

**HARDEE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2011



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Joe H. Jones to 11-15-10	1
Paul G. Samuels from 11-16-10	1
Mildred C. Smith, Vice Chair from 11-16-10	2
Teresa M. Crawford, Vice Chair to 11-15-10, Chair from 11-16-10	3
Janice M. Platt, Chair to 11-15-10	4
Wendell Cotton to 11-15-10	5
Thomas Trevino from 11-16-10	5

David Durastanti, Superintendent

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

The audit team leader was Gregory J. Lemieux, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

HARDEE COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Improvements were needed in District procedures to document that performance assessments were based on student performance as required by Section 1012.34, Florida Statutes (2010).

Finding No. 2: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Sectional 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes(2010).

Finding No. 3: Controls over electronic funds transfers could be enhanced.

Finding No. 4: Improvements are needed to monitor meal costs per school.

Finding No. 5: The District had not developed a written, comprehensive information technology (IT) risk assessment.

Finding No. 6: The District had not developed a written IT security incident response plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Migrant Education – Grants to States; Special Education Cluster; School Improvement Grants Cluster; State Fiscal Stabilization Fund Cluster; Race-to-the-Top Incentive Grants; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and internal control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District could enhance its controls over Federal expenditures for the food service program.

Audit Objectives and Scope

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

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

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2011-115.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 18 percent of the assets and 96 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of The Hardee County Education Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Hardee County District School Board as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
January 19, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

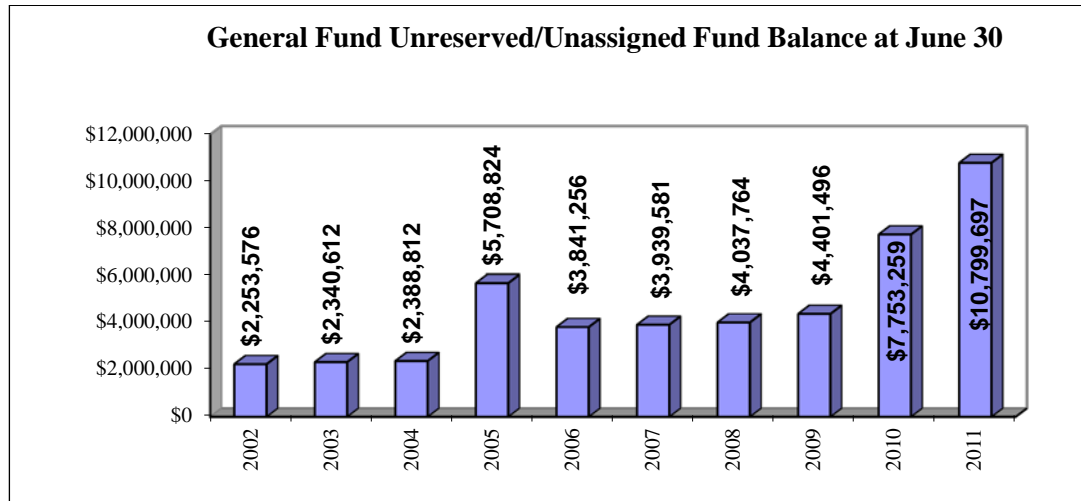
The management of the Hardee County District School Board has prepared the following discussion and analysis to provide an overview of the District’s financial activities for the fiscal year ended June 30, 2011. The information contained in the Management’s Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District’s financial statements and notes to financial statements found on pages 13 through 43.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- In total, net assets increased \$974,216, which represents a 1.3 percent increase from the 2009-10 fiscal year. This increase was primarily due to the receipt of Federal stimulus moneys.
- During the 2010-11 fiscal year, General Fund revenues exceeded expenditures by \$2,536,383. When other financing sources (transfers in, sale of capital assets and loss recoveries) totaling \$981,900 are considered, the General Fund’s balance increased by \$3,518,283 to \$12,953,605.

The following chart shows the General Fund’s Unreserved/Unassigned Fund Balance for the past ten years:



OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District’s overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District’s financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the District’s financial health. The statement of activities presents information about the change in the District’s net

assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents The Hardee County Education Foundation, Inc., a separate legal entity, in this report. The component unit 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.

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

Fund Financial Statements

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

All of the District's funds may be classified within one of the broad categories discussed below:

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

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

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

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

The District uses private-purpose trust funds to account for scholarship funds established by private donors.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year		
	Governmental		Increase (Decrease)
	Activities		
	<u>6-30-11</u>	<u>6-30-10</u>	
Current and Other Assets	\$ 16,353,853	\$ 14,812,884	\$ 1,540,969
Capital Assets	<u>68,032,963</u>	<u>69,821,635</u>	<u>(1,788,672)</u>
Total Assets	<u>84,386,816</u>	<u>84,634,519</u>	<u>(247,703)</u>
Long-Term Liabilities	6,484,540	6,686,031	(201,491)
Other Liabilities	<u>1,379,791</u>	<u>2,400,219</u>	<u>(1,020,428)</u>
Total Liabilities	<u>7,864,331</u>	<u>9,086,250</u>	<u>(1,221,919)</u>
Net Assets:			
Invested in Capital Assets -			
Net of Related Debt	64,422,963	65,976,635	(1,553,672)
Restricted	4,174,365	3,868,292	306,073
Unrestricted	<u>7,925,157</u>	<u>5,703,342</u>	<u>2,221,815</u>
Total Net Assets	<u>\$ 76,522,485</u>	<u>\$ 75,548,269</u>	<u>\$ 974,216</u>

By far, the largest portion of the District’s net assets (84.2 percent) reflects its investment in capital assets (e.g., land; buildings; construction in progress; motor vehicles; and furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (5.5 percent) represents resources that are subject to external restrictions on how they may be used. Net assets are restricted for State required carryover programs, food service, capital outlay, etc. The remaining balance of \$7,925,157 is unrestricted net assets (10.3 percent).

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

- Current and other assets increased due to increased cash, cash equivalents, and investments at June 30, 2011.
- Capital assets decreased because calculated depreciation (\$3,656,141) in the 2010-11 fiscal year exceeded capital outlay expenditures for capital assets (\$1,867,469).
- Other liabilities decreased in July 2010, when the District liquidated outstanding accounts payable and construction contracts liabilities totaling \$742,139. In December 2010, the District liquidated a liability for Federal cash advances in the amount of \$457,823 to the Florida Department of Education.
- Unrestricted net assets increased because restricted, rather than unrestricted funds, paid for salary and benefit expenditures for 32 instructional employees (\$1,563,985) and because Hardee County voters approved "funding flexibility" which allowed the District to shift 1 mill of taxes from restricted to unrestricted uses for a four-year period beginning July 1, 2009 (\$1,576,752).

