

**SUMTER COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Sumter County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i><u>District No.</u></i>
<i>Haydn L. Evans</i>	<i>1</i>
<i>Chris Norris, Chair to 11-19-07</i>	<i>2</i>
<i>Linda J. Winchester</i>	<i>3</i>
<i>Kenneth P. Jones, Vice-Chair to 11-19-07, Chair from 11-20-07</i>	<i>4</i>
<i>Michael T. Foote, Vice-Chair from 11-20-07</i>	<i>5</i>
<i>Richard A. Shirley, Superintendent</i>	

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

The audit team leader was Anna A. McCormick, CPA, and supervised by Janice Priolo, CPA. For the information technology portion of this audit, the audit team leader was Danielle M. Alvarez, CISA, MCP, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The reasons that social security numbers were requested from parents or legal guardians and potential employees were not provided in writing to these individuals, contrary to Section 119.071(5)(a), Florida Statutes.

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

Finding No. 3: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 4: The District lacked a comprehensive security awareness training program.

Finding No. 5: Certain security controls related to user authentication and logging and monitoring of system events needed improvement.

Finding No. 6: District staff had not removed the IT access privileges of certain former employees in a timely manner.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and

- Taken corrective actions for findings included in our report No. 2008-103.

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, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



David W. Martin, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 13 percent of the assets and 40 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Sumter County District School Board as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and the **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 on it.

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

Respectfully submitted,



David W. Martin, CPA
January 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Sumter County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds, for the fiscal year ended June 30, 2008. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 11 through 44.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- Overall, the District's financial position improved somewhat from the prior year. The District's total net assets increased by \$5,339,629 (or 14.5 percent). This may be compared to \$2,607,525 (or 7.6 percent) for the prior year.
- During the current year, General Fund revenues and other financing sources exceeded expenditures by \$1,683,029. 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 \$1,039,836.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

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 (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 may be classified within one of three broad categories as discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in

the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. 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. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Total assets of the District School Board of Sumter County amount to \$89,824,565 and \$83,801,272 as of June 30, 2008, and 2007, respectively. The current ratio is 2.9:1, with current assets of \$14,579,509 and current liabilities of \$5,094,642. The other assets not considered to be current assets for the purpose of computing the current ratio include cash and investments restricted for capital improvements of \$4,953,938 and for debt service of \$164,468. The prior year current ratio was approximately 3.4:1 with current assets of \$11,693,911 and current liabilities of \$3,456,561.

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-08	6-30-07
Current Assets	\$ 19,697,915	\$ 11,693,911
Other Assets	4,093,536	16,306,231
Capital Assets (Net)	66,033,114	55,801,130
Total Assets	89,824,565	83,801,272
Long-Term Liabilities	42,458,555	43,412,972
Current Liabilities	5,094,642	3,456,561
Total Liabilities	47,553,197	46,869,533
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	28,297,471	26,860,147
Restricted	8,639,198	6,025,663
Unrestricted	5,334,699	4,045,929
Total Net Assets	\$ 42,271,368	\$ 36,931,739

The largest portion of the District's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (20 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (13 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-08	6-30-07
Program Revenues:		
Charges for Services	\$ 1,223,632	\$ 1,230,131
Operating Grants and Contributions	3,643,926	3,640,686
Capital Grants and Contributions	2,159,949	2,305,687
General Revenues:		
Property Taxes, Levied for Operational Purposes	31,690,330	25,799,065
Property Taxes, Levied for Capital Projects	10,549,000	8,837,285
Grants and Contributions Not Restricted to Specific Programs	23,725,888	26,633,669
Unrestricted Investment Earnings	1,193,938	1,852,360
Miscellaneous	1,309,712	677,961
Total Revenues	75,496,375	70,976,844
Functions/Program Expenses:		
Instruction	41,017,837	38,671,309
Pupil Personnel Services	2,347,032	2,212,617
Instructional Media Services	728,972	944,097
Instruction and Curriculum Development Services	1,982,951	2,073,661
Instructional Staff Training Services	1,087,735	837,846
Instruction Related Technology	579,793	451,137
Board of Education	400,568	316,376
General Administration	427,341	626,897
School Administration	2,842,111	2,846,900
Facilities Acquisition and Construction	1,014,116	430,141
Fiscal Services	561,490	489,487
Food Services	3,355,865	3,567,926
Central Services	779,928	589,281
Pupil Transportation Services	2,930,679	2,768,844
Operation of Plant	3,861,825	3,995,859
Maintenance of Plant	1,517,165	2,260,629
Administrative Technology Services	352,259	316,528
Community Services	689	862
Interest on Long-Term Debt	1,682,081	2,460,410
Unallocated Depreciation/Amortization Expenses	2,642,934	2,453,774
Loss on Disposal of Capital Assets	43,375	54,738
Total Functions/Program Expenses	70,156,746	68,369,319
Increase in Net Assets	\$ 5,339,629	\$ 2,607,525

The largest revenue source is property tax revenue (56 percent). Most notable during the current year is the increase of \$5,891,265 in property tax revenue levied for operational purposes, which was primarily a result of the increase in the required local effort of \$5,363,986, as mandated by the State. Total property tax revenue increased by \$7,602,980.

Capital expenditures increased over the prior fiscal year by \$4,771,864, or 54 percent, for a total of \$13,669,003, which was included in expenditures in the governmental funds statement of revenues, expenditures, and changes in fund balances. This increase was due mainly to several construction and renovation projects completed and in progress. In the government-wide statement of net assets, the expenditures were capitalized and allocated over useful lives of the assets through depreciation. This accounts for the majority (89 percent) of the increase in the net assets on the statement of activities.

