

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2023-122
February 2023

SUMTER COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2022



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2021-22 fiscal year, Richard A. Shirley served as Superintendent of the Sumter County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Sally B. Moss, Chair from 11-16-21, Vice Chair through 11-15-21	1
Brett Sherman	2
David A. Williams, Chair through 11-15-21	3
Russell Hogan	4
Kathie L. Richard, Vice Chair from 11-16-21	5

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 team leader was Ruth G. Pennewell, CPA, and the audit was supervised by Anna A. McCormick, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

SUMTER COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Audit of the Financial Statements.....	1
Other Reporting Required by <i>Government Auditing Standards</i>	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Net Position – Proprietary Funds.....	25
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	26
Statement of Cash Flows – Proprietary Funds	27
Notes to Financial Statements	28
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	62
Schedule of Changes in the District's Total OPEB Liability and Related Ratios.....	64
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	65
Schedule of District Contributions – Florida Retirement System Pension Plan	65
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	66
Schedule of District Contributions – Health Insurance Subsidy Pension Plan.....	66
Notes to Required Supplementary Information	67
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	68
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	70

SUMTER COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	72
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75
PRIOR AUDIT FOLLOW-UP	76
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	76

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Sumter County District School Board (District) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Emergency Connectivity Fund, Special Education Cluster, and Education Stabilization Fund were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. Our audit objectives were also to obtain reasonable assurance about whether material noncompliance with applicable Federal awards requirements occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. In doing so, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the school internal funds, which represent 8 percent, 0 percent, 0 percent, 10 percent, 8 percent, and 8 percent, respectively, of the assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. The financial statements of the school internal funds and the discretely presented component unit were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such

information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2023, on our consideration of the District'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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 21, 2023

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, 2022. 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 immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2021-22 fiscal year are as follows:

- Overall, the District's financial position increased over the prior fiscal year. The District's total net position increased by \$10,038,904.
- During the current fiscal year, General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$1,092,680.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, this report presents certain required supplementary information, which includes the MD&A, budgetary comparison schedule, a schedule of changes in the total other postemployment benefits (OPEB) liability and related ratios, schedules related to pensions, and notes to required supplementary information.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position 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 such as 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.
 - The Villages Charter School, Inc. is a legally separate organization and component unit that is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.
 - The Sumter County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included (blended) as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Education

Stabilization 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 and major Special Revenue Funds 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. The District maintains one type of proprietary fund, which is 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 and health insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's total other postemployment benefits (OPEB) and net pension liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Total assets of the District amount to \$182,139,908 and \$103,314,028 as of June 30, 2022, and June 30, 2021, respectively. The current ratio is 5.45:1 with current assets of \$19,425,849 and current liabilities of \$3,564,383. The other assets not considered to be current assets for the purpose of computing the current ratio include the capital credits receivable of \$318,257, note receivable of \$1,020,000, and cash and cash equivalents restricted for capital improvements of \$19,802,629 and for debt service of \$209,412. The prior year current ratio was 5.21:1 with current assets of \$16,870,584 and current liabilities of \$3,236,570.

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2022, compared to net position as of June 30, 2021:

Net Position, End of Year

	Governmental Activities	
	6-30-22	6-30-21
Current Assets	\$ 19,425,849	\$ 16,870,584
Other Assets	21,350,298	18,936,356
Capital Assets	141,363,761	67,507,088
Total Assets	182,139,908	103,314,028
Deferred Outflows of Resources	12,603,778	15,312,446
Long-Term Liabilities	122,464,424	78,325,563
Other Liabilities	3,564,383	3,236,570
Total Liabilities	126,028,807	81,562,133
Deferred Inflows of Resources	26,295,910	4,684,276
Net Position:		
Net Investment in Capital Assets	47,782,576	45,634,088
Restricted	22,973,525	19,280,011
Unrestricted (Deficit)	(28,337,132)	(32,534,034)
Total Net Position	\$ 42,418,969	\$ 32,380,065

The largest portion of the District's net position (\$47,782,576) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The capital assets increased by \$73,856,673 from the prior fiscal year, primarily due to capitalization of a building lease. Depreciation/amortization expense for the year was \$15,175,027.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The District's unrestricted net position increased by a total of \$4,196,902.

The long-term liabilities increased by \$44,138,861 over the prior fiscal year primarily due to the addition of a lease payable totaling \$73,439,185 per the implementation of GASB Statement No. 87, which was offset by a decrease in the net pension liability of \$26,015,823.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2022, and June 30, 2021, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental	
	Activities	
	<u>6-30-22</u>	<u>6-30-21</u>
Program Revenues:		
Charges for Services	\$ 256,641	\$ 177,251
Operating Grants and Contributions	4,759,139	3,342,244
Capital Grants and Contributions	2,304,792	2,150,749
General Revenues:		
Property Taxes, Levied for Operational Purposes	58,525,735	57,042,554
Property Taxes, Levied for Capital Projects	24,077,350	22,212,054
Grants and Contributions Not Restricted to Specific Programs	28,856,604	22,578,268
Unrestricted Investment Earnings	65,981	85,081
Miscellaneous	2,674,718	1,865,893
Total Revenues	<u>121,520,960</u>	<u>109,454,094</u>
Functions/Program Expenses:		
Instruction	58,853,064	68,496,821
Student Support Services	3,065,427	3,096,412
Instructional Media Services	648,705	715,432
Instruction and Curriculum Development Services	2,445,296	2,541,479
Instructional Staff Training Services	1,017,956	961,803
Instruction-Related Technology	1,326,704	1,388,327
Board	726,114	698,905
General Administration	992,959	1,039,831
School Administration	3,555,621	3,756,231
Facilities Acquisition and Construction	2,040,938	1,631,198
Fiscal Services	527,000	610,340
Food Services	3,901,428	3,800,860
Central Services	2,168,613	1,120,567
Student Transportation Services	2,883,737	2,970,242
Operation of Plant	4,757,792	5,052,608
Maintenance of Plant	2,352,800	2,500,304
Administrative Technology Services	633,122	583,901
Community Services	1,436,610	909,892
Unallocated Interest on Long-Term Debt	2,973,143	646,385
Unallocated Depreciation/Amortization Expense	15,175,027	3,352,662
Total Functions/Program Expenses	<u>111,482,056</u>	<u>105,874,200</u>
Change in Net Position	<u>10,038,904</u>	<u>3,579,894</u>
Net Position - Beginning	32,380,065	28,193,507
Adjustment to Beginning Net Position (1)	-	606,664
Net Position - Beginning, as Restated	<u>32,380,065</u>	<u>28,800,171</u>
Net Position - Ending	<u><u>\$ 42,418,969</u></u>	<u><u>\$ 32,380,065</u></u>

(1) In the 2020-21 fiscal year, the adjustment to beginning net position is due to the District implementing GASB Statement No. 84 and reporting the school internal funds as part of governmental activities.

The largest revenue source is property tax revenue (68 percent) which increased by \$3,348,477 primarily due to an increase in local property values in Sumter County. The decrease in instruction expense and the increase in unallocated depreciation/amortization expense are due to the implementation of GASB Statement No. 87 whereby lease payments that were previously reported as instruction expense are now reported as a debt service principal expenditure and the cost of the related lease asset is amortized over the remaining term of the lease agreement. Grants and contributions not restricted to specific programs primarily increased due to additional Federal Education Stabilization Fund revenue. Other revenues and expenses were generally consistent with the prior fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

At fiscal year end, the District's governmental funds reported combined ending fund balances of \$32,412,786 an increase of \$4,491,284, in comparison with the prior fiscal year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2022, and June 30, 2021.

	<u>6-30-22</u>	<u>6-30-21</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Major Governmental Funds:				
General Fund	\$ 10,968,581	\$ 9,875,900	\$ 1,092,681	11.06%
Capital Projects:				
Local Capital Improvement	14,982,641	13,179,752	1,802,889	13.68%
Other	674,213	410,937	263,276	64.07%
Other Governmental Funds (Nonmajor)	<u>5,787,351</u>	<u>4,454,913</u>	<u>1,332,438</u>	<u>29.91%</u>
Total	<u>\$32,412,786</u>	<u>\$27,921,502</u>	<u>\$4,491,284</u>	<u>16.09%</u>

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$7,203,969, while the total fund balance is \$10,968,581. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 11 percent of the total General Fund revenues, while total fund balance represents 15 percent of total General Fund revenues.

During the current fiscal year, the total fund balance increased by \$1,092,681. Revenues and other financing sources increased by \$1,854,611 from the prior fiscal year, while expenditures and other financing uses increased by \$1,403,825.