The following is a summary of the District's operating results for the fiscal year ended June 30, 2011, compared to operating results for the fiscal year ended June 30, 2010:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Increase (Decrease)
	6-30-11	6-30-10	
Program Revenues:			
Charges for Services	\$ 400,010	\$ 445,759	\$ (45,749)
Operating Grants and Contributions	2,699,549	2,575,997	123,552
Capital Grants and Contributions	261,455	193,879	67,576
General Revenues:			
Property Taxes, Levied for Operational Purposes	11,590,076	12,397,783	(807,707)
Property Taxes, Levied for Capital Projects	792,999	847,507	(54,508)
Florida Education Finance Program	17,221,922	16,456,282	765,640
Other Federal Sources	9,502,822	7,395,419	2,107,403
Other State Sources	6,396,512	6,466,333	(69,821)
Unrestricted Investment Earnings	73,040	114,496	(41,456)
Miscellaneous	925,598	781,045	144,553
Total Revenues	49,863,983	47,674,500	2,189,483
Functions/Program Expenses:			
Instruction	25,820,408	24,378,251	1,442,157
Pupil Personnel Services	2,919,849	2,910,773	9,076
Instructional Media Services	965,333	972,107	(6,774)
Instruction and Curriculum Development Services	621,466	621,721	(255)
Instructional Staff Training Services	1,179,850	991,044	188,806
Instruction Related Technology	606,820	572,262	34,558
School Board	329,942	307,126	22,816
General Administration	558,281	548,078	10,203
School Administration	2,089,325	2,029,225	60,100
Facilities Acquisition and Construction	257,234	207,240	49,994
Fiscal Services	454,008	422,032	31,976
Food Services	2,869,052	2,774,717	94,335
Central Services	208,378	189,858	18,520
Pupil Transportation Services	2,250,862	2,018,707	232,155
Operation of Plant	3,728,779	3,762,961	(34,182)
Maintenance of Plant	1,798,579	1,757,347	41,232
Administrative Technology Services	229,687	221,515	8,172
Community Services	174,891	155,438	19,453
Unallocated Interest on Long-Term Debt	166,130	176,105	(9,975)
Unallocated Depreciation Expense	1,660,893	1,897,542	(236,649)
Total Functions/Program Expenses	48,889,767	46,914,049	1,975,718
Increase in Net Assets	974,216	760,451	213,765
Net Assets - Beginning	75,548,269	74,787,818	760,451
Net Assets - Ending	\$ 76,522,485	\$ 75,548,269	\$ 974,216

The District’s net assets increased by \$974,216 during the 2010-11 fiscal year. Contributing elements of the change are as follows:

- Property taxes, levied for operations decreased because Hardee County’s taxable value for operating purposes decreased by \$76,886,742 in the 2010-11 fiscal year, and the required local effort tax rate also

decreased from 5.467 mills to 5.347 mills in the 2010-11 fiscal year. This reduction in property taxes for operations was almost offset by an increase in Florida Education Finance Program funding.

- Other Federal sources increased due to the receipt of a new Education Jobs Fund grant for \$1,023,096, the new ARRA Race-to-the-Top Incentive grant for \$114,383, and an increase in Title I grants of \$321,358.
- Instructional expenditures increased due to hiring additional classroom teachers to meet class size requirements (\$302,662), teacher extra duty for Federal Title I programs (\$188,393), increased Florida Retirement System contribution rates (\$180,967), increased Board contribution for health insurance (\$208,200), and the termination of District self-insured health insurance plans (\$356,535).

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Major Governmental Funds

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

As of June 30, 2011, the District’s governmental funds reported combined ending fund balances of \$15,140,193, an increase of \$2,551,422 in comparison with the prior fiscal year. Of the total ending fund balance, \$10,799,697 (or 71 percent) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remaining fund balances are classified as nonspendable (\$302,448), restricted (\$4,014,530), committed (\$21,022), and assigned (\$2,496).

The following schedule summarizes fund balances for individual fund types:

	Fund Balances			
	Unassigned Fund Balance	Nonspendable Restricted, Comitted, and Assigned Fund Balance	Total Fund Balance	Change in Total Fund Balance
Major Governmental Funds:				
General	\$ 10,799,697	\$ 2,153,907	\$ 12,953,604	\$ 3,518,283
Special Revenue - Other		8,044	8,044	(1)
Special Revenue - Federal Economic Stimulus				
Other Non-Major Governmental Funds		2,178,545	2,178,545	(966,860)
	<u>\$ 10,799,697</u>	<u>\$ 4,340,496</u>	<u>\$ 15,140,193</u>	<u>\$ 2,551,422</u>
	71%	29%	100%	

The General Fund total fund balance increased because salary and benefit expenditures for designated instructional employees were paid from Special Revenue – Federal Economic Stimulus Funds in the 2010-11 fiscal year instead of being paid from the General Fund (\$2,618,307); and because local taxes increased after Hardee County voters approved “funding flexibility” to allow the District to reduce the tax millage for capital outlay by 1 mill and to increase the millage for general operations by 1 mill for a four-year period beginning July 1, 2009 (\$1,576,752).

The Special Revenue – Other Fund has total revenues and expenditures of \$5,110,290 each. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$4,136,218 each. Because grant revenues are

not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate fund balances.

The nonmajor governmental funds decreased because unspent capital outlay funds on hand at July 1, 2010, were spent during the 2010-11 fiscal year on roofing at Hardee Sr. High (\$358,700), one school bus (\$114,772), computers and equipment (\$271,540), and air conditioning at Wauchula Elementary (\$90,335).

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund lists original budget, final budget, and actual amounts. The actual amount of instructional expenditures in the General Fund was lower than budgeted due to the following areas that had significant positive budget variances: teacher leave payout (\$65,473), teacher extra duty pay (\$100,975), benefits (\$83,430), textbooks and text-related (\$161,030), and supplies (\$397,402).

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$68,032,963 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; computer software; and construction in progress. The total decrease in the District’s investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$1,788,672 or -2.6 percent.

Capital Assets, Net of Depreciation			
	Balance <u>6-30-2011</u>	Balance <u>6-30-2010</u>	Increase <u>(Decrease)</u>
Land	\$ 2,046,222	\$ 2,046,222	\$
Improvements Other Than Buildings	2,967,394	2,879,809	87,585
Construction in Progress	14,650	4,967,050	(4,952,400)
Buildings and Fixed Equipment	59,307,593	56,270,290	3,037,303
Furniture, Fixtures, and Equipment	1,974,667	2,337,112	(362,445)
Motor Vehicles	1,350,962	1,045,476	305,486
Computer Software	371,475	275,676	95,799
	<u>\$ 68,032,963</u>	<u>\$ 69,821,635</u>	<u>\$ (1,788,672)</u>

Construction in progress decreased due to completion of the following projects: classroom addition at Bowling Green Elementary (\$4,318,576); reroofing buildings 300 and 500 at Hardee Sr. High (\$318,647); and wiring/security upgrades at Hardee Sr. High (\$329,827). Additional information on the District’s capital assets can be found in Note 4.