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 \$16,510,665, a decrease of \$6,916,338, in comparison with the prior year. Unreserved fund balances of \$9,892,623 represent 60 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 (\$1,242,152); liquidate construction contracts and purchase orders outstanding at year-end (\$4,172,084); reserved for debt service (\$164,468); reserved for inventory (\$447,097); and reserved for other purposes (\$592,242).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$6,928,129 while the total fund balance is \$9,185,033. The unreserved fund balance increased by \$1,298,340, while the total fund balance increased by \$1,683,029, during the fiscal year. Key factors in this growth are as follows:

- An increase in the local property tax rate coupled with increased property values increased tax revenues by \$5,891,265.
- Total expenditures increased by \$1,327,367, or 2 percent, due mainly to a 3 percent across-the-board pay increase, employment of additional staff, and the related increase in required contributions to the Florida Retirement System.
- Factors affecting total fund balance also include an increase of \$813,861 in the unexpended balance of State categorical program revenues which are required to be carried forward to the following year to be expended for specific categorical educational programs.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$3,928,441, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance decreased by \$2,234,021, while total fund balance decreased by \$491,684. The fund balance decreased in the current year primarily due to several construction and renovation projects completed and in progress identified in the Capital Assets section below.

The Capital Projects – Other Fund has a total fund balance of \$2,466,088, all of which is also restricted for the acquisition, construction, and maintenance of capital assets. The unreserved fund balance decreased by \$9,884,660, while total fund balance decreased by \$8,310,296. The fund balance decreased in the current year primarily due to

several construction and renovation projects completed and in progress identified in the Capital Assets section below.

Proprietary Funds

The Internal Service Fund accounts for the District's Workers' Compensation Self-Insurance Program, which began on October 1, 2006. Unrestricted net assets of the Internal Service Fund total \$1,211,530 at June 30, 2008, increasing \$1,100,867 from June 30, 2007. This increase occurred primarily because of the District's intention to build up net assets early in the fund's existence to be prepared for future anticipated claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2007-08 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$2,406,059, or 4 percent. At the same time, final appropriations are less than the original budgeted amounts by \$4,207,575. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$4,043,241, or 6 percent less than final budget amounts. Actual expenditures were less than final budgeted expenditures in each functional category. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$5,754,556.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$66,033,114 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and construction in progress.

Major capital asset events during the current fiscal year included the following:

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

Classroom Additions - Wildwood Elementary School	\$	5,672,156
Other Projects		976,384
Total Cost of Projects Completed	\$	<u>6,648,539</u>

- Numerous other construction projects are in progress including:

Cafeteria Addition - South Sumter High School	\$	4,759,665
Classroom Addition - South Sumter Middle School		4,742,506
Administration Bldg Addition - South Sumter High School		1,053,480
Administration Bldg Addition - South Sumter Middle School		497,129
Other Projects		174,098
Total Cost of Projects In Progress	\$	<u>11,226,878</u>

Major contract commitments at fiscal year-end for construction activity amounted to \$1,229,159. Additional information on the District's capital assets can be found in Note 4 and 14 to the financial statements.

Long-Term Debt

At June 30, 2008, the District has total long-term debt outstanding of \$37,905,000. This amount is comprised of \$3,800,000 of bonds and \$34,105,000 of certificates of participation. During the year, retirement of debt amounted to \$1,090,000.

State School Bonds outstanding at June 30, 2008, accounted for \$1,200,000 of the total bonds. They are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Proceeds are earmarked for new school construction. The remainder of the District's long-term debt is secured solely by specified revenue sources.

Additional information on the District's long-term debt can be found in Notes 5 through 8 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

EXHIBIT - A SUMTER COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2008

	Primary Government Governmental Activities	Component Units
ASSETS		
Current Assets:		
Cash	\$ 16,563,051.44	\$ 558,314.00
Accounts Receivable	18,124.31	264,108.00
Taxes Receivable	12,384.15	
Prepaid Items		43,773.00
Due from Other Agencies	2,657,258.47	
Inventories	447,096.90	
Total Current Assets	19,697,915.27	866,195.00
Noncurrent Assets:		
Restricted Investments	3,515,120.59	
Deferred Charges	395,634.26	
Capital Credits Receivable	182,781.44	
Capital Assets:		
Nondepreciable Capital Assets	13,220,979.55	
Depreciable Capital Assets, Net	52,812,134.32	666,443.00
Total Noncurrent Assets	70,126,650.16	666,443.00
TOTAL ASSETS	\$ 89,824,565.43	\$ 1,532,638.00
LIABILITIES		
Current Liabilities:		
Payroll Deductions and Withholdings	\$ 788,952.16	\$ 1,141,640.00
Accounts Payable	424,069.54	
Construction Contracts Payable	1,275,827.26	
Construction Contracts Payable - Retainage	401,970.92	
Due to Other Agencies	2,034.27	
Deferred Revenue	2,201,788.00	57,740.00
Long-Term Liabilities -- Portion Due Within One Year:		
Bonds Payable	195,000.00	
Certificates of Participation Payable	905,000.00	
Estimated Insurance Claims Payable	153,000.00	
Compensated Absences Payable	382,686.00	
Total Current Liabilities	6,730,328.15	1,199,380.00
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Bonds Payable	3,605,000.00	
Certificates of Participation Payable	33,200,000.00	
Estimated Insurance Claims Payable	243,198.00	
Compensated Absences Payable	3,774,671.24	
Total Noncurrent Liabilities	40,822,869.24	
TOTAL LIABILITIES	47,553,197.39	1,199,380.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	28,297,470.81	666,443.00
Restricted for:		
State Categorical Programs	1,242,152.11	
Debt Service	164,468.03	
Capital Projects	6,640,336.37	
Other Purposes	592,241.61	181,798.00
Unrestricted	5,334,699.11	(514,983.00)
Total Net Assets	42,271,368.04	333,258.00
TOTAL LIABILITIES AND NET ASSETS	\$ 89,824,565.43	\$ 1,532,638.00

