementary information of the 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 the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

15. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
South Sumter Middle New Classrooms:			
Architect	\$ 159,200.00	\$ 128,952.00	\$ 30,248.00
Contractor	5,636,854.00	217,973.21	5,418,880.79
South Sumter High Cafeteria:			
Architect	220,346.00	165,259.00	55,087.00
North Sumter Intermediate New Classrooms:			
Architect	224,650.00	215,664.00	8,986.00
Contractor	5,391,681.00	3,766,386.17	1,625,294.83
Total	<u>\$ 11,632,731.00</u>	<u>\$ 4,494,234.38</u>	<u>\$ 7,138,496.62</u>

16. JOINT VENTURES

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

The District School Board entered into a lease agreement on July 1, 2006, with the Villages of Lake-Sumter, Inc. The Board is leasing educational facilities owned by the Villages of Lake-Sumter, Inc., for operation by the Villages Charter Elementary, Middle, and High Schools. The Board shall pay to the Villages of Lake-Sumter, Inc., annual rent that shall be a percentage of the two mill tax base multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes, for each lease year. The lease agreement establishes

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

percentage rates to be used in lease calculations beginning with 5 percent in the first year and increasing to 25 percent for the fifth year and beyond. The initial lease term is for 12 years.

17. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc., established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined in 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, 2007, the accumulated credits to the District's account are \$177,721.96. During the 2006-07 fiscal year, the District received \$1,762.37 related to 2006 capital credits.

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation coverage is being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The Workers' Compensation Self-Insurance program began on October 1, 2006. The District has contracted with an insurance administrator to administer this self-insurance program, including the processing, investigating, and payment of claims.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years. A liability in the amount of \$400,479 was actuarially determined to cover estimated incurred, but not reported, workers' compensation insurance claims payable at June 30, 2007.

Since the 2006-07 fiscal year is the first year that workers' compensation coverage has been provided on a self-insured basis, the following schedule represents the changes in claims liability for the current fiscal year:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$	\$ 525,660.00	\$ 125,181.00	\$ 400,479.00

EXHIBIT - K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

19. SUBSEQUENT EVENTS

As discussed in Note 3, at June 30, 2007, the Sumter County District School Board had \$7,420,963.37 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the District and the State Board of Administration. The District had \$4,688,132.03 invested in the Pool as of February 27, 2008.

EXHIBIT - L
SUMTER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 40,000.00	\$ 40,000.00	\$ 49,776.53	\$ 9,776.53
Federal Through State	60,000.00	60,000.00	4,444.34	(55,555.66)
State	23,846,996.00	22,398,351.58	22,904,613.70	506,262.12
Local	26,024,656.00	26,622,570.00	27,286,163.65	663,593.65
Total Revenues	49,971,652.00	49,120,921.58	50,244,998.22	1,124,076.64
Expenditures				
Current - Education:				
Instruction	37,712,580.00	37,947,579.04	36,357,478.17	1,590,100.87
Pupil Personnel Services	1,784,931.00	1,883,528.55	1,857,896.86	25,631.69
Instructional Media Services	928,827.00	961,744.37	909,841.26	51,903.11
Instruction and Curriculum Development Services	981,572.00	1,063,115.38	1,039,145.60	23,969.78
Instructional Staff Training Services	420,406.00	442,648.39	325,975.08	116,673.31
Instruction Related Technology	484,694.00	597,304.00	462,267.91	135,036.09
Board of Education	320,673.00	342,120.93	316,375.56	25,745.37
General Administration	493,626.00	503,141.47	477,276.78	25,864.69
School Administration	2,498,631.00	2,621,431.80	2,592,190.73	29,241.07
Facilities Acquisition and Construction	454,584.00	736,036.22	321,667.70	414,368.52
Fiscal Services	515,862.00	532,302.00	482,454.90	49,847.10
Food Services		9,730.41	8,471.49	1,258.92
Central Services	816,302.00	900,323.92	668,875.49	231,448.43
Pupil Transportation Services	3,352,351.00	3,814,412.00	2,739,395.92	1,075,016.08
Operation of Plant	4,425,431.00	4,510,214.84	4,001,586.56	508,628.28
Maintenance of Plant	2,744,531.00	2,837,572.26	2,300,504.27	537,067.99
Administrative Technology Services	346,641.00	534,256.00	306,683.00	227,573.00
Community Services	55,000.00	55,000.00	861.46	54,138.54
Fixed Capital Outlay:				
Other Capital Outlay		994,727.00	994,724.46	2.54
Debt Service:				
Interest and Fiscal Charges	52,000.00	129,025.00	128,954.97	70.03
Total Expenditures	58,388,642.00	61,416,213.58	56,292,628.17	5,123,585.41
Deficiency of Revenues Over Expenditures	(8,416,990.00)	(12,295,292.00)	(6,047,629.95)	6,247,662.05
Other Financing Sources (Uses)				
Transfers In	7,896,585.00	7,098,356.00	7,112,425.02	14,069.02
Transfers Out	(62,148.00)	(62,148.00)	(24,959.40)	37,188.60
Total Other Financing Sources (Uses)	7,834,437.00	7,036,208.00	7,087,465.62	51,257.62
Net Change in Fund Balances	(582,553.00)	(5,259,084.00)	1,039,835.67	6,298,919.67
Fund Balances, July 1, 2006	6,462,167.81	6,462,167.81	6,462,167.81	
Fund Balances, June 30, 2007	\$ 5,879,614.81	\$ 1,203,083.81	\$ 7,502,003.48	\$ 6,298,919.67

FEDERAL REPORTS AND SCHEDULES

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



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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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sumter County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included 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 Sumter Schools Enhancement Foundation, Inc., and the Villages Charter Schools, Inc., included in the aggregate discretely presented component units, and the school internal funds, as described in our report on the Sumter County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds and the Sumter Schools Enhancement Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the ***FINDINGS AND RECOMMENATIONS*** section of this audit report, Finding No. 1, to be a significant deficiency.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency in internal control over financial reporting described above is not a material weakness.