Long-Term Debt

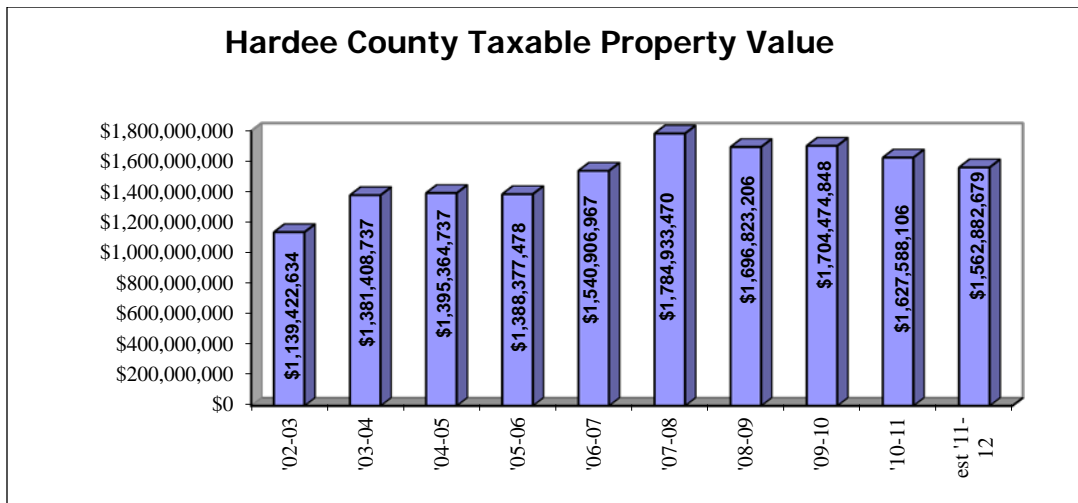
Bonds payable is the only long-term debt related to capital assets. At June 30, 2011, the District had total bonded debt outstanding of \$3,610,000. Of this amount, \$2,635,000 relates to Revenue Bonds, Series 2009, that will mature in November 2035, and \$975,000 relates to three series of State School Bonds that mature in 2017, 2018, and 2021, respectively. Additional information on the District’s long-term debt can be found in Notes 5 and 6.

OTHER MATTERS OF SIGNIFICANCE

Hardee County

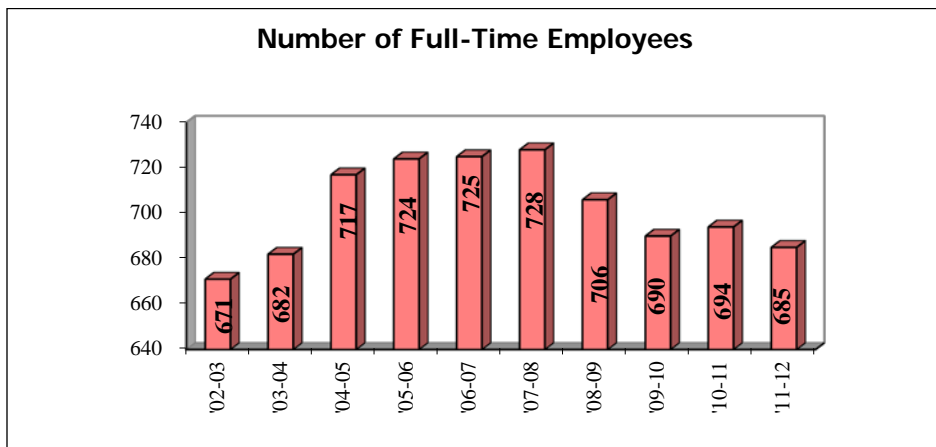
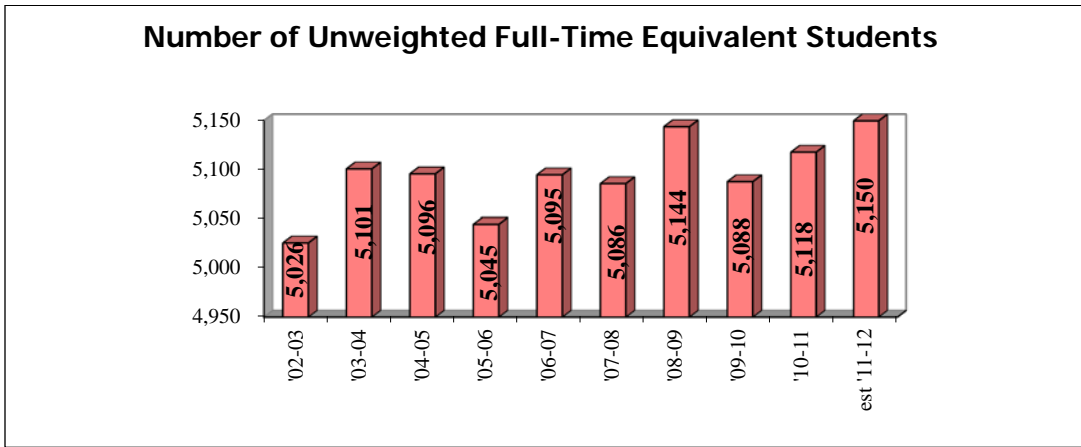
Hardee County’s population was 27,731 in 2010 with 9 percent of the population under age 5 and 27.7 percent of the population under age 19. Between 2000 and 2010, Hardee County’s population increased by 2.9 percent. Because funding is largely based on numbers of enrolled students, an increase in population, particularly of school-aged children, may increase District enrollment and related funding.

Taxable values for Hardee County are estimated to decrease by \$64,705,427 (4 percent) to \$1,562,882,679 for the 2011-12 fiscal year. Taxable values in Hardee County are comprised of real property and tangible property. The biggest components of real property are agricultural, single family residential and improved commercial/industrial property. Tangible property includes power generation, utilities and other tangible property. The following chart represents Hardee County taxable property values:



Hardee County School District

The Hardee County School District is comprised of five elementary schools, a junior high school, a senior high school, an adult education program, various preschool programs, and an alternative school. The District’s number of unweighted full-time equivalent students (UFTE) in the 2010-11 fiscal year increased by 30 students to 5,118. The District projects to serve 5,150 unweighted full-time equivalent students in the 2011-12 fiscal year. The following charts show the number of unweighted full-time equivalent students and full-time employees:



On July 25, 2011, the Board adopted the proposed millage rates, the tentative budget for the 2011-12 fiscal year, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2011, and tentative fund balances at June 30, 2012:

Fund Balance Comparison			
	Projected Fund Balance <u>6-30-2012</u>	Actual Fund Balance <u>6-30-2011</u>	Projected Change in Fund Balance <u>FY 2011-12</u>
Major Governmental Funds:			
General	\$ 12,347,350	\$ 12,953,604	\$ (606,254)
Special Revenue - Other	8,044	8,044	
Special Revenue - Federal Economic Stimulus			
Other Non-Major Governmental Funds	<u>1,570,478</u>	<u>2,178,545</u>	<u>(608,067)</u>
	<u>\$ 13,925,872</u>	<u>\$ 15,140,193</u>	<u>\$ (1,214,321)</u>

The fund balance in nonmajor governmental funds is expected to decrease because unspent funds as of June 30, 2011, are expected to be spent in the 2011-12 fiscal year on the following: equipment including computers (\$527,686), and air conditioning replacement at Hardee Sr. High (\$109,611).