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

EXHIBIT - B
SUMTER COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 41,017,837.50	\$ 70,276.00	\$	\$
Pupil Personnel Services	2,347,031.74			
Instructional Media Services	728,971.86			
Instruction and Curriculum Development Services	1,982,951.08			
Instructional Staff Training Services	1,087,735.43			
Instruction Related Technology	579,792.52			
Board of Education	400,568.42			
General Administration	427,341.50			
School Administration	2,842,110.56			
Facilities Acquisition and Construction	1,014,116.03			1,420,547.49
Fiscal Services	561,490.13			
Food Services	3,355,864.70	1,140,492.56	2,349,815.01	
Central Services	779,928.15			
Pupil Transportation Services	2,930,678.83	12,863.66	1,294,111.00	
Operation of Plant	3,861,824.85			
Maintenance of Plant	1,517,164.69			566,317.00
Administrative Technology Services	352,259.24			
Community Services	689.36			
Interest on Long-Term Debt	1,682,080.68			173,084.69
Unallocated Depreciation/Amortization Expenses	2,642,933.96			
Loss on Disposal of Capital Assets	43,374.53			
Total Governmental Activities	70,156,745.76	1,223,632.22	3,643,926.01	2,159,949.18
Component Units				
Sumter Schools Enhancement Foundation, Inc.	\$ 46,230.00	\$	\$ 41,612.00	\$ 1,324,853.00
Charter Schools	18,205,730.00	2,283,496.00	155,430.00	
Total Component Units	\$ 18,251,960.00	\$ 2,283,496.00	\$ 197,042.00	\$ 1,324,853.00
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, 2007				
Net Assets - June 30, 2008				

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Units
Activities	
\$ (40,947,561.50)	\$
(2,347,031.74)	
(728,971.86)	
(1,982,951.08)	
(1,087,735.43)	
(579,792.52)	
(400,568.42)	
(427,341.50)	
(2,842,110.56)	
406,431.46	
(561,490.13)	
134,442.87	
(779,928.15)	
(1,623,704.17)	
(3,861,824.85)	
(950,847.69)	
(352,259.24)	
(689.36)	
(1,508,995.99)	
(2,642,933.96)	
(43,374.53)	
(63,129,238.35)	
	1,320,235.00
	(15,766,804.00)
	(14,446,569.00)
31,690,329.84	
10,548,999.90	
23,725,887.52	14,054,918.00
1,193,938.00	8,701.00
1,309,712.42	417,232.00
68,468,867.68	14,480,851.00
5,339,629.33	34,282.00
36,931,738.71	298,976.00
\$ 42,271,368.04	\$ 333,258.00

EXHIBIT - C
SUMTER COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 9,661,725.99	\$	\$ 4,321,404.33
Investments	106,254.83		
Tax Receivable			12,384.15
Accounts Receivable	6,371.75		
Due from Other Funds	95,814.65		
Due from Other Agencies	97,816.95	2,201,788.00	
Inventories	303,365.63		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 10,271,349.80</u></u>	<u><u>\$ 2,201,788.00</u></u>	<u><u>\$ 4,333,788.48</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 788,952.16	\$	\$
Accounts Payable	296,665.00		
Construction Contracts Payable			344,258.86
Construction Contracts Payable - Retainage			61,088.24
Due to Other Funds			
Due to Other Agencies	699.81		
Deferred Revenue		2,201,788.00	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,086,316.97</u>	<u>2,201,788.00</u>	<u>405,347.10</u>
Fund Balances:			
Reserved for State Categorical Programs	1,242,152.11		
Reserved for Encumbrances	119,144.03		1,749,818.10
Reserved for Inventories	303,365.63		
Reserved for Debt Service			
Reserved for Other Purposes	592,241.61		
Unreserved:			
Designated for Terminal Leave	700,000.00		
Undesignated, Reported in:			
General Fund	6,228,129.45		
Special Revenue Funds			
Capital Projects Funds			2,178,623.28
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>9,185,032.83</u>	<u> </u>	<u>3,928,441.38</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,271,349.80</u></u>	<u><u>\$ 2,201,788.00</u></u>	<u><u>\$ 4,333,788.48</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
<hr/>	<hr/>	<hr/>
\$ 374,619.93	\$ 594,129.64	\$ 14,951,879.89
3,363,918.72	44,947.04	3,515,120.59
		12,384.15
	2,645.56	9,017.31
		95,814.65
	357,653.52	2,657,258.47
	143,731.27	447,096.90
<hr/>	<hr/>	<hr/>
<u>\$ 3,738,538.65</u>	<u>\$ 1,143,107.03</u>	<u>\$ 21,688,571.96</u>
\$	\$	\$
	114,854.31	788,952.16
931,568.40		411,519.31
340,882.68		1,275,827.26
		401,970.92
	95,814.65	95,814.65
	1,334.46	2,034.27
<hr/>	<hr/>	<hr/>
1,272,451.08	212,003.42	2,201,788.00
<hr/>	<hr/>	<hr/>
		1,242,152.11
2,296,730.63	6,391.05	4,172,083.81
	143,731.27	447,096.90
	164,468.03	164,468.03
		592,241.61
		700,000.00
		6,228,129.45
	201,348.90	201,348.90
169,356.94	415,164.36	2,763,144.58
<hr/>	<hr/>	<hr/>
2,466,087.57	931,103.61	16,510,665.39
<hr/>	<hr/>	<hr/>
<u>\$ 3,738,538.65</u>	<u>\$ 1,143,107.03</u>	<u>\$ 21,688,571.96</u>

**EXHIBIT - D
SUMTER COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds	\$	16,510,665.39
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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.		66,033,113.87
--	--	---------------

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.		182,781.44
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Deferred issuance costs on certificates of participation are not expensed in the government-wide statements, but are reported as deferred charges, and amortized over the life of the debt.		395,634.26
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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 are included in governmental activities in the statement of net assets.		1,211,530.32
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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	\$ 3,800,000.00	
Certificates of Participation Payable	34,105,000.00	
Compensated Absences Payable	4,157,357.24	
		(42,062,357.24)

Total Net Assets - Governmental Activities	\$	<u>42,271,368.04</u>
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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, 2008