The following schedule shows the changes in General Fund revenues, expenditures and other financing sources/uses for fiscal years ended June 30, 2022, and June 30, 2021:

	<u>6-30-22</u>	<u>6-30-21</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Federal Revenues	\$ -	\$ 849,081	\$ (849,081)	-100.00%
State Revenues	13,989,377	14,124,883	(135,506)	-0.96%
Property Taxes	58,525,735	57,042,554	1,483,181	2.60%
Other Local Revenue	1,341,782	1,015,819	325,963	32.09%
Total	<u>73,856,894</u>	<u>73,032,337</u>	<u>824,557</u>	<u>1.13%</u>
Other Financing Sources:				
Transfers In	13,553,694	12,537,933	1,015,761	8.10%
Other	14,292	-	14,292	100.00%
Total	<u>13,567,986</u>	<u>12,537,933</u>	<u>1,030,053</u>	<u>8.22%</u>
Total Revenues and Other Financing Sources	<u>\$ 87,424,880</u>	<u>\$ 85,570,270</u>	<u>\$ 1,854,610</u>	<u>2.17%</u>
Expenditures	\$ 85,932,200	\$ 84,528,375	\$ 1,403,825	1.66%
Other Financing Uses:				
Transfers Out	400,000	400,000	-	0.00%
Total Expenditures and Other Financing Uses	<u>\$ 86,332,200</u>	<u>\$ 84,928,375</u>	<u>\$ 1,403,825</u>	<u>1.66%</u>

Federal revenues decreased and transfers in increased from the prior fiscal year primarily due to receiving Coronavirus Relief Funds in the prior year and similar funds were not received in the current year. Property tax revenue increased due to growth in property values.

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2022, and June 30, 2021:

	<u>6-30-22</u>	<u>6-30-21</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Expenditures:				
Salaries	\$ 31,726,825	\$ 32,709,117	\$ (982,292)	-3.00%
Employee Benefits	10,316,798	10,333,888	(17,090)	-0.17%
Purchased Services	25,139,272	35,704,150	(10,564,878)	-29.59%
Energy Services	1,727,310	1,501,373	225,937	15.05%
Materials & Supplies	1,815,230	2,056,369	(241,139)	-11.73%
Capital Outlay	2,426,022	1,935,452	490,570	25.35%
Other	12,780,743	288,026	12,492,717	4337.36%
Total Expenditures	<u>\$ 85,932,200</u>	<u>\$ 84,528,375</u>	<u>\$ 1,403,825</u>	<u>1.66%</u>

Purchased services decreased, while other expenditures increased due to the implementation of GASB Statement No. 87. Lease payments that were previously classified as purchased services are now recorded as debt principal expenditures which is classified as other expenditures.

The Special Revenue – Other Fund has total revenues and expenditures of \$5,048,149 each and the funding was mainly used for instruction related costs. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Education Stabilization Fund has total revenues and expenditures of \$9,600,732 each and the funding was mainly used for instruction related costs. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$14,982,641 which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$1,802,889 primarily because of an increase in property tax revenue related to an increase in property tax values and completion of major construction projects. It should be noted that \$5,646,542 is encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of \$674,213 which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$263,276 primarily because of cash received from the sale of the former North Sumter Primary School campus in a prior year. The District holds a note receivable for the balance of the sale in the amount of \$1,020,000 which is reflected in deferred inflows of resources.

Proprietary Funds

The internal service funds account for the District's workers' compensation self-insurance program and the health insurance programs. Unrestricted net position of the internal service funds totals \$2,443,005 at June 30, 2022, increasing \$111,438 from June 30, 2021.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2021-22 fiscal year, the District amended its General Fund budget several times. Final budgeted revenues are in line with original amounts.

Final appropriations were more than the original budgeted amounts by \$3,016,360. However, the District's actual expenditures were \$9,161,842 below the final budgeted expenditure amount. Each fiscal year, the District budgets in full for all funds available for categorical and restricted purposes, even though the full amount may not be spent and significant unexpended portions are carried over to the succeeding fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022, is \$141,363,761 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; right-to-use lease assets; motor vehicles; and construction in progress.

The major capital asset event completed during the 2021-22 fiscal year was the Bleachers at South Sumter High School at a cost of \$1,206,059.

Major contract commitments at fiscal year end for construction activity amounted to \$3,774,878.

Additional information on the District's capital assets can be found in Notes III.C. and III.F. to the financial statements.

Long-Term Debt

At June 30, 2022, the District had total long-term debt outstanding of \$93,581,185 composed of \$2,820,000 of bonds payable, \$17,322,000 of certificates of participation, and \$73,439,185 of lease payable. During the current fiscal year, retirement of debt was \$9,928,194.

Additional information on the District's long-term debt can be found in Note III.H. to the financial statements.

REQUESTS FOR INFORMATION

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

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

Sumter County District School Board Statement of Net Position June 30, 2022

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 36,380,914.76	\$ 2,625,384.00
Accounts Receivable	6,068.31	673,801.00
Due from Other Agencies	1,488,745.77	211,834.00
Capital Credits Receivable	318,257.03	-
Prepaid Items	-	5,998.00
Inventories	1,562,161.10	23,176.00
Note Receivable	1,020,000.00	-
Capital Assets:		
Nondepreciable Capital Assets	8,505,313.01	-
Depreciable Capital Assets, Net	132,858,448.07	2,238,565.00
TOTAL ASSETS	<u>182,139,908.05</u>	<u>5,778,758.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	12,483,388.00	-
OPEB	120,390.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,603,778.00</u>	<u>-</u>
LIABILITIES		
Accrued Salaries and Benefits	183,966.28	629,054.00
Accounts Payable	2,464,589.14	594,134.00
Construction Contracts Payable - Retained Percentage	366,708.75	-
Due to Other Agencies	4,843.51	-
Unearned Revenue	544,275.91	375,508.00
Estimated Insurance Claims Payable	-	1,029,695.00
Long-Term Liabilities:		
Portion Due Within 1 Year	11,678,260.00	-
Portion Due After 1 Year	110,786,163.53	-
TOTAL LIABILITIES	<u>126,028,807.12</u>	<u>2,628,391.00</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	21,897,360.00	-
OPEB	4,398,550.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>26,295,910.00</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	47,782,575.66	2,238,565.00
Restricted for:		
State Required Carryover Programs	1,529,319.90	-
Debt Service	209,412.29	-
Capital Projects	18,791,073.78	-
Food Service	1,627,186.92	912,878.00
Other Purposes	816,532.35	677,338.00
Unrestricted	(28,337,131.97)	(678,414.00)
TOTAL NET POSITION	<u>\$ 42,418,968.93</u>	<u>\$ 3,150,367.00</u>

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

**Sumter County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 58,853,063.77	\$ 112,676.26	\$ -	\$ -
Student Support Services	3,065,427.08	-	-	-
Instructional Media Services	648,705.01	-	-	-
Instruction and Curriculum Development Services	2,445,295.96	-	-	-
Instructional Staff Training Services	1,017,955.67	-	-	-
Instruction-Related Technology	1,326,703.88	-	-	-
Board	726,113.70	-	-	-
General Administration	992,958.62	-	-	-
School Administration	3,555,621.24	-	-	-
Facilities Acquisition and Construction	2,040,937.88	-	-	2,304,792.23
Fiscal Services	527,000.29	-	-	-
Food Services	3,901,428.02	124,589.94	4,759,138.95	-
Central Services	2,168,613.29	-	-	-
Student Transportation Services	2,883,737.27	19,374.75	-	-
Operation of Plant	4,757,791.56	-	-	-
Maintenance of Plant	2,352,800.42	-	-	-
Administrative Technology Services	633,121.94	-	-	-
Community Services	1,436,610.32	-	-	-
Unallocated Interest on Long-Term Debt	2,973,143.25	-	-	-
Unallocated Depreciation/Amortization Expense	15,175,027.02	-	-	-
Total Primary Government	\$ 111,482,056.19	\$ 256,640.95	\$ 4,759,138.95	\$ 2,304,792.23
Component Unit				
The Villages Charter School, Inc.	\$ 40,104,389.00	\$ 3,516,958.00	\$ 5,528,221.00	\$ 1,761,247.00

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 Position

Net Position - Beginning

Net Position - Ending

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

**Net (Expense) Revenue and Changes in
Net Position**

Primary Government	
Governmental Activities	Component Unit
\$ (58,740,387.51)	\$ -
(3,065,427.08)	-
(648,705.01)	-
(2,445,295.96)	-
(1,017,955.67)	-
(1,326,703.88)	-
(726,113.70)	-
(992,958.62)	-
(3,555,621.24)	-
263,854.35	-
(527,000.29)	-
982,300.87	-
(2,168,613.29)	-
(2,864,362.52)	-
(4,757,791.56)	-
(2,352,800.42)	-
(633,121.94)	-
(1,436,610.32)	-
(2,973,143.25)	-
(15,175,027.02)	-
<u>(104,161,484.06)</u>	<u>-</u>
<u>-</u>	<u>(29,297,963.00)</u>
58,525,734.83	-
24,077,350.64	-
28,856,603.88	31,435,158.00
65,981.16	-
<u>2,674,717.86</u>	<u>221,730.00</u>
<u>114,200,388.37</u>	<u>31,656,888.00</u>
10,038,904.31	2,358,925.00
<u>32,380,064.62</u>	<u>791,442.00</u>
<u>\$ 42,418,968.93</u>	<u>\$ 3,150,367.00</u>