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 any of the information provided in this report or requests for additional financial information should be addressed to:

Greg Harrelson, CPA, CGFO
Director of Finance
Hardee County School Board
P.O. Box 1678
Wauchula, Florida 33873
(863) 773-9058 ext. 217
gharrelson@hardee.k12.fl.us

BASIC FINANCIAL STATEMENTS

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2011**

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 10,125,211.81	\$ 132,818.00
Investments	5,522,771.84	45,964.00
Accounts Receivable	33,224.43	1,500.00
Due from Other Agencies	370,197.57	
Inventories	302,447.73	
Capital Assets:		
Nondepreciable Capital Assets	2,179,213.91	
Depreciable Capital Assets, Net	65,853,749.10	
TOTAL ASSETS	\$ 84,386,816.39	\$ 180,282.00
LIABILITIES		
Salaries and Benefits Payable	\$ 517,681.04	\$ 17,281.00
Accounts Payable	264,119.16	
Due to Other Agencies	427,772.82	
Matured Interest Payable	1,817.50	
Accrued Interest Payable	166,130.00	
Deferred Revenue	2,270.10	
Long-Term Liabilities:		
Portion Due Within One Year	598,800.00	
Portion Due After One Year	5,885,740.32	
Total Liabilities	7,864,330.94	17,281.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	64,422,963.01	
Restricted for:		
State Required Carryover Programs	1,743,725.97	
Capital Projects	1,390,946.74	
Food Service	558,620.09	
Other Purposes	481,073.01	106,165.00
Unrestricted	7,925,156.63	56,836.00
Total Net Assets	76,522,485.45	163,001.00
TOTAL LIABILITIES AND NET ASSETS	\$ 84,386,816.39	\$ 180,282.00

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 25,820,408.36	\$ 36,428.00	\$	\$
Pupil Personnel Services	2,919,848.65			
Instructional Media Services	965,332.75			
Instruction and Curriculum Development Services	621,466.43			
Instructional Staff Training Services	1,179,850.07			
Instruction Related Technology	606,820.28			
School Board	329,941.72			
General Administration	558,281.33			
School Administration	2,089,324.53			
Facilities Acquisition and Construction	257,234.42			261,455.19
Fiscal Services	454,007.62			
Food Services	2,869,051.50	335,572.97	2,325,498.52	
Central Services	208,377.73			
Pupil Transportation Services	2,250,861.90	28,008.72		
Operation of Plant	3,728,778.65			
Maintenance of Plant	1,798,579.16		374,050.00	
Administrative Technology Services	229,687.15			
Community Services	174,890.87			
Unallocated Interest on Long-Term Debt	166,130.00			
Unallocated Depreciation Expense*	1,660,893.44			
Total Primary Government	48,889,766.56	400,009.69	2,699,548.52	261,455.19
Component Unit				
The Hardee County Education Foundation, Inc.	\$ 141,799.00	\$ 0.00	\$ 132,439.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (25,783,980.36)	\$
(2,919,848.65)	
(965,332.75)	
(621,466.43)	
(1,179,850.07)	
(606,820.28)	
(329,941.72)	
(558,281.33)	
(2,089,324.53)	
4,220.77	
(454,007.62)	
(207,980.01)	
(208,377.73)	
(2,222,853.18)	
(3,728,778.65)	
(1,424,529.16)	
(229,687.15)	
(174,890.87)	
(166,130.00)	
(1,660,893.44)	
<u>(45,528,753.16)</u>	
	<u>(9,360.00)</u>
11,590,075.81	
792,999.25	
33,121,256.30	
73,040.33	926.00
925,597.67	
<u>46,502,969.36</u>	<u>926.00</u>
974,216.20	(8,434.00)
<u>75,548,269.25</u>	<u>171,435.00</u>
<u>\$ 76,522,485.45</u>	<u>\$ 163,001.00</u>

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 8,014,741.14	\$	\$ 21,635.62
Investments	5,496,726.72		
Accounts Receivable	32,887.01		
Due from Other Funds	163,633.17		
Due from Other Agencies	149,917.20	186,344.76	22,241.01
Inventories	231,401.62		
TOTAL ASSETS	\$ 14,089,306.86	\$ 186,344.76	\$ 43,876.63
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 517,681.04	\$	\$ 9,206.16
Accounts Payable	190,288.13	60,558.83	34,630.95
Due to Other Funds		115,471.90	39.52
Due to Other Agencies	427,733.30		
Matured Interest Payable			
Deferred Revenue		2,270.10	
Total Liabilities	1,135,702.47	178,300.83	43,876.63
Fund Balances:			
Nonspendable:			
Inventory	231,401.62		
Restricted for:			
Federal Required Carryover Programs	128,982.81	8,043.93	
State Required Carryover Programs	1,743,725.97		
Local Sales Tax and Other Tax Levy			
Debt Service			
Capital Projects			
Food Service			
Other	26,279.10		
Total Restricted Fund Balance	1,898,987.88	8,043.93	
Committed to:			
Insurance Programs	21,022.24		
Assigned to:			
Employee Child Aftercare	2,495.70		
Total Unassigned Fund Balance	10,799,696.95		
Total Fund Balances	12,953,604.39	8,043.93	
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,089,306.86	\$ 186,344.76	\$ 43,876.63

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 2,088,835.05	\$ 10,125,211.81
26,045.12	5,522,771.84
337.42	33,224.43
	163,633.17
11,694.60	370,197.57
<u>71,046.11</u>	<u>302,447.73</u>
<u>\$ 2,197,958.30</u>	<u>\$ 16,517,486.55</u>
\$	\$
4,066.04	517,681.04
13,530.32	264,119.16
	163,633.17
	427,772.82
1,817.50	1,817.50
<u> </u>	<u>2,270.10</u>
<u>19,413.86</u>	<u>1,377,293.79</u>
<u>71,046.11</u>	<u>302,447.73</u>
	137,026.74
	1,743,725.97
1,259,301.80	1,259,301.80
157,931.50	157,931.50
131,644.94	131,644.94
558,620.09	558,620.09
<u> </u>	<u>26,279.10</u>
<u>2,107,498.33</u>	<u>4,014,530.14</u>
	<u>21,022.24</u>
	<u>2,495.70</u>
<u> </u>	<u>10,799,696.95</u>
<u>2,178,544.44</u>	<u>15,140,192.76</u>
<u>\$ 2,197,958.30</u>	<u>\$ 16,517,486.55</u>

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

Total Fund Balances - Governmental Funds \$ 15,140,192.76

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 68,032,963.01

Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (166,130.00)

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	\$ 3,610,000.00	
Other Postemployment Benefits Payable	517,083.00	
Compensated Absences Payable	2,357,457.32	(6,484,540.32)