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 51,883.59	\$	\$
Federal Through State			
State	20,390,567.01	1,891,175.00	
Local:			
Taxes	31,690,329.84		10,548,999.90
Miscellaneous	1,431,675.42	2,081.91	217,486.55
Total Revenues	<u>53,564,455.86</u>	<u>1,893,256.91</u>	<u>10,766,486.45</u>
Expenditures			
Current - Education:			
Instruction	38,874,777.92		
Pupil Personnel Services	2,031,093.04		
Instructional Media Services	698,282.35		
Instruction and Curriculum Development Services	1,138,366.59		
Instructional Staff Training Services	568,375.74		
Instruction Related Technology	510,335.34		
Board of Education	400,568.42		
General Administration	282,232.00		
School Administration	2,554,703.44		
Facilities Acquisition and Construction	221,973.00		
Fiscal Services	554,586.14		
Food Services			
Central Services	748,589.62		
Pupil Transportation Services	2,845,998.55		
Operation of Plant	3,780,422.20		
Maintenance of Plant	1,517,621.59		
Administrative Technology Services	342,077.15		
Community Services	689.36		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			3,910,691.77
Other Capital Outlay	549,302.82		
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>57,619,995.27</u>		<u>3,910,691.77</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,055,539.41)</u>	<u>1,893,256.91</u>	<u>6,855,794.68</u>
Other Financing Sources (Uses)			
Transfers In	6,813,474.52		
Transfers Out	(1,074,905.76)	(1,893,256.91)	(7,347,478.30)
Total Other Financing Sources (Uses)	<u>5,738,568.76</u>	<u>(1,893,256.91)</u>	<u>(7,347,478.30)</u>
Net Change in Fund Balances	1,683,029.35		(491,683.62)
Fund Balances, July 1, 2007	7,502,003.48		4,420,125.00
Fund Balances, June 30, 2008	<u>\$ 9,185,032.83</u>	<u>\$ 0.00</u>	<u>\$ 3,928,441.38</u>

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
\$	\$	\$
	6,645,345.93	51,883.59
	550,791.18	6,645,345.93
		22,832,533.19
		42,239,329.74
<u>850,528.98</u>	<u>1,177,750.24</u>	<u>3,679,523.10</u>
<u>850,528.98</u>	<u>8,373,887.35</u>	<u>75,448,615.55</u>
	2,160,935.60	41,035,713.52
	315,148.01	2,346,241.05
	24,877.02	723,159.37
	834,514.68	1,972,881.27
	519,359.69	1,087,735.43
	391.40	510,726.74
		400,568.42
	144,739.12	426,971.12
	263,628.21	2,818,331.65
		221,973.00
		554,586.14
	3,444,650.77	3,444,650.77
	20,362.46	768,952.08
	47,852.81	2,893,851.36
	1,811.86	3,782,234.06
		1,517,621.59
		342,077.15
		689.36
9,159,985.47		13,070,677.24
	49,023.28	598,326.10
	1,090,000.00	1,090,000.00
	<u>1,682,080.68</u>	<u>1,682,080.68</u>
<u>9,159,985.47</u>	<u>10,599,375.59</u>	<u>81,290,048.10</u>
<u>(8,309,456.49)</u>	<u>(2,225,488.24)</u>	<u>(5,841,432.55)</u>
	2,428,100.37	9,241,574.89
<u>(839.68)</u>		<u>(10,316,480.65)</u>
<u>(839.68)</u>	<u>2,428,100.37</u>	<u>(1,074,905.76)</u>
(8,310,296.17)	202,612.13	(6,916,338.31)
<u>10,776,383.74</u>	<u>728,491.48</u>	<u>23,427,003.70</u>
<u>\$ 2,466,087.57</u>	<u>\$ 931,103.61</u>	<u>\$ 16,510,665.39</u>

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, 2008

Net Change in Fund Balances - Governmental Funds	\$	(6,916,338.31)
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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.		10,275,358.30
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.		(43,374.53)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.		1,090,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.		(139,863.99)
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.		(32,079.00)
Capital credits to be received in future years are accrued in the government-wide statements, but the credits do not provide current financial resources and are not recognized in the governmental funds.		5,059.48
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		1,100,867.38

Change in Net Assets - Governmental Activities	\$	5,339,629.33
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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, 2008

	Governmental Activities - Internal Service Fund
	<hr/>
ASSETS	
Current Assets:	
Cash	\$ 1,611,171.55
Accounts Receivable	<hr/> 9,107.00
TOTAL ASSETS	<hr/> \$ 1,620,278.55 <hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 12,550.23
Estimated Insurance Claims Payable	<hr/> 153,000.00
Total Current Liabilities	<hr/> 165,550.23 <hr/>
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	<hr/> 243,198.00
Total Liabilities	<hr/> 408,748.23 <hr/>
NET ASSETS	
Unrestricted	<hr/> 1,211,530.32
TOTAL LIABILITIES AND NET ASSETS	<hr/> \$ 1,620,278.55 <hr/>

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, 2008

	Governmental Activities - Internal Service Fund
	<hr/>
OPERATING REVENUES	
Premium Revenues	\$ 286,658.36
	<hr/>
OPERATING EXPENSES	
Purchased Services	137,696.37
Insurance Claims	148,961.99
	<hr/>
Total Operating Expenses	286,658.36
	<hr/>
Operating Income (Loss)	
	<hr/>
NONOPERATING REVENUES	
Interest	25,961.62
	<hr/>
Income Before Transfers	25,961.62
Transfers In	1,074,905.76
	<hr/>
Change in Net Assets	1,100,867.38
Total Net Assets, July 1, 2007	110,662.94
	<hr/>
Total Net Assets, June 30, 2008	\$ 1,211,530.32
	<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, 2008

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premium Revenues	\$ 273,270.36
Cash Payments to Suppliers for Goods and Services	(120,865.14)
Cash Payments for Workers' Compensation Claims	(153,242.99)
Net Cash Used by Operating Activities	(837.77)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	1,074,905.76
Net Cash Provided by Noncapital Financing Activities	1,074,905.76
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	25,961.62
Net Cash Provided by Investing Activities	25,961.62
Net Increase in Cash	1,100,029.61
Cash, Beginning	511,141.94
Cash, Ending	\$ 1,611,171.55

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

Operating Income	\$ 0.00
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(9,107.00)
Increase in Accounts Payable	12,550.23
Decrease in Estimated Insurance Claims Payable	(4,281.00)
Total Adjustments	(837.77)
Net Cash Used by Operating Activities	\$ (837.77)

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, 2008

	Agency Funds
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 409,519.00
	<hr/> <hr/>
LIABILITIES	
Internal Accounts Payable	\$ 409,519.00
	<hr/> <hr/>

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, 2008

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 was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. 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 District's other component units.