**Sumter County District School Board
Balance Sheet – Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,575,826.80	\$ -	\$ 77,806.86
Accounts Receivable	5,084.33	-	-
Due from Other Funds	322,052.68	-	-
Due from Other Agencies	154,398.98	409,340.46	345,098.30
Inventories	1,422,867.18	-	-
Note Receivable	-	-	-
TOTAL ASSETS	<u>\$ 11,480,229.97</u>	<u>\$ 409,340.46</u>	<u>\$ 422,905.16</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 94,862.83	\$ 67,028.40	\$ 12,053.91
Accounts Payable	411,942.74	140,443.22	221,983.48
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	-	201,868.84	120,183.84
Due to Other Agencies	4,843.51	-	-
Unearned Revenue	-	-	68,683.93
Total Liabilities	<u>511,649.08</u>	<u>409,340.46</u>	<u>422,905.16</u>
Deferred Inflows of Resources:			
Unavailable Revenue - State Capital Outlay	-	-	-
Unavailable Revenue - Note Receivable	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventories	1,422,867.18	-	-
Restricted for:			
State Required Carryover Programs	1,529,319.90	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	-	-
Student Activities	-	-	-
Total Restricted Fund Balance	<u>1,529,319.90</u>	<u>-</u>	<u>-</u>
Assigned for:			
Purchases on Order	812,425.21	-	-
Unassigned Fund Balance	<u>7,203,968.60</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>10,968,580.89</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 11,480,229.97</u>	<u>\$ 409,340.46</u>	<u>\$ 422,905.16</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 16,322,566.95	\$ 669,862.44	\$ 5,338,248.42	\$ 31,984,311.47
-	-	-	5,084.33
-	-	-	322,052.68
5,368.25	213,476.25	361,063.53	1,488,745.77
-	-	139,293.92	1,562,161.10
-	1,020,000.00	-	1,020,000.00
<u>\$ 16,327,935.20</u>	<u>\$ 1,903,338.69</u>	<u>\$ 5,838,605.87</u>	<u>\$ 36,382,355.35</u>

\$ -	\$ -	\$ 10,021.14	\$ 183,966.28
978,585.27	-	29,679.34	1,782,634.05
366,708.75	-	-	366,708.75
-	-	-	322,052.68
-	-	-	4,843.51
-	-	11,291.70	79,975.63
<u>1,345,294.02</u>	<u>-</u>	<u>50,992.18</u>	<u>2,740,180.90</u>

-	209,125.51	262.71	209,388.22
-	1,020,000.00	-	1,020,000.00
-	1,229,125.51	262.71	1,229,388.22

-	-	139,293.92	1,562,161.10
---	---	------------	--------------

-	-	-	1,529,319.90
-	-	209,412.29	209,412.29
14,982,641.18	674,213.18	3,134,219.42	18,791,073.78
-	-	1,487,893.00	1,487,893.00
-	-	816,532.35	816,532.35
<u>14,982,641.18</u>	<u>674,213.18</u>	<u>5,648,057.06</u>	<u>22,834,231.32</u>

-	-	-	812,425.21
-	-	-	7,203,968.60
<u>14,982,641.18</u>	<u>674,213.18</u>	<u>5,787,350.98</u>	<u>32,412,786.23</u>

<u>\$ 16,327,935.20</u>	<u>\$ 1,903,338.69</u>	<u>\$ 5,838,605.87</u>	<u>\$ 36,382,355.35</u>
-------------------------	------------------------	------------------------	-------------------------

**Sumter County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Total Fund Balances - Governmental Funds \$ 32,412,786.23

Amounts reported for governmental activities in the statement of net position 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. 141,363,761.08

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. 318,257.03

Certain revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds statements. 209,388.22

The note receivable to be collected in future years is not available to liquidate liabilities in the governmental funds, but is accrued in the government-wide statements. 1,020,000.00

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 2,443,004.90

The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 12,483,388.00	
Deferred Outflows Related to OPEB	120,390.00	
Deferred Inflows Related to Pensions	(21,897,360.00)	
Deferred Inflows Related to OPEB	<u>(4,398,550.00)</u>	(13,692,132.00)

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

Bonds Payable	\$ (2,820,000.00)	
Certificates of Participation Payable	(17,322,000.00)	
Compensated Absences Payable	(3,886,285.11)	
Lease Payable	(73,439,185.42)	
Net Pension Liability	(18,642,418.00)	
Other Postemployment Benefits Payable	<u>(5,546,208.00)</u>	<u>(121,656,096.53)</u>

Net Position - Governmental Activities **\$ 42,418,968.93**

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

THIS PAGE INTENTIONALLY LEFT BLANK

Sumter County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ -	\$ -	\$ 652,400.00
Federal Through State and Local	-	5,048,149.21	8,948,332.36
State	13,989,376.83	-	-
Local:			
Property Taxes	58,525,734.83	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	1,341,782.06	-	-
Total Local Revenues	<u>59,867,516.89</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>73,856,893.72</u>	<u>5,048,149.21</u>	<u>9,600,732.36</u>
Expenditures			
Current - Education:			
Instruction	51,403,971.71	2,499,864.06	6,820,230.66
Student Support Services	2,103,819.07	420,926.59	725,152.14
Instructional Media Services	590,936.29	50,068.20	39,104.76
Instruction and Curriculum Development Services	981,503.58	1,216,006.90	326,003.96
Instructional Staff Training Services	590,022.05	336,936.43	117,520.11
Instruction-Related Technology	1,371,066.19	-	25,057.22
Board	782,485.37	-	-
General Administration	798,682.64	98,756.40	206,764.63
School Administration	3,691,587.47	271.39	89,596.54
Facilities Acquisition and Construction	218,286.32	-	-
Fiscal Services	557,394.04	-	8,345.46
Food Services	379.79	-	54,341.43
Central Services	1,013,280.97	210,073.90	953,227.41
Student Transportation Services	2,894,396.83	53,391.09	58,798.32
Operation of Plant	4,672,464.93	40,606.89	143,740.19
Maintenance of Plant	2,401,907.35	-	24,322.01
Administrative Technology Services	622,557.18	-	-
Community Services	224,861.72	-	-
Capital Outlay			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	447,946.82	121,247.36	8,527.52
Debt Service:			
Principal	8,197,194.38	-	-
Interest and Fiscal Charges	2,367,455.01	-	-
Total Expenditures	<u>85,932,199.71</u>	<u>5,048,149.21</u>	<u>9,600,732.36</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,075,305.99)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers In	13,553,693.81	-	-
Sale of Capital Assets	-	-	-
Loss Recoveries	14,292.60	-	-
Transfers Out	(400,000.00)	-	-
Total Other Financing Sources (Uses)	<u>13,167,986.41</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,092,680.42	-	-
Fund Balances, Beginning	9,875,900.47	-	-
Fund Balances, Ending	<u>\$ 10,968,580.89</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 652,400.00
-	-	4,707,633.95	18,704,115.52
-	153,805.05	2,359,829.42	16,503,011.30
24,077,350.64	-	-	82,603,085.47
-	-	124,589.94	124,589.94
105,588.94	19,457.02	1,297,811.04	2,764,639.06
<u>24,182,939.58</u>	<u>19,457.02</u>	<u>1,422,400.98</u>	<u>85,492,314.47</u>
<u>24,182,939.58</u>	<u>173,262.07</u>	<u>8,489,864.35</u>	<u>121,351,841.29</u>
-	-	-	60,724,066.43
-	-	-	3,249,897.80
-	-	-	680,109.25
-	-	-	2,523,514.44
-	-	-	1,044,478.59
-	-	-	1,396,123.41
-	-	-	782,485.37
-	-	-	1,104,203.67
-	-	-	3,781,455.40
1,829,572.72	-	-	2,047,859.04
-	-	-	565,739.50
-	-	3,940,319.51	3,995,040.73
-	-	-	2,176,582.28
-	-	-	3,006,586.24
-	-	-	4,856,812.01
-	-	-	2,426,229.36
-	-	-	622,557.18
-	-	1,219,588.93	1,444,450.65
6,004,182.18	146,229.38	-	6,150,411.56
654,141.96	-	13,045.42	1,244,909.08
-	-	1,731,000.00	9,928,194.38
-	-	605,688.24	2,973,143.25
<u>8,487,896.86</u>	<u>146,229.38</u>	<u>7,509,642.10</u>	<u>116,724,849.62</u>
<u>15,695,042.72</u>	<u>27,032.69</u>	<u>980,222.25</u>	<u>4,626,991.67</u>
-	-	2,112,900.33	15,666,594.14
-	250,000.00	-	250,000.00
-	-	-	14,292.60
<u>(13,892,153.05)</u>	<u>(13,756.09)</u>	<u>(1,760,685.00)</u>	<u>(16,066,594.14)</u>
<u>(13,892,153.05)</u>	<u>236,243.91</u>	<u>352,215.33</u>	<u>(135,707.40)</u>
1,802,889.67	263,276.60	1,332,437.58	4,491,284.27
13,179,751.51	410,936.58	4,454,913.40	27,921,501.96
<u>\$ 14,982,641.18</u>	<u>\$ 674,213.18</u>	<u>\$ 5,787,350.98</u>	<u>\$ 32,412,786.23</u>

**Sumter County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 4,491,284.27

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (7,779,706.73)

Note receivable payments to be received for prior year sale of property are recognized in the governmental funds but not in the statement of activities revenues. (170,000.00)

Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements. However, under the full accrual basis of accounting, this amount is accrued and reported as revenue on the statement of activities. 61,008.24

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year. 75,744.71

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.

Lease Principal Payments	\$ 8,197,194.38	
Bond Principal Payments	90,000.00	
Certificates of Participation Payments	1,641,000.00	9,928,194.38

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.

Capital Credits Receivable, June 30, 2022	\$ 318,257.03	
Capital Credits Receivable, June 30, 2021	(307,556.84)	10,700.19

Governmental funds report OPEB contributions as expenditures. However, in the statement of activities the cost of OPEB earned net of employee contributions is reported as an OPEB expense.