Total Net Assets - Governmental Activities \$ 76,522,485.45

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

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**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 65,305.20	\$	\$ 2,216.41
Federal Through State and Local State	3,350.00	5,110,289.75	4,134,001.72
State	23,433,493.08		
Local:			
Property Taxes	11,590,075.81		
Charges for Services - Food Service			
Miscellaneous	1,228,561.58		
Total Revenues	36,320,785.67	5,110,289.75	4,136,218.13
Expenditures			
Current - Education:			
Instruction	18,762,773.44	2,718,808.98	3,425,854.68
Pupil Personnel Services	1,758,241.28	960,086.63	158,495.37
Instructional Media Services	690,121.17		
Instruction and Curriculum Development Services	291,866.21	324,569.07	
Instructional Staff Training Services	331,059.99	610,559.49	217,094.01
Instruction Related Technology	604,493.68		
School Board	328,592.48		
General Administration	280,791.47	157,501.05	120,882.92
School Administration	2,066,903.73	8,724.87	2,867.70
Facilities Acquisition and Construction	24,124.38		
Fiscal Services	435,638.70		
Food Services	3,636.56	1,317.78	409.26
Central Services	152,697.64	20,160.63	6,800.00
Pupil Transportation Services	2,018,789.38	2,338.50	
Operation of Plant	3,695,527.52		
Maintenance of Plant	1,712,198.31		
Administrative Technology Services	228,054.37		
Community Services	174,841.40		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	224,051.22	306,223.75	203,814.19
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	33,784,402.93	5,110,290.75	4,136,218.13
Excess (Deficiency) of Revenues Over Expenditures	2,536,382.74	(1.00)	
Other Financing Sources (Uses)			
Transfers In	952,734.77		
Refunding Bonds Issued			
Premium on Refunding Bonds			
Proceeds from Sale of Capital Assets	10,312.00		
Insurance Loss Recoveries	18,853.18		
Payments to Refunded Bond Escrow Agent			
Transfers Out			
Total Other Financing Sources (Uses)	981,899.95		
Net Change in Fund Balances	3,518,282.69	(1.00)	
Fund Balances, Beginning	9,435,321.70	8,044.93	
Fund Balances, Ending	\$ 12,953,604.39	\$ 8,043.93	\$ 0.00

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
2,276,226.52	67,521.61
802,119.57	11,523,867.99
	24,235,612.65
792,999.25	12,383,075.06
335,572.57	335,572.57
6,707.54	1,235,269.12
<u>4,213,625.45</u>	<u>49,780,919.00</u>
	24,907,437.10
	2,876,823.28
	690,121.17
	616,435.28
	1,158,713.49
	604,493.68
	328,592.48
	559,175.44
	2,078,496.30
	24,124.38
	435,638.70
2,539,335.27	2,544,698.87
	179,658.27
	2,021,127.88
	3,695,527.52
	1,712,198.31
	228,054.37
	174,841.40
1,338,514.51	1,338,514.51
10,797.83	744,886.99
165,000.00	165,000.00
171,701.35	171,701.35
<u>4,225,348.96</u>	<u>47,256,260.77</u>
<u>(11,723.51)</u>	<u>2,524,658.23</u>
	952,734.77
570,000.00	570,000.00
86,063.85	86,063.85
	10,312.00
	18,853.18
(658,465.09)	(658,465.09)
<u>(952,734.77)</u>	<u>(952,734.77)</u>
<u>(955,136.01)</u>	<u>26,763.94</u>
(966,859.52)	2,551,422.17
3,145,403.96	12,588,770.59
<u>\$ 2,178,544.44</u>	<u>\$ 15,140,192.76</u>

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ 2,551,422.17

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. (1,788,671.82)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Proceeds of refunding debt are reported as other financing sources in the governmental funds, while payments to the escrow agent for advance-refunding of outstanding debt are shown as other financing uses. Government-wide statements are affected only to the extent these amounts differ. This is the net effect of these transactions. 235,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. 177,640.85

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (211,150.00)

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the decrease in the accrued interest payable. 9,975.00

Change in Net Assets - Governmental Activities \$ 974,216.20

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2011**

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 11,310.28	\$ 373,333.41
Investments		100,066.87
TOTAL ASSETS	\$ 11,310.28	\$ 473,400.28
LIABILITIES		
Internal Accounts Payable		\$ 473,400.28
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	11,310.28	
TOTAL LIABILITIES AND NET ASSETS	\$ 11,310.28	

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	<u>\$ 28.86</u>
DEDUCTIONS	
Scholarship Payments	<u>2,350.00</u>
Change in Net Assets	(2,321.14)
Net Assets - Beginning	<u>13,631.42</u>
Net Assets - Ending	<u><u>\$ 11,310.28</u></u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of The Hardee County Education Foundation, Inc. (Foundation), a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The financial data reported in the accompanying basic financial statements was derived from the audited financial information from the organization for the fiscal year ended June 30, 2011. The financial information is on file in the District's administrative offices.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component unit.

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

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

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA), and other Federal stimulus programs.

Additionally, the District reports the following fiduciary fund types:

- Private-Purpose Trust Funds – to account for resources of the Henry D. Gilliard Memorial Citrus Award, the James G. Smith Vocational Award, and the Charles Myer Memorial Scholarship Trust Funds.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year, with the exception of Public Assistance Grants and insurance recoveries, which have a collection period of six months. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term

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

debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

The Hardee County Education Foundation, Inc., shown as a discretely presented component unit, uses the accrual basis of accounting and financial reporting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

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

The costs of inventories are recorded as expenditures at the time inventory items are purchased and are adjusted to reflect year-end physical inventories. For surplus donated foods, fiscal year-end adjustments are made to the expenditures and corresponding inventory accounts to record physical inventories on hand.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, with the exception of Improvements Other Than Buildings which are those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land acquired prior to 1973 and most buildings acquired or constructed prior to 1979, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$89,680 of stated land values and \$5,033,364 of stated building values are based on these estimates.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	17.63 years
Buildings and Fixed Equipment	49.23 years
Furniture, Fixtures, and Equipment	6.66 years
Motor Vehicles	9.29 years
Computer Software	5.00 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

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

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

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

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

➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

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

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

The Board adopted the 2010 tax levy on September 9, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Hardee 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.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 11,522.48
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	93,115.29
Debt Service Accounts	6 Months	26,045.12
Certificates of Deposit	October 21, 2011	5,503,678.30
Total Investments		<u>\$ 5,634,361.19</u>

Note: (1) Investment reported as a cash equivalent 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. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate

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

changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investments in certificates of deposit are in qualified public depositories.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,046,221.85	\$	\$	\$ 2,046,221.85
Land Improvements, Nondepreciable	118,342.06			118,342.06
Construction in Progress	4,967,049.57	720,918.46	5,673,318.03	14,650.00
Total Capital Assets Not Being Depreciated	7,131,613.48	720,918.46	5,673,318.03	2,179,213.91
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,588,914.83	336,268.33		4,925,183.16
Buildings and Fixed Equipment	78,778,178.05	5,337,049.70	408,348.38	83,706,879.37
Furniture, Fixtures, and Equipment	6,446,910.75	361,949.77	454,503.46	6,354,357.06
Motor Vehicles	4,229,944.01	495,797.70	180,642.85	4,545,098.86
Computer Software	646,891.64	288,803.53	108,091.93	827,603.24
Total Capital Assets Being Depreciated	94,690,839.28	6,819,869.03	1,151,586.62	100,359,121.69
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,827,447.47	248,683.71		2,076,131.18
Buildings and Fixed Equipment	22,507,887.81	2,299,747.35	408,348.38	24,399,286.78
Furniture, Fixtures, and Equipment	4,109,798.85	724,394.43	454,503.46	4,379,689.82
Motor Vehicles	3,184,468.04	190,311.83	180,642.85	3,194,137.02
Computer Software	371,215.76	193,003.96	108,091.93	456,127.79
Total Accumulated Depreciation	32,000,817.93	3,656,141.28	1,151,586.62	34,505,372.59
Total Capital Assets Being Depreciated, Net	62,690,021.35	3,163,727.75		65,853,749.10
Governmental Activities Capital Assets, Net	\$69,821,634.83	\$3,884,646.21	\$5,673,318.03	\$68,032,963.01