The Sumter Schools Enhancement Foundation, Inc., (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 Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

The Villages Charter School, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Sumter County District School Board.

Audit of the charter school and the Foundation's financial statements for the fiscal year ended June 30, 2008, were conducted by independent certified public accountants and are on file at the District's administrative office.

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **Basis of Presentation**

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

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

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

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

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.
- Capital Projects – Public Education Capital Outlay Fund – to account for financial resources generated by Legislative appropriation through the Public Education Capital Outlay program used for specific educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by 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 the financial resources generated by proceeds from issuance of Certificates of Participation to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

EXHIBIT – K (Continued)
SUMTER COUNTY
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Additionally, the District reports the following proprietary and fiduciary fund types:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, 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 fund's 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 school is accounted for as a governmental organization and follows 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

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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 cash flows considers cash as those accounts used as demand deposit accounts.

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 pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund.

The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

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

➤ **Inventories**

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

➤ **Capital Assets**

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

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

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

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

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

➤ **Long-Term Liabilities**

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

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

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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 Classroom for Kids 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 funds and Classrooms for Kids Program as deferred revenue until such time as an encumbrance authorization is received.

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. The Sumter County Property Appraiser determines property values, and the Sumter County Tax Collector collects property taxes.

The School Board adopted the 2007 tax levy on September 18, 2007. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when the District receives taxes, 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.

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2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2008, the District has the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration:		
Local Government Surplus Funds Trust Fund Investment Pool	20.22 Day Average	\$ 10.58
Fund B Surplus Funds Trust Fund	9.22 Year Average	536,634.85
Debt Service Accounts	6 Months	36,108.61
Dreyfus Treasury Prime Cash Management Fund	52 Days	2,942,366.55
Total Investments, Primary Government		<u>\$ 3,515,120.59</u>

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.
- The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based

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on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; 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; investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to obligations of 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.
- As of June 30, 2008, the District's investment in the Local Government Surplus Funds Trust Fund Investment Pool is AAAM by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.
- As of June 30, 2008, the District's investment in the Dreyfus Treasury Prime Cash Management Fund was rated AAA by Standard & Poor's and AAA by Moody's Investors Service.

Custodial Credit Risk

- Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- The District's investment of \$2,942,366.55 in the Dreyfus Treasury Prime Cash Management Fund and \$430,390.60 in the State Board of Administration Fund B Surplus Funds Trust Fund are held by the trustee in the District's name.

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4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,994,101.85	\$	\$	\$ 1,994,101.85
Construction in Progress	6,269,260.58	11,606,156.72	6,648,539.60	11,226,877.70
Total Capital Assets Not Being Depreciated	8,263,362.43	11,606,156.72	6,648,539.60	13,220,979.55
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,470,735.42	105,284.40		1,576,019.82
Buildings and Fixed Equipment	59,862,681.57	6,543,255.20	13,975.63	66,391,961.14
Furniture, Fixtures, and Equipment	6,666,194.19	636,028.54	711,435.65	6,590,787.08
Motor Vehicles	5,016,572.28	644,028.00	223,656.48	5,436,943.80
Total Capital Assets Being Depreciated	73,016,183.46	7,928,596.14	949,067.76	79,995,711.84
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	474,998.15	59,554.78		534,552.93
Buildings and Fixed Equipment	17,769,918.77	1,494,436.70	9,805.34	19,254,550.13
Furniture, Fixtures, and Equipment	4,392,037.46	674,071.87	682,394.75	4,383,714.58
Motor Vehicles	2,841,461.41	382,791.61	213,493.14	3,010,759.88
Total Accumulated Depreciation	25,478,415.79	2,610,854.96	905,693.23	27,183,577.52
Total Capital Assets Being Depreciated, Net	47,537,767.67	5,317,741.18	43,374.53	52,812,134.32
Governmental Activities Capital Assets, Net	<u>\$ 55,801,130.10</u>	<u>\$ 16,923,897.90</u>	<u>\$ 6,691,914.13</u>	<u>\$ 66,033,113.87</u>

The District's capital assets serve several functions; accordingly, depreciation expense, which totaled \$2,610,854.96, is reported as unallocated on the Statement of Activities.

5. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on December 1, 1998, and supplemental agreements dated July 1, 2002, May 1, 2006, and January 1, 2007, in which each arrangement was characterized as a lease-purchase agreement, with the Sumter County School Board Leasing Corporation, whereby the District secured financing of various educational facilities in the total amount of \$5,100,000 for the Series 1998 Certificates of Participation; \$15,625,000 for the Series 2002 Certificates of Participation; \$16,695,00 for the Series 2006 Certificates of Participation; and \$13,860,000 for the Series 2007 Certificates of Participation. The Series 1998 Certificates of Participation were used, in part, to advance-refund the District's

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	2,343,789.63	1,060,000.00	1,283,789.63
2014-2018	11,715,112.00	6,000,000.00	5,715,112.00
2019-2023	11,727,315.38	7,395,000.00	4,332,315.38
2024-2028	11,757,343.39	9,170,000.00	2,587,343.39
2029-2031	<u>7,109,900.00</u>	<u>6,640,000.00</u>	<u>469,900.00</u>
Total Minimum Lease Payments	<u>\$ 54,022,883.93</u>	<u>\$ 34,105,000.00</u>	<u>\$ 19,917,883.93</u>