Decrease in OPEB Liability	\$ 1,614,720.00	
Decrease in Deferred Outflows of Resources-OPEB	(156,679.00)	
Increase in Deferred Inflows of Resources-OPEB	(1,388,676.00)	69,365.00

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$ 3,503,365.00	
HIS Pension Contribution	649,807.00	
FRS Pension Expense	(70,535.00)	
HIS Pension Expense	(841,761.00)	3,240,876.00

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 111,438.25

Change in Net Position - Governmental Activities \$ 10,038,904.31

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

**Sumter County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2022**

	Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,396,603.29
Accounts Receivable	983.98
TOTAL ASSETS	4,397,587.27
LIABILITIES	
Current Liabilities:	
Accounts Payable	681,955.09
Unearned Revenue	464,300.28
Estimated Insurance Claims Payable	321,000.00
Total Current Liabilities	1,467,255.37
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	487,327.00
TOTAL LIABILITIES	1,954,582.37
NET POSITION	
Unrestricted	\$ 2,443,004.90

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

**Sumter County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2022**

	Internal Service Funds
OPERATING REVENUES	
Premiums	\$ 8,312,866.85
OPERATING EXPENSES	
Purchased Services	109,445.23
Insurance Claims	7,068,087.22
Insurance Premiums	1,430,517.09
Total Operating Expenses	8,608,049.54
Operating Loss	(295,182.69)
NONOPERATING REVENUES	
Investment Income	6,620.94
Loss Before Transfers	(288,561.75)
Transfers In	400,000.00
Change in Net Position	111,438.25
Total Net Position - Beginning	2,331,566.65
Total Net Position - Ending	\$ 2,443,004.90

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

**Sumter County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2022**

	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 8,325,398.71
Cash Payments to Suppliers for Goods and Services	(109,445.23)
Cash Payments for Insurance Claims	(6,931,124.22)
Cash Payments for Premiums and Other Fees	(1,284,349.34)
	<u>479.92</u>
Net Cash Provided by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	400,000.00
	<u>400,000.00</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	6,620.94
	<u>6,620.94</u>
Net Increase in Cash and Cash Equivalents	407,100.86
Cash and Cash Equivalents, Beginning	3,989,502.43
	<u>3,989,502.43</u>
Cash and Cash Equivalents, Ending	\$ 4,396,603.29
	<u>4,396,603.29</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (295,182.69)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	608.36
Accounts Payable	146,167.75
Unearned Revenue	11,923.50
Estimated Insurance Claims Payable	136,963.00
	<u>295,662.61</u>
Total Adjustments	295,662.61
Net Cash Provided by Operating Activities	\$ 479.92
	<u>479.92</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Sumter County School District's (District) 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 is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Sumter County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Sumter County.

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

Blended Component Unit. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Sumter County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.H.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's other component unit. A separate column is used to emphasize that it is legally separate from the District.

The Villages Charter School, Inc. (Charter School), is a separate not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Board. The Charter School is considered to be a component unit of the District because the District is financially accountable for the Charter School as the District established the Charter School by approval of the charter, which is tantamount to the initial appointment of the Charter School, and there is the potential for the Charter School to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the Charter School is a public school and the District is responsible for the operation, control, and supervision of public schools within the District. The District considers the Charter School to be a major component unit based on its significance to the District.

The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2022. The audit report is filed in the District's administrative offices at 2680 West County Road 476, Bushnell, Florida 33513.

C. Basis of Presentation: Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the blended component units. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay

needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments on certificates of participation.

- Capital Projects – Other Fund – to account for various financial resources (e.g., certificates of participation, sale of property, and Educational Facilities Security Grant) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following proprietary fund type:

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balance between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both 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. For this purpose, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this

revenue source (within 30 days of year end). Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME and amounts placed with the Florida Public Assets for Liquidity Management (FL PALM).

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

2. Investments

Investments consist of amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and amounts placed in the FL PALM. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME and FL PALM, which are Securities and Exchange Commission Rule 2a7-like external investment pools, 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.

Types and amounts of investments held at fiscal year end are described in a subsequent note.

3. Inventories

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

4. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 for furniture, fixtures, and equipment and motor vehicles; \$100,000 for improvements other than buildings; buildings and fixed equipment; and construction in progress. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Right-to-Use Lease Assets	7 years
Motor Vehicles	5 - 10 years

The Charter School defines capital assets as those costing more than \$5,000. The Charter School depreciates capital assets using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Leasehold Improvements	15 - 40 years
Buildings	39 years
Furniture and Equipment	5 - 15 years
Motor Vehicles	5 - 15 years
Infrastructure	15 years
Library Books	5 - 10 years

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to

pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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 position.

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of net position and balance sheet report separate sections for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category on the statement of net position. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The District also has two types of *unavailable revenue*, which arise only under a modified accrual basis of accounting that qualify for reporting in this category in the governmental funds balance sheet. The governmental funds report unavailable revenue from a Note Receivable and State Capital Outlay. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2022.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Board authorized the Finance Director to assign existing fund balance in an amount equal to budget shortfalls and encumbrances not otherwise restricted for categoricals, in an effort towards balancing the 2022-23 fiscal year budget. The District's approved budget for the 2022-23 fiscal year reflects encumbrances of \$812,425.21, which are expected to be paid from the ending fund balance in these financial statements.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated

for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE 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 FDOE. The FDOE 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 during specified time periods following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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 fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The District received an allocation for the State under the Education Facilities Security Grant Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

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

3. District Property Taxes

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

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

The Board adopted the 2021 tax levy on September 7, 2021. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. 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. The FDOE may require adjustments to subsequent fiscal period expenditures and related revenues based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

5. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

6. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for workers' compensation, health, dental, and vision 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.

II. ACCOUNTING CHANGE

The District implemented GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases and requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset and requires a lessee to recognize a lease liability and an intangible right-to-use lease asset. At implementation on July 1, 2021, the District, as lessee, recognized a lease payable along with a corresponding right-to-use lease asset of \$81,636,379.80 each, under a lease agreement with The Villages of Lake-Sumter, Inc. as described in Notes III.H.4. and V.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District's investments at June 30, 2022, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Day Average	\$ 12,044,996.17
FL PALM (1)	25 Day Average	9,118,765.01
Total Investments		\$ 21,163,761.18

(1) These investments are reported as cash equivalents for financial statement reporting purposes.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments of current short-term funds to a maximum of 24 months. Investments of bond reserves, construction moneys, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed 5 years. For construction proceeds of tax-exempt debt issues, such investments shall not exceed 3 years.

Florida PRIME and FL PALM use a 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.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment

at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2022, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME], or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

The District’s investment policy limits investments to the Florida PRIME; or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and Local Government Series (SLGS); obligations of United States Government Agencies and Instrumentalities; SEC registered money market funds with the highest rating and in compliance with Title 17 Section 270.2a-7 Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit that are either Federal Deposit Insurance Corporation insured or in State qualified public depositories; and other investments permitted by the State statute and not prohibited by this policy as may be recommended by the Superintendent and approved by the Board in advance.

The District’s investments in Florida PRIME and FL PALM are rated AAAM by Standard & Poor’s.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,885,265.85	\$ 62,101.30	\$ -	\$ 1,947,367.15
Construction in Progress	1,930,972.38	6,088,310.26	1,461,336.78	6,557,945.86
Total Capital Assets Not Being Depreciated	<u>3,816,238.23</u>	<u>6,150,411.56</u>	<u>1,461,336.78</u>	<u>8,505,313.01</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,227,442.66	227,362.07	-	5,454,804.73
Buildings and Fixed Equipment	102,321,756.33	1,233,974.71	-	103,555,731.04
Furniture, Fixtures, and Equipment	4,773,794.80	595,661.08	44,511.13	5,324,944.75
Right-to-Use Lease Assets (1)	81,636,379.80	-	-	81,636,379.80
Motor Vehicles	8,370,117.51	649,248.00	-	9,019,365.51
Total Capital Assets Being Depreciated	<u>202,329,491.10</u>	<u>2,706,245.86</u>	<u>44,511.13</u>	<u>204,991,225.83</u>
Less Accumulated Depreciation/Amortization for:				
Improvements Other Than Buildings	1,806,348.24	246,736.92	-	2,053,085.16
Buildings and Fixed Equipment	45,835,223.30	2,391,652.04	-	48,226,875.34
Furniture, Fixtures, and Equipment	3,964,247.21	374,043.34	44,511.13	4,293,779.42
Right-to-Use Lease Assets	-	11,662,339.97	-	11,662,339.97
Motor Vehicles	5,396,443.12	500,254.75	-	5,896,697.87
Total Accumulated Depreciation/Amortization	<u>57,002,261.87</u>	<u>15,175,027.02</u>	<u>44,511.13</u>	<u>72,132,777.76</u>
Total Capital Assets Being Depreciated, Net	<u>145,327,229.23</u>	<u>(12,468,781.16)</u>	<u>-</u>	<u>132,858,448.07</u>
Governmental Activities Capital Assets, Net	<u>\$ 149,143,467.46</u>	<u>\$ (6,318,369.60)</u>	<u>\$ 1,461,336.78</u>	<u>\$ 141,363,761.08</u>

(1) Right-to-Use Lease Assets were added per the implementation of GASB Statement No. 87, as described in Note II.

The District's capital assets serve several functions; accordingly, depreciation/amortization expense, which totaled \$15,175,027.02, was reported as unallocated on the Statement of Activities.