Depreciation expense was charged to functions as follows:

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

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 923,129.55
Pupil Personnel Services	40,810.85
Instructional Media Services	276,028.30
Instructional Staff Training Services	4,897.02
General Administration	3,703.83
School Administration	33,273.61
Fiscal Services	17,925.24
Food Services	313,818.35
Central Services	28,670.55
Pupil Transportation Services	222,678.89
Operation of Plant	25,433.10
Maintenance of Plant	104,878.55
Unallocated	1,660,893.44
Total Depreciation Expense - Governmental Activities	\$ 3,656,141.28

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	\$ 310,000	5.0	2017
Series 2005B, Refunding	95,000	5.0	2018
Series 2010A, Refunding	570,000	4.0 - 5.0	2021
District Revenue Bonds:			
Series 2009	2,635,000	2.0 - 5.4	2035
Total Bonds Payable	\$ 3,610,000		

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

➤ **State School Bonds**

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

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

➤ **District Revenue Bonds**

These bonds are authorized by Chapter 78-517, Laws of Florida, which provides that the bonds be secured by a sum of \$187,375 from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes (2001)). The annual distribution is remitted by the Florida Department of Financial Services to the Hardee County Board of Commissioners who remit the distribution to the District.

The District has pledged a total of \$4,740,705 of sales tax revenues in connection with the District Revenue Bonds of 2009, described above. During the 2010-11 fiscal year, the District recognized sales tax revenues totaling \$187,375 and expended \$185,580 (99 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or November 1, 2035. Approximately 99 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, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2012	\$ 147,650.00	\$ 100,000.00	\$ 47,650.00
2013	148,100.00	105,000.00	43,100.00
2014	152,850.00	115,000.00	37,850.00
2015	152,100.00	120,000.00	32,100.00
2016	151,100.00	125,000.00	26,100.00
2017-2021	<u>464,300.00</u>	<u>410,000.00</u>	<u>54,300.00</u>
Total State School Bonds	<u>1,216,100.00</u>	<u>975,000.00</u>	<u>241,100.00</u>
District Revenue Bonds:			
2012	183,480.00	65,000.00	118,480.00
2013	182,017.50	65,000.00	117,017.50
2014	185,330.00	70,000.00	115,330.00
2015	183,405.00	70,000.00	113,405.00
2016	186,230.00	75,000.00	111,230.00
2017-2021	916,195.00	400,000.00	516,195.00
2022-2026	914,332.50	490,000.00	424,332.50
2027-2031	903,921.25	610,000.00	293,921.25
2032-2036	<u>901,013.75</u>	<u>790,000.00</u>	<u>111,013.75</u>
Total District Revenue Bonds	<u>4,555,925.00</u>	<u>2,635,000.00</u>	<u>1,920,925.00</u>
Total	<u>\$ 5,772,025.00</u>	<u>\$ 3,610,000.00</u>	<u>\$ 2,162,025.00</u>

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

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,845,000.00	\$ 570,000.00	\$ 805,000.00	\$ 3,610,000.00	\$ 165,000.00
Compensated Absences Payable	2,535,098.17	154,193.42	331,834.27	2,357,457.32	433,800.00
Other Postemployment Benefits Payable	305,933.00	480,849.00	269,699.00	517,083.00	
Total Governmental Activities	<u>\$ 6,686,031.17</u>	<u>\$ 1,205,042.42</u>	<u>\$ 1,406,533.27</u>	<u>\$ 6,484,540.32</u>	<u>\$ 598,800.00</u>

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

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$163,633.17	\$
Special Revenue - Other		115,471.90
Special Revenue - Federal Economic Stimulus		34,630.95
Nonmajor Governmental		13,530.32
Total	<u>\$163,633.17</u>	<u>\$163,633.17</u>

Interfund receivables in the General Fund represent amounts for retirement contributions and temporary cash shortages in the special revenue funds. All interfund balances will be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 952,734.77	\$
Nonmajor Governmental		952,734.77
Total	<u>\$ 952,734.77</u>	<u>\$ 952,734.77</u>

Interfund transfers consisted of transfers of Public Education Capital Outlay and Local Capital Improvement funds to the General Fund to assist in funding maintenance operations of the District.

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

8. FUND BALANCE REPORTING

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

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

➤ **Nonspendable**

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

➤ **Restricted**

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

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. On June 9, 2011, the Board established a fund balance commitment for excess funds at North East Florida Educational Consortium, their previous fiscal agent for health insurance. At June 30, 2011, that amount committed was \$21,022.24.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Director of Finance, as authorized by the Board on June 9, 2011, and not included in other categories. The Director of Finance has classified funds in the After School Employee Child Care project (\$2,294.40) and the Suncoast Schools Federal Credit Union – Discretionary project (\$201.30) as assigned.

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

➤ **Unassigned**

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

9. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program:	
Supplemental Academic Instruction	\$1,152,353.00
Instructional Materials	417,920.00
Reading	261,049.00
Safe Schools	150,424.00
Florida Teachers Lead	64,778.00
Other	15,175,398.00
Categorical Educational Program - Class Size Reduction	5,566,594.00
Gross Receipts Tax (Public Education Capital Outlay)	374,050.00
Workforce Development Program	272,009.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	193,834.72
School Recognition	116,591.00
Voluntary Pre-K	71,699.13
Food Service Supplement	49,272.00
Discretionary Lottery Funds	18,384.00
Miscellaneous	<u>351,256.80</u>
 Total	 <u><u>\$ 24,235,612.65</u></u>

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

10. PROPERTY TAXES

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

**HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.347	\$ 8,702,713.61
Basic Discretionary Local Effort	0.748	1,217,435.90
Critical Operating Needs	0.250	406,897.03
Voted Tax:		
Additional Discretionary Local Effort	1.000	1,627,588.11
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	0.500	813,794.05
Total	7.845	\$ 12,768,428.70

11. FLORIDA RETIREMENT SYSTEM

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

FRS Retirement Contribution Rates

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

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$2,333,348, \$2,225,036, and \$2,479,290, respectively, which were equal to the required contributions for each fiscal year. There were 70 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$268,840.

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

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

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

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Most retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 48 retirees received other postemployment benefits, and another 107 retirees received only life insurance benefits. The District provided required contributions of \$269,699 toward the annual OPEB cost, net of retiree contributions totaling \$321,763, which represents 1.3 percent of covered payroll.