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6. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 1,000,000	5.0	2016
Series 2005B, Refunding	200,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	<u>2,600,000</u>	4.15 - 5.0	2028
Total Bonds Payable	<u>\$ 3,800,000</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 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts 1976. The bonds are payable solely from and secured by a lien upon and pledge of the revenues distributed to the District from moneys deposited to the credit of the Pari-mutuel Wagering Trust Fund pursuant to Chapter 550, Florida Statutes, and allocated to the District as provided by law (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	179,500.00	145,000.00	34,500.00
2014-2018	609,500.00	545,000.00	64,500.00
Total State School Bonds	1,502,000.00	1,200,000.00	302,000.00
District Revenue Bonds:			
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	198,691.26	90,000.00	108,691.26
2014-2018	995,440.05	520,000.00	475,440.05
2019-2023	990,490.65	655,000.00	335,490.65
2024-2028	979,531.25	825,000.00	154,531.25
2029	194,750.00	190,000.00	4,750.00
Total District Revenue Bonds	4,150,314.50	2,600,000.00	1,550,314.50
Total	\$5,652,314.50	\$3,800,000.00	\$ 1,852,314.50

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7. DEFEASED DEBT

In prior years, portions of Certificates of Participation (COPs), Series 1998 and Series 2002, were advance-refunded by the District and considered defeased in substance by placing a portion of the proceeds of the COPs, Series 2007, in an irrevocable trust to provide for future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District's financial statements. On June 30, 2008, \$1,470,000 of outstanding COPs, Series 1998, and \$11,520,000 of outstanding COPs, Series 2002, are considered defeased in substance.

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,985,000.00	\$	\$ 185,000.00	\$ 3,800,000.00	\$ 195,000.00
Certificates of Participation Payable	35,010,000.00		905,000.00	34,105,000.00	905,000.00
Compensated Absences Payable	4,017,493.25	481,329.42	341,465.43	4,157,357.24	382,686.00
Estimated Insurance Claims Payable	400,479.00	148,961.99	153,242.99	396,198.00	153,000.00
Total Governmental Activities	\$43,412,972.25	\$630,291.41	\$ 1,584,708.42	\$ 42,458,555.24	\$ 1,635,686.00

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

9. 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	\$95,814.65	\$
Nonmajor Governmental		95,814.65
Total	\$95,814.65	\$95,814.65

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,

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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	\$ 6,813,474.52	\$ 1,074,905.76
Capital Projects:		
Public Education Capital Outlay		1,893,256.91
Local Capital Improvement		7,347,478.30
Other		839.68
Nonmajor Governmental	2,428,100.37	
Internal Service	1,074,905.76	
Total	<u>\$ 10,316,480.65</u>	<u>\$ 10,316,480.65</u>

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

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 2008-2009 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,171,059.00
Categorical Educational Programs:	
Class Size Reduction	6,947,791.00
Transportation	1,294,111.00
Instructional Materials	728,364.00
Voluntary Pre-K Program	558,907.90
School Recognition	308,033.00
Other	340,233.40
Charter School Capital Outlay Funding	1,324,858.00
Gross Receipts Tax (Public Education Capital Outlay)	566,317.00
Discretionary Lottery Funds	335,323.00
Workforce Development Program	275,436.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	268,774.18
Food Service Supplement	62,752.23
Mobile Home License Tax	58,439.17
Miscellaneous	592,134.31
Total	<u><u>\$ 22,832,533.19</u></u>

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

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.002	\$29,210,828.00
Basic Discretionary Local Effort	0.510	2,978,313.00
Supplemental Discretionary Local Effort	0.136	794,217.00
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.880</u>	<u>10,978,880.00</u>
Total	<u><u>7.528</u></u>	<u><u>\$43,962,238.00</u></u>

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

13. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 68

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$376,517.10.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

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	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of 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, 2006, June 30, 2007, and June 30, 2008, totaled \$2,015,541.70, \$2,655,152.76, and \$3,091,458.80, respectively, which were equal to the required contributions for each fiscal year.

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

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

14. 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	\$ 229,109.00	\$ 214,010.24	\$ 15,098.76
Contractor	4,346,222.25	3,861,188.25	485,034.00
South Sumter High Cafeteria			
Architect	299,955.00	288,399.20	11,555.80
Contractor	4,895,700.29	4,178,230.12	717,470.17
Total	<u>\$ 9,770,986.54</u>	<u>\$ 8,541,827.81</u>	<u>\$ 1,229,158.73</u>

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

EXHIBIT – K (Continued)
SUMTER COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

16. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc., established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2008, the accumulated credits to the District's account are \$182,781.44. During the 2007-08 fiscal year, the District received \$1,566.81 related to 2007 capital credits.

17. RISK MANAGEMENT PROGRAMS

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

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years. A liability in the amount of \$396,198 was determined to cover estimated incurred, but not reported, workers' compensation insurance claims at June 30, 2008.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
	<hr/>	<hr/>	<hr/>	<hr/>
2006-07	\$	\$525,660.00	\$ 125,181.00	\$ 400,479.00
2007-08	400,479.00	148,961.99	153,242.99	396,198.00