As indicated in Note I.B., the Charter School is considered to be a major component of the District. Changes in component unit capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
MAJOR COMPONENT UNIT				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 8,450	\$ -	\$ 8,450	\$ -
Capital Assets Being Depreciated:				
Leasehold Improvements	567,718	16,102	-	583,820
Buildings	425,457	-	-	425,457
Furniture and Equipment	3,834,686	212,460	179,999	3,867,147
Motor Vehicles	710,694	70,292	-	780,986
Infrastructure	47,452	-	-	47,452
Library Books	799,646	18,196	-	817,842
Total Capital Assets Being Depreciated	<u>6,385,653</u>	<u>317,050</u>	<u>179,999</u>	<u>6,522,704</u>
Less Accumulated Depreciation/Amortization for:				
Leasehold Improvements	138,458	27,700	-	166,158
Buildings	165,874	10,909	-	176,783
Furniture and Equipment	2,535,843	212,100	179,999	2,567,944
Motor Vehicles	488,963	82,377	-	571,340
Infrastructure	31,110	2,905	-	34,015
Library Books	758,492	9,407	-	767,899
Total Accumulated Depreciation	<u>4,118,740</u>	<u>345,398</u>	<u>179,999</u>	<u>4,284,139</u>
Total Capital Assets Being Depreciated, Net	<u>2,266,913</u>	<u>(28,348)</u>	<u>-</u>	<u>2,238,565</u>
Major Component Unit Capital Assets, Net	<u>\$ 2,275,363</u>	<u>\$ (28,348)</u>	<u>\$ 8,450</u>	<u>\$ 2,238,565</u>

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. An

annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$912,296 for the fiscal year ended June 30, 2022.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The 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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.82
FRS, Elected County Officers	3.00	51.42
DROP – Applicable to Members from All of the Above Classes	0.00	18.34
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$3,503,365 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$5,921,848 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.078394961 percent, which was an increase of 0.005136173 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized the Plan pension expense of \$70,535. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,015,014	\$ -
Change of Assumptions	4,052,022	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	20,659,850
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	1,535,426	340,720
District FRS Contributions Subsequent to the Measurement Date	3,503,365	-
Total	<u>\$ 10,105,827</u>	<u>\$ 21,000,570</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$3,503,365, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ (2,593,489)
2024	(2,944,554)
2025	(3,937,393)
2026	(5,153,495)
2027	230,823
Total	<u>\$ (14,398,108)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100%			
Assumed inflation - Mean			2.4%	1.2%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 26,482,902	\$ 5,921,848	\$ (11,264,888)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$649,807 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a net pension liability of \$12,720,570 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.103701675 percent, which was a decrease of 0.001995191 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized the HIS Plan pension expense of \$841,761. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 425,662	\$ 5,328
Change of Assumptions	999,552	524,120
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	13,261	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	289,279	367,342
District HIS Contributions Subsequent to the Measurement Date	649,807	-
Total	\$ 2,377,561	\$ 896,790

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$649,807 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 203,953
2024	53,455
2025	168,994
2026	246,201
2027	140,191
Thereafter	18,170
Total	\$ 830,964

Actuarial Assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.21 percent to 2.16 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.16 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's Proportionate Share of the Net Pension Liability	\$ 14,706,211	\$ 12,720,570	\$ 11,093,781

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2021-22 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$1,140,775 for the fiscal year ended June 30, 2022.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, and vision insurance coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contributions and benefit terms of the District and the OPEB Plan members are established and may be amended through action from the Board. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare, dental, and vision insurance benefits for retirees and their dependents. The OPEB plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At July 1, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	33
Active Employees	<u>546</u>
Total	<u><u>579</u></u>

Total OPEB Liability. The District's total OPEB liability of \$5,546,208 was measured as of July 1, 2021, and was determined by an actuarial valuation as of July 1, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.16 percent
Healthcare Cost Trend Rates	6.5 percent for 2022, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2026 and later years
Retirement Election Rates	40 percent of actives expected to elect coverage at retirement

The discount rate chosen is based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of June 30, 2021.

The healthcare trend rates are in line with Getzen trends for later years but do not fluctuate year to year depending on the District's latest rate impact.

Mortality rates were based on the RP-2014 mortality table with mortality projected to the current year using Scale MP-2014.

The retirement election rates were made based on a review of election rates from similar programs and discussions with the District.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2021	<u>\$ 7,160,928</u>
Changes for the year:	
Service Cost	351,201
Interest	159,076
Differences Between Expected and Actual Experience	(2,275,865)
Changes of Assumptions or Other Inputs	427,937
Benefit Payments	<u>(277,069)</u>
Net Changes	<u>(1,614,720)</u>
Balance at June 30, 2022	<u><u>\$ 5,546,208</u></u>

Changes of assumptions or other inputs was based on the following:

- The discount rate was changed from 2.21 percent to 2.16 percent in the current year.

- The healthcare cost trend rate assumptions were changed to reflect slightly higher trend assumptions as compared to the last roll forward valuation.
- The adjusted mortality rates were slightly changed from the prior valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ 6,440,305	\$ 5,546,208	\$ 4,833,966

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.5 percent decreasing to 3.5 percent) or 1 percentage point higher (7.5 percent decreasing to 5.5 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.5% decreasing to 4.5%)	1% Increase (7.5% decreasing to 5.5%)
Total OPEB Liability	\$ 4,844,414	\$ 5,546,208	\$ 6,405,754

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$51,025. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 3,233,026
Change of Assumptions or Other Inputs	-	1,165,524
Benefits Paid Subsequent to the Measurement Date	120,390	-
Total	\$ 120,390	\$ 4,398,550

The amount reported as deferred outflows of resources related to OPEB, totaling \$120,390, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2023. The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ (459,252)
2024	(459,252)
2025	(459,252)
2026	(459,252)
2027	(459,252)
Thereafter	(2,102,290)
Total	\$ (4,398,550)

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2022:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
South Sumter Middle School:			
Gym Renovations			
Contractor	\$ 635,829.64	\$ 466,771.88	\$ 169,057.76
Architect	33,655.38	32,982.28	673.10
South Sumter High School:			
Gym Renovations			
Contractor	870,886.79	732,149.51	138,737.28
Architect	60,436.65	59,227.92	1,208.73
Baseball Locker Room Replacement			
Architect	29,900.00	11,960.00	17,940.00
Athletic Field Improvements			
Architect	202,500.00	81,000.00	121,500.00
Duke Easement			
Architect	52,496.80	-	52,496.80
Sumter County Educational Support Center:			
Complex Relocation			
Architect	926,723.00	83,987.52	842,735.48
Webster Elementary School:			
Lighting			
Contractor	297,160.00	20,351.83	276,808.17
Wildwood Elementary School:			
Lighting			
Contractor	354,979.70	20,519.66	334,460.04
Wildwood Middle High School:			
Gym Renovations			
Contractor	915,984.39	765,099.73	150,884.66
Architect	55,961.85	54,842.61	1,119.24
Stadium Improvements			
Contractor	2,920,741.02	1,319,505.16	1,601,235.86
Architect	280,656.09	235,751.11	44,904.98
Ball Fields Locker Rooms			
Architect	19,118.00	-	19,118.00
Site Drainage Improvements			
Architect	21,660.25	19,662.13	1,998.12
Total	\$ 7,678,689.56	\$ 3,903,811.34	\$ 3,774,878.22

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 fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2022:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Education Stabilization	Capital Projects - Local Capital Improvement	Capital Projects - Other	Total Governmental Funds
\$ 906,488	\$ 77,433	\$ 83,811	\$ 5,646,542	\$ 12,652	\$ 6,726,926

G. 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. The District established a Risk Management Internal Service Fund (Risk Management Fund) to account for and finance its uninsured risks of loss related to workers' compensation claims. Under this program, the Risk Management Fund provides coverage for up to \$500,000 for each worker's compensation claim. 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 of \$1,000,000 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 this self-insurance program, including the processing, investigating, and payment of claims.

The District's health insurance program is being provided on a self-insured basis up to specific limits and the District is utilizing its Health Internal Service Fund to account for its activities. The District has entered into an agreement with Blue Cross and Blue Shield (BCBS) to provide individual and aggregate excess coverage. BCBS will reimburse 100 percent of individual claims in excess of \$170,000 and the aggregate reimbursement maximum of \$1,000,000 per policy record. BCBS administers this self-insurance program, including the processing, investigation, and payment of claims. The lifetime maximum for each individual covered is unlimited.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

A liability in the amount of \$808,327 was actuarially determined to cover estimated incurred, but not reported, workers' compensation and health insurance claims payable at June 30, 2022.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2020-21	\$ 661,436.00	\$ 6,894,263.49	\$ (6,884,335.49)	\$ 671,364.00
2021-22	671,364.00	7,068,087.22	(6,931,124.22)	808,327.00

The District's dental and vision insurance plans are also administered through internal service funds and are self-insured. All other insurances are being provided through purchased insurance with minimum deductibles for each line of coverage.

H. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on December 1, 1998, and supplemental agreements dated July 1, 2002, May 1, 2006, January 1, 2007, March 1, 2015, and July 1, 2017, in which each arrangement was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of various educational facilities in the total amount of \$5,100,000 for the Series 1998 Certificates of Participation, \$15,625,000 for the Series 2002 Certificates of Participation, \$16,695,000 for the Series 2006 Certificates of Participation, \$13,860,000 for the Series 2007 Certificates of Participation, \$14,335,000 for the Series 2015 Certificates of Participation, and \$11,273,000 for the Series 2017A Certificates of Participation. The Series 1998 Certificates of Participation were used, in part, to advance refund the District's Lease-Revenue Debt dated July 1, 1990, of approximately \$2,100,000. The Series 2007 Certificates of Participation were used to partially advance refund the Series 1998 and 2002 Certificates of Participation. The Series 2015 Certificates of Participation were used to partially advance refund the Series 2006 Certificates of Participation. The Series 2017A Certificates of Participation were used to partially advance refund the Series 1998 and Series 2007 Certificates of Participation. The financings were accomplished through the issuance of certificates of participation, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District property to the Leasing Corporation, with a rental fee of \$1 per year. The initial term of the leases is 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 and Series 2015 Certificates of Participation, 20 years commencing on January 1, 2007, for the Series 2007 Certificates of Participation, and 20 years commencing on July 1, 2017, for the Series 2017A Certificates of Participation. The properties covered by ground leases 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 arrangement which may be up to 24.5 years from the date of inception of the arrangements.

The Series 2015 Certificates of Participation contains a provision by which the purchaser can, upon occurrence and continuation of an event of default, impose a default interest rate calculated at the greater of the published Federal Reserve Bank's Prime Rate plus 3 percent, the Federal Funds Rate plus 5 percent, or 7 percent per annum.

The Series 2017 Certificates of Participation contains a provision by which the purchaser can, upon occurrence and continuation of an event of default, impose a default interest rate of the then applicable interest rate plus 6 percent.

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 and Series 2017A, Certificates of Participation)

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

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

Series 2002 Certificates of Participation (partially refunded by Series 2007 and Series 2017A, Certificates of Participation)

- Bushnell Elementary School Addition
- 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 (Refunded by Series 2015, 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 2.07 to 2.81 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>
2023	\$ 2,104,270.05	\$ 1,681,000.00	\$ 423,270.05
2024	2,102,038.90	1,718,000.00	384,038.90
2025	2,106,848.05	1,763,000.00	343,848.05
2026	2,104,676.80	1,802,000.00	302,676.80
2027	2,108,496.30	1,848,000.00	260,496.30
2028-2031	8,996,832.50	8,510,000.00	486,832.50
Total Minimum Lease Payments	\$19,523,162.60	\$17,322,000.00	\$ 2,201,162.60

2. Bonds Payable

Bonds payable at June 30, 2022, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
District Revenue Bonds: Series 2011, Refunding	<u>\$ 2,820,000</u>	4.125 - 4.75	2042

District Revenue Bonds

These bonds are generally referred to as “Capital Improvement and Refunding Certificates of Indebtedness, Series 2011” and are authorized by Chapter 71-932, Laws of Florida, Special Acts of 1971, as amended by Chapter 76-489, Laws of Florida, Special Acts of 1976. The bonds are payable solely from and secured by a lien upon and pledge of the revenues distributed to the District from moneys deposited to the credit of the Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes and allocated to the District as provided by law (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$4,335,959.40 of pari-mutuel tax revenues in connection with the 2011 District Revenue Bonds, described above. During the 2021-22 fiscal year, the District recognized pari-mutuel tax revenues totaling \$223,250 and expended \$223,227.10 (99.99 percent) of these revenues for debt service directly collateralized by these revenues. The

pledged pari-mutuel tax revenues are committed until final maturity of the debt on October 1, 2041. Approximately 100 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
District Revenue Bonds:			
2023	\$ 217,487.51	\$ 90,000.00	\$ 127,487.51
2024	218,671.88	95,000.00	123,671.88
2025	219,650.00	100,000.00	119,650.00
2026	220,421.88	105,000.00	115,421.88
2027	216,090.63	105,000.00	111,090.63
2028-2032	1,084,262.50	605,000.00	479,262.50
2033-2037	1,081,337.50	760,000.00	321,337.50
2038-2042	1,078,037.50	960,000.00	118,037.50
Total District Revenue Bonds	<u>\$4,335,959.40</u>	<u>\$2,820,000.00</u>	<u>\$1,515,959.40</u>

3. Defeased Debt

The Series 2006 COPS was advance-refunded in the 2014-15 fiscal year by the District and considered defeased in substance by placing the proceeds of the COPS, Series 2015, after payment of issuance costs, in an irrevocable trust to provide for all future debt service payments on the old COPS, Series 2006. Accordingly, the trust account assets and liability for the in-substance defeased COPS are not included in the District's June 30, 2022, financial statements, \$11,290,000 of outstanding COPS, Series 2006 are considered defeased in substance.

In prior years, the COPS, Series 2002, were advance-refunded by the District and considered defeased in substance by placing a portion of the COPS, Series 2007, in an irrevocable trust to provide for all future debt service payments on the old COPS. The Series 2007 COPS were then advance-refunded by the District and considered defeased in substance by placing the proceeds of the COPS 2017A, after payment of issuance costs, in an irrevocable trust to provide for all future debt service payments on the old COPS, Series 2007. Accordingly, the trust account assets and liability for the in-substance defeased COPS are not included in the District's June 30, 2022 financial statements, \$6,120,000 of outstanding COPS, Series 2002, and \$6,125,000 of the COPS, Series 2007 are considered defeased in substance.

The Race Track Refunding Bonds, Series 1998, was also advance-refunded in prior years by the District and considered defeased in substance by placing a portion of the proceeds of the Capital Improvement and Refunding Revenue Certificates, Series 2011, in an irrevocable trust to provide for all future debt service payments on the old Race Track Bonds. Accordingly, the trust assets and the liability for the in-substance defeased Bonds are not included in the District's financial statements. On June 30, 2022, \$1,160,000 of outstanding Bonds, Series 1998, is considered defeased in substance.

4. Lease Payable

The District leases educational facilities with a historical cost and accumulated depreciation of \$81,636,379.80 and \$11,662,339.97, respectively, under a lease agreement with The Villages of Lake-Sumter, Inc. as described in Note V.

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 11,159,576.94	\$ 9,029,840.56	\$ 2,129,736.38
2024	12,139,964.15	10,272,093.15	1,867,871.00
2025	13,406,590.79	11,836,610.49	1,569,980.30
2026	14,217,003.26	12,990,284.66	1,226,718.60
2027	14,927,853.41	14,077,853.07	850,000.34
2028	15,674,246.09	15,232,503.49	441,742.60
Total Minimum Lease Payments	<u>\$ 81,525,234.64</u>	<u>\$ 73,439,185.42</u>	<u>\$ 8,086,049.22</u>

5. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 2,910,000.00	\$ -	\$ 90,000.00	\$ 2,820,000.00	\$ 90,000.00
Certificates of Participation Payable	18,963,000.00	-	1,641,000.00	17,322,000.00	1,681,000.00
Compensated Absences Payable	3,962,029.82	179,843.18	255,587.89	3,886,285.11	372,000.00
Estimated Insurance Claims Payable	671,364.00	7,068,087.22	6,931,124.22	808,327.00	321,000.00
Lease Payable (1)	81,636,379.80	-	8,197,194.38	73,439,185.42	9,029,841.00
Net Pension Liability	44,658,241.00	10,211,390.00	36,227,213.00	18,642,418.00	64,029.00
Other Postemployment Benefits Payable	7,160,928.00	938,214.00	2,552,934.00	5,546,208.00	120,390.00
Total Governmental Activities	<u>\$ 159,961,942.62</u>	<u>\$ 18,397,534.40</u>	<u>\$ 55,895,053.49</u>	<u>\$ 122,464,423.53</u>	<u>\$ 11,678,260.00</u>

(1) Lease payable was added per the implementation of GASB Statement No. 87, as described in Note II.

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the Note I.F.10., fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places

the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

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

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 322,052.68	\$ -
Special Revenue:		
Other	-	201,868.84
Federal Education Stabilization	-	120,183.84
Total	\$ 322,052.68	\$ 322,052.68

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

K. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2021-22 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	\$ 8,541,068.00
Florida Education Finance Program	4,478,476.00
Charter School Capital Outlay	1,760,685.00
Voluntary Prekindergarten Program	439,589.76
Motor Vehicle License Tax (Capital Outlay and Debt Service)	329,293.94
Sales Tax Distribution	223,250.00
Workforce Development Program	184,581.00
Mobile Home License Tax	71,371.94
Food Service Supplement	51,505.00
Adults with Disabilities	17,265.46
Miscellaneous	405,925.20
Total	\$ 16,503,011.30

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2021 tax roll for the 2021-22 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	2.898	\$ 48,311,579.54
Basic Discretionary Local Effort	0.748	12,469,655.45
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	25,005,993.55
Total	<u>5.146</u>	<u>\$ 85,787,228.54</u>

L. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 13,553,693.81	\$ 400,000.00
Capital Projects:		
Local Capital Improvement	-	13,892,153.05
Other	-	13,756.09
Nonmajor Governmental	2,112,900.33	1,760,685.00
Internal Service	400,000.00	-
Total	<u>\$ 16,066,594.14</u>	<u>\$ 16,066,594.14</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 expenditures, such as capital asset purchases, maintenance, charter school capital outlay, and property insurance premiums. Additionally, funds are transferred from the Capital Projects – Local Capital Improvement Fund to nonmajor debt service funds to make debt service payments for the certificates of participation.