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

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

Description	Amount
Normal Cost (service cost for one year)	\$ 207,837
Amortization of Unfunded Actuarial Accrued Liability	277,771
Annual Required Contribution	485,608
Interest on Net OPEB Obligation	12,237
Adjustment to Annual Required Contribution	(16,996)
Annual OPEB Cost	480,849
Contribution Toward the OPEB Cost	(269,699)
Increase in Net OPEB Obligation	211,150
Net OPEB Obligation, Beginning of Year	305,933
Net OPEB Obligation, End of Year	\$ 517,083

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011, and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 416,330	67.3%	\$ 136,161
2009-10	432,861	60.8%	305,933
2010-11	480,849	56.1%	517,083

Funded Status and Funding Progress. As of January 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$4,902,773, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,902,773 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,992,107, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include

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

the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District’s OPEB actuarial valuation as of January 1, 2011, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District’s 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2010-11 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent in 2019. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 17 years.

13. OTHER SIGNIFICANT COMMITMENTS

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

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

Major Funds				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$ 677,333.84	\$ 472,830.27	\$ 25,874.97	\$ 315,927.99	\$ 1,491,967.07

14. 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; third party injuries and/or property damage and natural disasters. The District is a member of the South Central Educational Risk Management Consortium (SCERMP), a consortium under which eight district school boards have established a public entity risk sharing pool for property, general liability, automobile liability, workers' compensation, government crime, and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the

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

consortium. SCERMP is self-sustaining through member contributions (premiums), and purchased insurance coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of the superintendent or an authorized representative of all participating districts. Employers' Mutual, Inc., serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except wind/hail/flood), respectively. The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. SCERMP'S purchased excess property loss limit substantially increased during the 2010-11 fiscal year to \$100 million per tower (consisting of 4 members per tower), except for flood/earthquake of \$75 million, compared to \$75 million per tower during the 2009-10 fiscal year.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2010-11 fiscal year was \$850,000. SCERMP purchases excess liability coverage through a commercial insurance carrier which covers workers' compensation losses in excess of the self-insured retention. Employers liability is included, subject to \$2,000,000 each claim and in the aggregate.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature at future dates, which effectively limits the amount of liability of governmental entities for tort claims to \$100,000 per claim and \$200,000 per occurrence. Effective October 1, 2011, the immunity caps were increased by the 2010 Florida Legislature to \$200,000 per claim/\$300,000 per occurrence.

Health and hospitalization coverage is being provided by purchased commercial insurance on a guaranteed cost basis with rates established prior to renewal each year by the District's insurer based on the benefits and features selected by the District. Life insurance in the amount of \$25,000 is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds.

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 55,400.00	\$ 55,400.00	\$ 65,305.20	\$ 9,905.20
Federal Through State and Local	150,000.00	153,350.00	3,350.00	(150,000.00)
State	23,577,774.00	23,474,580.14	23,433,493.08	(41,087.06)
Local:				
Property Taxes	11,299,892.00	11,299,892.00	11,590,075.81	290,183.81
Miscellaneous	763,526.00	956,455.00	1,228,561.58	272,106.58
Total Revenues	35,846,592.00	35,939,677.14	36,320,785.67	381,108.53
Expenditures				
Current - Education:				
Instruction	21,033,170.88	19,676,925.89	18,762,773.44	914,152.45
Pupil Personnel Services	1,722,536.00	1,805,378.79	1,758,241.28	47,137.51
Instructional Media Services	697,349.16	723,285.15	690,121.17	33,163.98
Instruction and Curriculum Development Services	298,020.00	301,763.00	291,866.21	9,896.79
Instructional Staff Training Services	318,813.83	338,949.21	331,059.99	7,889.22
Instruction Related Technology	732,295.61	750,614.36	604,493.68	146,120.68
School Board	347,769.00	359,476.00	328,592.48	30,883.52
General Administration	285,701.00	293,364.00	280,791.47	12,572.53
School Administration	2,052,525.00	2,087,517.03	2,066,903.73	20,613.30
Facilities Acquisition and Construction		24,124.38	24,124.38	
Fiscal Services	448,066.00	455,359.00	435,638.70	19,720.30
Food Services		3,636.56	3,636.56	
Central Services	161,476.00	168,481.00	152,697.64	15,783.36
Pupil Transportation Services	2,154,272.00	2,178,656.00	2,018,789.38	159,866.62
Operation of Plant	3,906,169.00	3,987,941.28	3,695,527.52	292,413.76
Maintenance of Plant	1,973,283.93	1,993,387.86	1,712,198.31	281,189.55
Administrative Technology Services	227,200.34	251,218.53	228,054.37	23,164.16
Community Services	178,986.00	181,814.98	174,841.40	6,973.58
Fixed Capital Outlay:				
Other Capital Outlay		224,051.22	224,051.22	
Total Expenditures	36,537,633.75	35,805,944.24	33,784,402.93	2,021,541.31
Excess (Deficiency) of Revenues Over Expenditures	(691,041.75)	133,732.90	2,536,382.74	2,402,649.84
Other Financing Sources				
Transfers In	933,062.38	952,734.77	952,734.77	
Proceeds from Sale of Capital Assets	4,000.00	10,312.00	10,312.00	
Insurance Loss Recoveries	12,522.00	25,494.47	18,853.18	(6,641.29)
Total Other Financing Sources	949,584.38	988,541.24	981,899.95	(6,641.29)
Net Change in Fund Balances	258,542.63	1,122,274.14	3,518,282.69	2,396,008.55
Fund Balances, Beginning	9,435,321.70	9,435,321.70	9,435,321.70	
Fund Balances, Ending	\$ 9,693,864.33	\$ 10,557,595.84	\$ 12,953,604.39	\$ 2,396,008.55

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 6,415,640.46	\$ 6,923,072.95	\$ 5,110,289.75	\$ (1,812,783.20)	\$ 3,500,080.09	\$ 2,216.41	\$ 2,216.41	\$ (657,889.65)
<u>6,415,640.46</u>	<u>6,923,072.95</u>	<u>5,110,289.75</u>	<u>(1,812,783.20)</u>	<u>3,500,080.09</u>	<u>4,794,107.78</u>	<u>4,136,218.13</u>	<u>(657,889.65)</u>
3,416,409.95	3,705,854.35	2,718,808.98	987,045.37	2,772,969.90	3,794,547.82	3,425,854.68	368,693.14
1,252,677.46	1,273,758.07	960,086.63	313,671.44	306,483.50	243,044.00	158,495.37	84,548.63
488,189.34	417,701.83	324,569.07	93,132.76				
795,897.27	861,241.12	610,559.49	250,681.63	264,011.07	292,181.71	217,094.01	75,087.70
254,064.10	203,187.83	157,501.05	45,686.78	152,569.02	176,980.46	120,882.92	56,097.54
6,400.00	10,080.76	8,724.87	1,355.89	2,871.60	2,871.60	2,867.70	3.90
	2,197.00	1,317.78	879.22		10,078.00	409.26	9,668.74
15,474.34	40,410.34	20,160.63	20,249.71		70,590.00	6,800.00	63,790.00
186,528.00	102,417.90	2,338.50	100,079.40	1,175.00			
	306,223.75	306,223.75			203,814.19	203,814.19	
<u>6,415,640.46</u>	<u>6,923,072.95</u>	<u>5,110,290.75</u>	<u>1,812,782.20</u>	<u>3,500,080.09</u>	<u>4,794,107.78</u>	<u>4,136,218.13</u>	<u>657,889.65</u>
		(1.00)	(1.00)				
		(1.00)	(1.00)				
8,044.93	8,044.93	8,044.93					
<u>\$ 8,044.93</u>	<u>\$ 8,044.93</u>	<u>\$ 8,043.93</u>	<u>\$ (1.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
January 1, 2008	\$ 0	\$ 4,418,739	\$ 4,418,739	0.0%	\$ 24,528,149	18.0%
January 1, 2011	0	4,902,773	4,902,773	0.0%	23,992,107	20.4%