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT - L
SUMTER COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 51,883.59	\$ 1,883.59
Federal Through State	80,000.00			
State	22,924,736.00	20,211,638.21	20,390,567.01	178,928.80
Local:				
Taxes	30,984,813.00	31,334,191.00	31,690,329.84	356,138.84
Miscellaneous	957,700.00	995,360.57	1,431,675.42	436,314.85
Total Revenues	54,997,249.00	52,591,189.78	53,564,455.86	973,266.08
Expenditures				
Current - Education:				
Instruction	43,135,971.93	40,927,913.33	38,874,777.92	2,053,135.41
Pupil Personnel Services	2,116,955.00	2,352,693.99	2,031,093.04	321,600.95
Instructional Media Services	777,060.00	747,575.53	698,282.35	49,293.18
Instruction and Curriculum Development Services	1,301,919.60	1,259,989.12	1,138,366.59	121,622.53
Instructional Staff Training Services	569,013.82	658,927.12	568,375.74	90,551.38
Instruction Related Technology	662,671.00	658,628.57	510,335.34	148,293.23
Board of Education	404,525.00	412,316.42	400,568.42	11,748.00
General Administration	305,184.00	304,208.75	282,232.00	21,976.75
School Administration	2,701,023.51	2,943,533.14	2,554,703.44	388,829.70
Facilities Acquisition and Construction	823,002.00	254,294.78	221,973.00	32,321.78
Fiscal Services	532,739.00	608,508.11	554,586.14	53,921.97
Central Services	784,520.03	848,160.04	748,589.62	99,570.42
Pupil Transportation Services	4,041,794.00	3,119,278.12	2,845,998.55	273,279.57
Operation of Plant	4,089,243.00	4,064,078.90	3,780,422.20	283,656.70
Maintenance of Plant	3,154,701.00	1,522,536.11	1,517,621.59	4,914.52
Administrative Technology Services	406,488.00	402,553.43	342,077.15	60,476.28
Community Services	47,000.00	11,733.88	689.36	11,044.52
Fixed Capital Outlay:				
Other Capital Outlay		549,307.00	549,302.82	4.18
Debt Service:				
Dues, Fees and Issuance Costs	17,000.00	17,000.00		17,000.00
Total Expenditures	65,870,810.89	61,663,236.34	57,619,995.27	4,043,241.07
Deficiency of Revenues Over Expenditures	(10,873,561.89)	(9,072,046.56)	(4,055,539.41)	5,016,507.15
Other Financing Sources (Uses)				
Transfers In	9,761,406.00	6,735,590.52	6,813,474.52	77,884.00
Transfers Out	(38,620.00)	(1,735,070.60)	(1,074,905.76)	660,164.84
Total Other Financing Sources (Uses)	9,722,786.00	5,000,519.92	5,738,568.76	738,048.84
Net Change in Fund Balance	(1,150,775.89)	(4,071,526.64)	1,683,029.35	5,754,555.99
Fund Balance, July 1, 2007	7,502,003.48	7,502,003.48	7,502,003.48	
Fund Balance, June 30, 2008	\$ 6,351,227.59	\$ 3,430,476.84	\$ 9,185,032.83	\$ 5,754,555.99

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUMTER COUNTY DISTRICT SCHOOL BOARD SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Fiscal Year Ended June 30, 2008

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:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 534,765.19
National School Lunch Program	10.555	300	1,547,672.94
Summer Food Service Program for Children	10.559	323	32,466.88
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555(2)	None	173,869.00
Total Child Nutrition Cluster			2,288,774.01
Total United States Department of Agriculture			2,288,774.01
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,401,005.66
Special Education - Preschool Grants	84.173	267	24,701.55
Putnam County District School Board			
Special Education - Grants to States	84.027	None	1,127.66
Washington County District School Board:			
Special Education - Grants to States	84.027	None	5,092.73
Orange County District School Board:			
Special Education - Grants to States	84.027	None	11,015.01
Total Special Education Cluster			1,442,942.61
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	109,346.00
Title I Grants to Local Educational Agencies	84.010	212, 228	1,461,641.34
Migrant Education - State Grant Program	84.011	217	136,938.18
Career and Technical Education - Basic Grants to States	84.048	151	90,834.05
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	33,162.12
Twenty-First Century Community Learning Centers	84.287	244	421,185.23
State Grants for Innovative Programs	84.298	113	6,316.47
Education Technology State Grants	84.318	121	20,657.71
Rural Education	84.358	110	120,238.86
English Language Acquisition Grants	84.365	102	71,291.23
Improving Teacher Quality State Grants	84.367	224	402,165.47
School Improvement Grants	84.377	126	4,537.52
Lake Sumter Community College:			
Career and Technical Education - Basic Grants to States	84.048	None	4,070.55
Lake County District School Board:			
Tech-Prep Education	84.243	None	22,000.00
Total Indirect			4,347,327.34
Total United States Department of Education			4,347,327.34
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	146,552.80
Total Expenditures of Federal Awards			\$ 6,782,654.15

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



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

INDEPENDENT AUDITOR'S REPORT ON 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, 2008, 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 school internal funds and the aggregate discretely presented component units, as described in our report on the Sumter County District School Board's financial statements. 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.

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA

January 16, 2009



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

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

Compliance

We have audited the Sumter County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 16, 2009

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Improving Teacher Quality State Grants (CFDA No. 84.367).
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SUMTER COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ADDITIONAL MATTERS

Finding No. 1: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that a District collecting an individual's SSN provide that individual with a copy of the written statement indicating the purpose for collecting the number. Further, the section provides that SSNs collected by a District not be used for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008.

The District collects SSNs from students, employees and prospective employees, and certain contracted vendors for record keeping and withholding taxes. The District posted a notice of SSN use under the parent and employee sections on the District's website, and provided a notice of SSN use to new employees as part of their orientation. In February 2008, District personnel submitted a certification to the Legislature to evidence that they notified employees of reasons for collection of SSNs, and that such collection was only for purposes stated in the notice. Contracted vendors provide SSN information to the District and complete a form which explains that the District uses the information as a record of the vendor's eligibility to work. Additionally, in June 2008, the Board adopted a SSN policy which provides certain allowable purposes for collecting SSNs, such as for identification and verification, benefit processing, data collection, tax reporting, and criminal background checks. However, the reasons the SSNs were requested from parents or legal guardians and potential employees were not provided in writing to these individuals. Effective controls to properly ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.

Finding No. 2: Adult General Education Program

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, provides that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. Additionally, FDOE procedures for reporting instructional hours stated that districts must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule.