IV. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2021-22 fiscal year:

	<u>Total</u>	<u>Workers' Compensation Insurance</u>	<u>Health/ Dental/Vision Insurance</u>
Total Assets	\$ 4,397,587.27	\$ 1,822,102.80	\$ 2,575,484.47
Liabilities and Net Position:			
Liabilities:			
Accounts Payable	\$ 681,955.09	\$ 72.00	\$ 681,883.09
Unearned Revenue	464,300.28	-	464,300.28
Estimated Insurance Claims Payable	808,327.00	487,327.00	321,000.00
Total Liabilities	<u>1,954,582.37</u>	<u>487,399.00</u>	<u>1,467,183.37</u>
Net Position:			
Unrestricted Net Position	<u>2,443,004.90</u>	<u>1,334,703.80</u>	<u>1,108,301.10</u>
Total Liabilities and Net Position	<u>\$ 4,397,587.27</u>	<u>\$ 1,822,102.80</u>	<u>\$ 2,575,484.47</u>
Revenues:			
Premiums	\$ 8,312,866.85	\$ 378,756.76	\$ 7,934,110.09
Investment Income	<u>6,620.94</u>	<u>3,118.18</u>	<u>3,502.76</u>
Total Revenues	8,319,487.79	381,874.94	7,937,612.85
Total Expenses	(8,608,049.54)	(294,761.29)	(8,313,288.25)
Total Transfers In	<u>400,000.00</u>	<u>-</u>	<u>400,000.00</u>
Change in Net Position	<u>\$ 111,438.25</u>	<u>\$ 87,113.65</u>	<u>\$ 24,324.60</u>

V. JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest or (b) ongoing financial responsibility. A lease agreement is a contract through which an organization rents an asset for use from its owner for an agreed amount.

The District participates in a joint venture with the Lake-Sumter State College (College) and a lease agreement with The Villages of Lake-Sumter, Inc. Also, the District's major component unit, The Villages Charter School, Inc. (Charter School), leases various school buildings under a noncancellable lease agreement with The Villages of Lake-Sumter, Inc. The joint venture and lease agreements are discussed below:

- Joint Venture – Board and College. The Board and the College entered into a land use agreement on November 2, 1993, governing the use of a proposed joint-use facility (adult education and community college facility). This agreement provides, in part, for the appointment of a decision committee composed of individuals appointed by the parties to the agreement. The purpose of the committee is to make any necessary joint decisions regarding the facility. On January 18, 1995, the Board and the College entered into a statement of intent and operating agreement. The land use agreement was made a part of the operating agreement. The operating agreement established agreements between the parties relative to operations, expense proration,

and other matters not covered in the land use agreement. The operating agreement further provides that, should the 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.

- Lease Agreement – Board and The Villages of Lake-Sumter, Inc. The Board entered into a lease agreement on July 1, 2006, and restated the lease on July 1, 2013, 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 Charter School for The Villages Charter Elementary, Middle, and High Schools. The restated lease agreement, as shown in Note III.H.4., established an annual rent equal to 33 percent of the 1.5 mill tax base multiplied by the millage rate assessed under Section 1011.71(2), Florida Statutes. The restated lease may include other rent and is for 15 years ending June 30, 2028.
- Lease Agreement – Charter School and The Villages of Lake-Sumter, Inc. The lease agreement between the Charter School and The Villages of Lake Sumter, Inc., had a 60-month term with two automatic 60-month extensions ending 2021, which was structured based upon the receipt of the rents paid by the District discussed above. Beginning with the 2021-22 fiscal year, the lease term states that after the initial terms, the lease shall automatically renew for one year terms “unless either party gives notice of termination to the other party not less than 90 days prior to the end of any one-year term.” Lease expenditures were \$1,760,685 for the fiscal year ended June 30, 2022. The future scheduled rent payments, based upon the current fiscal year Public Education Capital Outlay funds remitted to the Charter School from the District is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	<u>\$ 1,861,726</u>

VI. MEMBERSHIP IN NONPROFIT CORPORATION

The District participates in a nonprofit electric cooperative, the Sumter Electric Cooperative, Inc. (Cooperative), established under Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members’ accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2022, the accumulated credits to the District’s account are \$318,257.03. During the 2021-22 fiscal year, the District received \$4,478.25 related to 2021 capital credits.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ -	\$ -	\$ -	\$ -
Federal Through State and Local	-	-	-	-
State	14,523,032.00	13,987,015.60	13,989,376.83	2,361.23
Local:				
Property Taxes	58,177,481.00	58,177,481.00	58,525,734.83	348,253.83
Miscellaneous	829,015.00	1,615,886.89	1,341,782.06	(274,104.83)
Total Local Revenues	<u>59,006,496.00</u>	<u>59,793,367.89</u>	<u>59,867,516.89</u>	<u>74,149.00</u>
Total Revenues	<u>73,529,528.00</u>	<u>73,780,383.49</u>	<u>73,856,893.72</u>	<u>76,510.23</u>
Expenditures				
Current - Education:				
Instruction	65,161,281.30	55,071,960.28	51,403,971.71	3,667,988.57
Student Support Services	2,305,474.12	2,327,708.56	2,103,819.07	223,889.49
Instructional Media Services	630,767.01	637,476.64	590,936.29	46,540.35
Instruction and Curriculum Development Services	1,387,040.31	1,122,555.94	981,503.58	141,052.36
Instructional Staff Training Services	666,585.23	702,111.81	590,022.05	112,089.76
Instruction-Related Technology	1,534,114.05	1,527,567.08	1,371,066.19	156,500.89
Board	694,745.78	853,185.78	782,485.37	70,700.41
General Administration	808,581.94	820,368.41	798,682.64	21,685.77
School Administration	3,846,832.19	3,780,604.23	3,691,587.47	89,016.76
Facilities Acquisition and Construction	349,833.09	2,112,274.09	218,286.32	1,893,987.77
Fiscal Services	577,446.96	565,701.79	557,394.04	8,307.75
Food Services	3,140.00	3,140.00	379.79	2,760.21
Central Services	1,508,524.41	1,561,201.72	1,013,280.97	547,920.75
Student Transportation Services	3,013,360.52	3,049,097.05	2,894,396.83	154,700.22
Operation of Plant	5,284,185.13	5,264,011.62	4,672,464.93	591,546.69
Maintenance of Plant	3,154,354.72	3,522,864.24	2,401,907.35	1,120,956.89
Administrative Technology Services	763,893.39	764,820.06	622,557.18	142,262.88
Community Services	362,522.00	372,993.35	224,861.72	148,131.63
Fixed Capital Outlay:				
Other Capital Outlay	-	447,950.00	447,946.82	3.18
Debt Service:				
Principal	-	8,197,194.38	8,197,194.38	-
Interest and Fiscal Charges	25,000.00	2,389,255.01	2,367,455.01	21,800.00
Total Expenditures	<u>92,077,682.15</u>	<u>95,094,042.04</u>	<u>85,932,199.71</u>	<u>9,161,842.33</u>
Deficiency of Revenues Over Expenditures	<u>(18,548,154.15)</u>	<u>(21,313,658.55)</u>	<u>(12,075,305.99)</u>	<u>9,238,352.56</u>
Other Financing Sources (Uses)				
Transfers In	14,435,028.73	16,132,335.61	13,553,693.81	(2,578,641.80)
Loss Recoveries	-	-	14,292.60	14,292.60
Transfers Out	-	(400,000.00)	(400,000.00)	-
Total Other Financing Sources	<u>14,435,028.73</u>	<u>15,732,335.61</u>	<u>13,167,986.41</u>	<u>(2,564,349.20)</u>
Net Change in Fund Balances	<u>(4,113,125.42)</u>	<u>(5,581,322.94)</u>	<u>1,092,680.42</u>	<u>6,674,003.36</u>
Fund Balances, Beginning	9,875,900.47	9,875,900.47	9,875,900.47	-
Fund Balances, Ending	<u>\$ 5,762,775.05</u>	<u>\$ 4,294,577.53</u>	<u>\$ 10,968,580.89</u>	<u>\$ 6,674,003.36</u>