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, administrative 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 which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

The District's response to the findings identified in our audit is described in the accompanying ***MANAGEMENT RESPONSE***. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA

February 27, 2008



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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 APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
February 27, 2008

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550(2)	None	\$ 156,855.07
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	513,189.57
National School Lunch Program	10.555	300	1,487,260.39
Summer Food Service Program for Children	10.559	323	32,931.33
Total Child Nutrition Cluster			2,033,381.29
Total United States Department of Agriculture			2,190,236.36
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,523,107.75
Special Education - Preschool Grants	84.173	267	39,704.50
North East Florida Educational Consortium:			
Special Education - Grants to States	84.027	None	2,559.79
Washington County District School Board:			
Special Education - Grants to States	84.027	None	1,795.88
Orange County District School Board:			
Special Education - Grants to States	84.027	None	9,380.52
Total Special Education Cluster			1,576,548.44
Florida Department of Education:			
Adult Education - State Grant Program	84.002	191	68,098.00
Title I Grants to Local Educational Agencies	84.010	212, 228	1,636,153.95
Migrant Education - State Grant Program	84.011	217	139,800.98
Vocational Education - Basic Grants to States	84.048	151	151,373.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	33,362.44
Twenty-First Century Community Learning Centers	84.287	244	386,142.76
State Grants For Innovative Programs	84.298	113	11,074.36
Education Technology State Grants	84.318	121	12,557.08
Rural Education	84.358	110	158,109.22
English Language Acquisition Grants	84.365	102	78,941.56
Improving Teacher Quality State Grants	84.367	224	545,163.52
Lake Sumter Community College:			
Vocational Education - Basic Grants to States	84.048	None	4,560.00
Lake County District School Board:			
Tech-Prep Education	84.243	None	35,334.98
Total Indirect			4,837,220.29
Total United States Department of Education			4,837,220.29
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	49,776.53
Total Expenditures of Federal Awards			\$ 7,077,233.18

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 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 - Food Donation. Represents the amount of donated food received during the 2006-07 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SUMMARY OF AUDITOR'S RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Sumter County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- A certain matter involving the internal control and its operation was considered to be significant deficiency, though the significant deficiency was not considered a material weakness.
- No noncompliance was reported which is material to the financial statements.
- No significant deficiencies in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Twenty-First Century Community Learning Centers (CFDA No. 84.287) and Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)].
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$300,000.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

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

SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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
2007-077 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) Activities Allowed or Unallowed	Salaries and benefits were paid from grant funds but had not been approved by the grant director, resulting in questioned costs totaling \$1,865.91.	Corrected.	Overcharge was repaid to the grant.

MANAGEMENT RESPONSE SECTION



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

Administration

Ext. 208 Fax 793-4180

Elementary Education

Ext. 206 Fax 793-4180

Secondary Education

Ext. 200 Fax 793-4180

Student Services

Ext. 211 Fax 793-4180

Federal Programs

Ext. 204 Fax 793-4180

Finance

Ext. 232 Fax 793-4963

Personnel

Ext. 220 Fax 793-4963

Employee Benefits

Ext. 229 Fax 793-2096

Food Service

Ext. 238 Fax 793-4963

Human Resource

Ext. 221 Fax 793-4963

Data Processing

Ext. 241 Fax 793-4963

Exceptional Education

Ext. 259 Fax 793-1612

Library Media / Instructional

Technology

Ext. 256 Fax 793-4377

Adult Education

793-5719 Fax 793-6508

Facilities

793-1281 Fax 793-9298

Warehouse

793-7906 Fax 793-9298

Transportation

793-5705 Fax 793-1083

The Villages Charter Schools

352-259-2350

Fax 352-259-3850

February 04, 2008

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

RE: Fiscal Year 2006-2007 Audit

Dear Mr. Martin:

Pursuant to Section 11.45 (4)(d), Florida Statutes, the following response is submitted for clarity and brevity, the audit findings are answered using each finding number.

Findings and Recommendations

Finding No. 1: Annual Financial Report

Improvements could be made in District procedures to ensure that the estimated unpaid claims liability is properly reported on the financial statements.

The recommendation is being followed.

Finding No. 2: Cellular Telephones

The District did not maintain records substantiating the business use of cellular telephones (cell phones), nor did it report the value of cell phone services provided to each employee to the Internal Revenue Service (IRS). In addition, the District paid E911 taxes on cell phones from which it is exempt.

The recommendation is being followed.

Finding No. 3: Taxable Meal Allowances

The District did not report to the IRS certain taxable meal allowances as wages or other compensation, contrary to Federal requirements.

The recommendation is being followed.

Please contact Deborah Smith at extension 246 should you have any questions.

Sincerely,

Richard A. Shirley

Richard A. Shirley
Superintendent

RAS/mf

2680 West County Road 476 - Bushnell, Florida 33513