Our review of the hours reported to FDOE for 15 students enrolled in 28 adult general education classes disclosed exceptions in the enrollment reporting, as follows:

- Inquiry with District personnel indicated that, contrary to FDOE guidance, students were allowed eight consecutive absences from classes before they were withdrawn for nonattendance. Further, our review of available documentation to support the 28 classes disclosed that attendance records were not maintained for 12 students in 19 of the classes. Without attendance records, these 19 classes potentially overreported 878 hours. As of October 2008, the District revised their procedures to withdraw students for nonattendance after six consecutive absences, and require teachers to maintain attendance records.
- Teachers generally notify the registrar when students withdraw from classes. Our review disclosed that four students enrolled in five classes withdrew prior to the class ending date based on teacher notification records; however, the District reported the students' instructional hours based on the scheduled hours, instead of actual hours. Misreported hours for these four students ranged from 8 hours underreported to 51 hours overreported, or a total of 137 net hours overreported.
- The District inadvertently established the class days and times incorrectly in the reporting system for one student enrolled in two classes, resulting in 190 overreported hours.
- According to District personnel and class schedules, certain classes are held at the same time, and students are allowed to attend one class or another, based on their particular needs. However, we noted that one student was double-reported in two different classes for the same time periods, resulting in 148 overreported hours.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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

Finding No. 3: Information Technology – Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

Our audit disclosed that the District lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), vendor-supplied IDs, guest accounts, administrator IDs, and security devices (such as routers and firewalls).
- Prohibiting administrator rights on workstations used by end users.

- Defining access privileges and responsibilities of help desk staff.
- Granting least privilege for user access based on job function.
- Defining responsibilities for network, system, and database administration.
- Removing confidential information from consultant or vendor equipment and revoking access privileges for consultants or vendors.
- Resetting user passwords, including positive identification of the user.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions.

Finding No. 4: Information Technology - Security Awareness Training Program

The District had not implemented a comprehensive security awareness training program to apprise new employees of, or reemphasize to current employees, the importance of preserving the integrity, confidentiality, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District required employees to sign an acknowledgment that they have read and understood the applicable policies contained in the *Employee Technology Handbook*, the District did not have a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities. Without a comprehensive security awareness training program the risk is increased that the District's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties.

Recommendation: To minimize misuse of IT resources, the District should promote security awareness through comprehensive training programs to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 5: Information Technology – User Authentication and Logging and Monitoring of System Events

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication and logging and monitoring of system events that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls related to user authentication and logging and monitoring of system events to ensure the continued confidentiality, integrity, and availability of District data and IT resources

Finding No. 6: Information Technology – Removal of Access Privileges

Effective management of system access privileges includes the timely removal of employee access privileges when employees terminate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others. The District did not remove access privileges of certain former employees in a timely manner, as described below:

- Thirty of 182 user IDs remained active in the AS/400 operating system from 5 to 365 days after the employees' termination dates.
- Twenty-seven of 182 user IDs remained active in the Total Educational Resource Management System (TERMS) application from 5 to 365 days after the employees' termination dates.

Without timely deletion of former employees' access, the risk is increased that the access privileges could be misused by the former employee or others. In response to audit inquiry, the District began reviewing and disabling accounts belonging to former employees.

Recommendation: The District should enhance its procedures to provide for timely disabling IT access privileges of former employees to minimize the risk that the access privileges could be used to compromise District data or IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2008-103.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit – M.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*SUMTER COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008*

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
2008-103		No prior Federal audit findings.		

EXHIBIT – M
MANAGEMENT’S RESPONSE



SUMTER COUNTY SCHOOL BOARD
“Preparing the next generation today”

Richard A. Shirley
Superintendent of Schools

BOARD MEMBERS

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Christine S. Norris

District 2

Linda J. Winchester

District 3

Kenneth P. Jones

District 4

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District 5

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Secondary Education

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Student Services

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Federal Programs

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Finance

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Employee Benefits

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Food Service

Ext. 238 Fax 793-4963

Human Resource

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Data Processing

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Exceptional Education

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Library Media / Instructional Technology

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Facilities

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Warehouse

793-7906 Fax 793-9298

Transportation

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The Villages Charter Schools

352-259-2350

Fax 352-259-3850

January 9, 2009

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

RE: Fiscal Year 2007-2008 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: Collection of Social Security Numbers

The reasons that social security numbers were requested from parents or legal guardians and potential employees were not provided in writing to these individuals, contrary to Section 119.071(5)(a), Florida Statutes

The district will continue its initiative to report the reason for social security use and expand the reason to include parent or legal guardians and potential new employees as currently is practiced for employees.

Finding No. 2: Adult General Education Program

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

The recommendation is being followed. MIS and the Adult Education Program are coordinating the correct input of student hours, attendance and compliance with statute.

Finding No. 3: Information Technology – Written Policies and Procedures

The District lacked written policies and procedures for certain information technology (IT) functions.

The existing MIS Data Processing Operations Manual is being reviewed and new and/or revised policies and procedures are being updated or developed for inclusion in order to better document acceptable practices.

Network operational policies and procedures will be developed and formalized to better address the security and operational requirements of the district. These will include policies and procedures related to user accounts, defining access rights and better definition of network administration responsibilities. Formalized processes related to vendor access to resources and data will be developed.

2680 West County Road 476 - Bushnell, Florida 33513

Finding No. 4: Information Technology – Security Awareness Training Program

The District lacked a comprehensive security awareness training program.

The MIS and IT Departments will collaborate in developing a more comprehensive security awareness training program for users of the systems. Once developed, the security awareness initiatives will be documented along with current awareness components already in place, forming a more comprehensive program.

Finding No. 5: Information Technology – User Authentication and Logging and Monitoring of System Events

Certain security controls related to user authentication and logging and monitoring of system events needed improvement.

MIS will create a process to log and report any changes to the TERMS security files.

Finding No. 6: Information Technology – Removal of Access Privileges

District staff had not removed the IT access privileges of certain former employees in a timely manner.

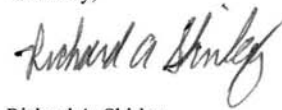
Current discussions are underway to formalize systems of communication to develop a more efficient and accurate workflow to improve the timelines of account disabling or deletion.

Due to the possibility that important data is attached to network accounts, the process of disabling access will be used when appropriate, meaning the account may not be deleted, but the individual's access has been removed.

Also, the district has chosen in the past and upon further review will possibly continue to make security controls from access gateways rather than from the application layer. Since access to the application would be denied, the security needs are controlled.

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

Sincerely,



Richard A. Shirley
Superintendent

RAS/as