Special Revenue - Other Fund				Special Revenue - Federal Education Stabilization Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 581,445.32	\$ 652,400.00	\$ 70,954.68
5,572,570.11	5,928,788.66	5,048,149.21	(880,639.45)	6,904,682.38	9,042,513.09	8,948,332.36	(94,180.73)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,572,570.11	5,928,788.66	5,048,149.21	(880,639.45)	6,904,682.38	9,623,958.41	9,600,732.36	(23,226.05)
2,820,152.23	2,916,516.13	2,499,864.06	416,652.07	5,107,325.47	6,820,230.66	6,820,230.66	-
478,750.95	491,325.46	420,926.59	70,398.87	728,897.65	725,152.14	725,152.14	-
-	50,600.56	50,068.20	532.36	33,300.00	39,104.76	39,104.76	-
1,159,719.14	1,279,579.68	1,216,006.90	63,572.78	330,916.68	334,343.91	326,003.96	8,339.95
688,755.72	545,585.88	336,936.43	208,649.45	104,831.69	117,520.11	117,520.11	-
-	-	-	-	-	25,057.22	25,057.22	-
-	-	-	-	-	-	-	-
104,447.25	103,238.78	98,756.40	4,482.38	-	212,667.16	206,764.63	5,902.53
-	271.39	271.39	-	46,728.25	92,374.50	89,596.54	2,777.96
-	-	-	-	-	-	-	-
-	-	-	-	-	8,345.46	8,345.46	-
-	-	-	-	-	54,341.43	54,341.43	-
219,638.05	311,089.61	210,073.90	101,015.71	454,868.69	959,432.54	953,227.41	6,205.13
56,030.83	67,226.34	53,391.09	13,835.25	1.62	58,798.32	58,798.32	-
45,075.94	42,106.83	40,606.89	1,499.94	97,812.33	143,740.19	143,740.19	-
-	-	-	-	-	24,322.01	24,322.01	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	121,248.00	121,247.36	0.64	-	8,528.00	8,527.52	0.48
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,572,570.11	5,928,788.66	5,048,149.21	880,639.45	6,904,682.38	9,623,958.41	9,600,732.36	23,226.05
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**Schedule of Changes in the District's
Total OPEB Liability and Related Ratios**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 351,201	\$ 348,103	\$ 345,469	\$ 342,834	\$ 329,267
Interest	159,076	233,058	271,014	234,177	299,476
Differences Between Expected and Actual Experience	(2,275,865)	-	(291,295)	-	(1,463,620)
Changes of Assumptions or Other Inputs	427,937	221,989	(182,577)	(1,103,792)	(1,352,412)
Benefit Payments	(277,069)	(253,959)	(240,720)	(265,236)	(257,511)
Net Change in Total OPEB Liability	<u>(1,614,720)</u>	<u>549,191</u>	<u>(98,109)</u>	<u>(792,017)</u>	<u>(2,444,800)</u>
Total OPEB Liability - Beginning	<u>7,160,928</u>	<u>6,611,737</u>	<u>6,709,846</u>	<u>7,501,863</u>	<u>9,946,663</u>
Total OPEB Liability - Ending	<u>\$ 5,546,208</u>	<u>\$ 7,160,928</u>	<u>\$ 6,611,737</u>	<u>\$ 6,709,846</u>	<u>\$ 7,501,863</u>
Covered-Employee Payroll	\$ 39,145,020	\$ 36,727,592	\$ 36,686,231	\$ 35,414,488	\$ 33,028,010
Total OPEB Liability as a Percentage of Covered-Employee Payroll	14.17%	19.50%	18.02%	18.95%	22.71%

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.080556214%	\$ 13,867,310	\$ 31,251,766	44.37%	88.54%
2014	0.084507080%	5,156,175	32,132,634	16.05%	96.09%
2015	0.083061458%	10,728,505	32,356,720	33.16%	92.00%
2016	0.075921146%	19,170,149	32,447,725	59.08%	84.88%
2017	0.073015895%	21,597,612	32,702,457	66.04%	83.89%
2018	0.071904696%	21,658,067	33,028,010	65.57%	84.26%
2019	0.073882743%	25,444,188	35,414,488	71.85%	82.61%
2020	0.073258788%	31,752,822	36,686,231	86.55%	78.85%
2021	0.078394961%	5,921,848	36,727,592	16.12%	96.40%

(1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 1,851,064	\$ (1,851,064)	\$ -	\$ 32,132,634	5.76%
2015	2,025,109	(2,025,109)	-	32,356,720	6.26%
2016	1,851,458	(1,851,458)	-	32,447,725	5.71%
2017	1,900,784	(1,900,784)	-	32,702,457	5.81%
2018	2,056,160	(2,056,160)	-	33,028,010	6.23%
2019	2,322,599	(2,322,599)	-	35,414,488	6.56%
2020	2,242,371	(2,242,371)	-	36,686,231	6.11%
2021	3,012,580	(3,012,580)	-	36,727,592	8.20%
2022	3,503,365	(3,503,365)	-	39,145,020	8.95%

(1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.107590128%	\$ 9,367,135	\$ 31,251,766	29.97%	1.78%
2014	0.108148239%	10,112,124	32,132,634	31.47%	0.99%
2015	0.106536805%	10,865,078	32,356,720	33.58%	0.50%
2016	0.104995569%	12,236,799	32,447,725	37.71%	0.97%
2017	0.102554389%	10,965,588	32,702,457	33.53%	1.64%
2018	0.101074707%	10,697,860	33,028,010	32.39%	2.15%
2019	0.105854251%	11,844,031	35,414,488	33.44%	2.63%
2020	0.105696866%	12,905,419	36,686,231	35.18%	3.00%
2021	0.103701675%	12,720,570	36,727,592	34.63%	3.56%

(1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 370,479	\$ (370,479)	\$ -	\$ 32,132,634	1.15%
2015	407,250	(407,250)	-	32,356,720	1.26%
2016	538,169	(538,169)	-	32,447,725	1.66%
2017	542,747	(542,747)	-	32,702,457	1.66%
2018	548,265	(548,265)	-	33,028,010	1.66%
2019	587,881	(587,881)	-	35,414,488	1.66%
2020	608,991	(608,991)	-	36,686,231	1.66%
2021	609,678	(609,678)	-	36,727,592	1.66%
2022	649,807	(649,807)	-	39,145,020	1.66%

(1) The amounts presented for each fiscal year were determined as of June 30.

1. Budgetary Basis of Accounting

The Board follows procedures established by State law and State Board of Education (SBE) 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 State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any 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.

2. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. For the 2021-22 fiscal year, changes to assumptions are discussed below:

- The discount rate was changed from 2.21 percent to 2.16 percent in the current year.
- The healthcare cost trend rate assumptions were changed to reflect slightly higher trend assumptions as compared to the last roll forward valuation.
- The adjusted mortality rates were slightly changed from the prior valuation.

3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. In 2021, the municipal bond rate used to determine total pension liability was decreased from 2.21 percent to 2.16 percent.

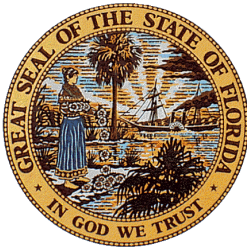
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Sumter County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	22002	\$ -	\$ 1,086,733.81
National School Lunch Program	10.555	22001, 22003	-	3,526,563.18
Summer Food Service Program for Children	10.559	22006, 22007	-	94,262.62
Total Child Nutrition Cluster			<u>-</u>	<u>4,707,559.61</u>
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	222,488.11	1,771,170.53
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	-	59,770.45
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	-	1,342.35
Orange County District School Board:				
Special Education - Grants to States	84.027	None	-	10,540.40
Total Special Education - Grants to States			<u>222,488.11</u>	<u>1,842,823.73</u>
Florida Department of Education:				
Special Education - Preschool Grants	84.173	267	-	39,032.42
Total Special Education Cluster			<u>222,488.11</u>	<u>1,881,856.15</u>
Child Care and Development Fund Cluster:				
United States Department of Health and Human Services:				
Early Learning Coalition of the Nature Coast, Inc.:				
Child Care and Development Block Grant	COVID-19, 93.575	None	-	46,916.07
Not Clustered				
United States Federal Communications Commission				
Emergency Connectivity Fund	32.009	N/A	-	652,400.00
United States Department of Education				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	185,956.64
Title I Grants to Local Educational Agencies	84.010	212	-	1,996,168.88
Twenty-First Century Community Learning Centers	84.287	244	-	270,303.35
English Language Acquisition State Grants	84.365	102	-	21,949.69
Supporting Effective Instruction State Grants	84.367	224	50,504.28	377,921.75
Student Support and Academic Enrichment Program	84.424	241	-	135,407.51
Education Stabilization Fund:				
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	561.61	10,639.76
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	2,159,747.98	6,522,969.28
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	561,441.34	2,303,424.17
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund - Homeless Children & Youth Fund	COVID-19, 84.425W	122	-	4,612.63
Total Education Stabilization Fund	84.425		<u>2,721,750.93</u>	<u>8,841,645.84</u>
Career and Technical Education - Basic Grants to States:				
Florida Department of Education	84.048	161	25,726.00	236,866.69
Lake-Sumter State College		None	-	1,489.00
Total Career and Technical Education - Basic Grants to States	84.048		<u>25,726.00</u>	<u>238,355.69</u>
Total United States Department of Education			<u>2,797,981.21</u>	<u>12,067,709.35</u>
Total Expenditures of Federal Awards			<u>\$ 3,020,469.32</u>	<u>\$ 19,356,441.18</u>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Sumter County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$233,723.18 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Sumter County District School Board as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 21, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District'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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

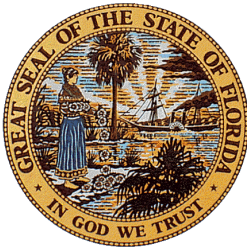
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 21, 2023



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Sumter County District School Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2022. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each

major Federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The District's basic financial statements include the operations of The Villages Charter School, Inc. (Charter School) as a discretely presented component unit on the accompanying basic financial statements. The Charter School expended \$5,522,076 in Federal awards, which is not included in the District's **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** during the fiscal year ended June 30, 2022. Our compliance audit, described in the ***Opinion on Each Major Federal Program*** section of our report, did not include the operations of this Charter School because, pursuant to Section 218.39(1)(e), Florida Statutes, the Charter School engaged other auditors to perform an audit in accordance with Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the

purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the ***Auditor's Responsibilities for the Audit of Compliance*** section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 21, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
Assistance Listing Numbers:	Name of Federal Program or Cluster:
32.009	Emergency Connectivity Fund
84.027 and 84.173	Special Education Cluster
84.425	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal award findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.