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

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The District is required to perform periodic actuarial valuations of its postemployment benefits other than pensions. For the January 1, 2011, valuation, the following key assumptions were modified to reflect current experience: (1) the assumed rate of retiree coverage acceptance was revised from 25 percent to 35 percent; (2) rates of retiree participation once eligible for Medicare were revised; (3) trend rates for medical and prescription costs were decreased modestly; (4) interest rates were revised from 4.75 percent to 4 percent; and (5) certain demographic assumptions were revised to reflect the changes made by the Florida Retirement System in its July 1, 2009, actuarial valuation. The net OPEB obligation increased from \$305,933 to \$517,083, in part, because of these changes.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 451,274.38
National School Lunch Program	10.555	300	1,683,501.50
Summer Food Service Program for Children	10.559	323	18,268.64
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>115,244.51</u>
Total United States Department of Agriculture			<u>2,268,289.03</u>
United States Department of Labor:			
Direct:			
ARRA - Employee Benefits Security Administration, (EBSA)	17.151	None	<u>2,216.41</u>
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,082,182.48
Special Education - Preschool Grants	84.173	267	26,744.47
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	552,307.73
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	11,328.09
Polk County District School Board:			
Special Education - Grants to States	84.027	None	22,000.00
Special Education - Preschool Grants	84.173	None	53,000.00
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	<u>4,365.35</u>
Total Special Education Cluster			1,751,928.12
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,411,235.79
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	<u>352,169.54</u>
Total Title I, Part A Cluster			2,763,405.33
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	2,523.00
ARRA - Education Technology State Grants, Recovery Act	84.386	121	<u>9,953.15</u>
Total Educational Technology State Grants Cluster			12,476.15
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	93,083.87
ARRA - School Improvement Grants, Recovery Act	84.388	126	<u>367,398.38</u>
Total School Improvement Grants Cluster			460,482.25
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,563,985.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	<u>41,304.00</u>
Total State Fiscal Stabilization Fund Cluster			1,605,289.00
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	90,164.51
Migrant Education - State Grant Program	84.011	217	816,985.73
Career and Technical Education - Basic Grants to States	84.048	161	90,944.59
Rural Education	84.358	110	96,535.48
English Language Acquisition Grants	84.365	102	69,141.61
Improving Teacher Quality State Grants	84.367	224	344,442.67
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	4,649.17
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	114,382.60
Education Jobs Fund	84.410	541	1,023,096.00
Highlands County District School Board:			
Safe and Drug - Free Schools and Communities - National Programs	84.184	None	295.53
Transition to Teaching	84.350	None	72.73
Washington County District School Board:			
Reading First State Grants	84.357	None	<u>3,350.00</u>
Total United States Department of Education			<u>9,247,641.47</u>
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	<u>65,305.20</u>
Total Expenditures of Federal Awards			<u>\$ 11,583,452.11</u>

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

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



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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Hardee County District School Board's financial statements. For the school internal funds and the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 19, 2012



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the Hardee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 19, 2012

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that is not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Migrant Education – Grants to States (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377, and 84.388 - ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants (CFDA No. 84.395 - ARRA); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	\$347,503
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),¹ required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010). Instructional personnel typically maintain records, in consultation with their school principal or administrator, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests. In addition, instructional personnel meet periodically with their school administrator throughout the school year to assess the progress in meeting the projected goals. District personnel used the FCAT scores for the 2010-11 fiscal year to evaluate the improvements, or lack thereof, from the FCAT scores for the 2009-10 fiscal year.

Our tests of performance assessments for 21 instructional personnel (teachers) and 15 school administrators disclosed the performance assessment of one teacher did not document consideration of the FCAT scores, and of another teacher did not document an overall performance rating. Also, school administrator performance assessments of three assistant principals did not document consideration of the FCAT scores. In addition, the District used incorrect 2010-11 FCAT scores for writing, math, reading, and science for the performance assessments of three principals, which resulted from use of scores from the wrong schools and use of projected rather than actual scores.

The above errors occurred mainly because of employee oversights. Without measuring employee performance consistently by the required criteria, performance assessments of instructional personnel and school administrators

¹ Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our audit report No. 2011-115.

Recommendation: The District should continue its efforts to document that performance assessments of instructional personnel and school administrators are based primarily on student performance.

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),² provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based on performance. The District had a performance pay plan in effect during the 2010-11 fiscal year that resulted in one instructional personnel member who was selected as District Teacher of the Year and received a bonus in February 2011. However, since the District has over 583 instructional personnel, District records did not evidence that a reasonable attempt had been made to base a portion of each instructional employee's compensation on the employee's performance.

The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches and club or activity

² Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

sponsors. However, neither the salary schedule nor the union contracts evidenced differentiated pay based on school demographics, level of performance difficulties, and critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

- **School-based Administrators.** The school-based administrators' salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-115.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

Although the District does not use EFTs to make vendor payments, the District regularly makes electronic disbursements for direct deposits of employee pay and other payroll-related activity, such as annuity, flexible benefit, and payments for child support. The Board established an agreement with a bank, authorizing four of the District's employees to make EFTs, and the District maintained documentation evidencing that EFTs were initiated by an employee who was not the same employee who authorized those EFTs.

While the District used informal processes including verbal instructions and other reviews to monitor and control EFTs, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, contrary to Section 1010.11, Florida Statutes. In addition, the bank agreement contained manual signatures of the

superintendent and employees authorized to initiate EFTs; however, the agreement lacked the signature of the Board chair, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that controls are in place, such as separation of initiator and authorizers of EFTs and management review of EFT transactions, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without properly established policies and procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

Recommendation: The Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules.

Finding No. 4: Food Service Operations

The District operates a school food service program at each District school that provides meals to participating students and staff. The District accounts for the program in the Special Revenue – Food Service Fund, and the program generates revenues from Federal reimbursements, State supplements, and the sale of food. During the 2010-11 fiscal year, District expenditures for the food service program totaled approximately \$2.3 million, and the financial position of the program is significantly impacted by the prices charged for meals, salaries and benefits costs, and purchased food costs.

Cafeteria managers used a computer software package to calculate costs per meal and generate cost reports; however, the software was primarily designed to calculate a weighted daily average percentage of calories per meal, rather than cost per meal. In addition, many food items were assigned no costs or costs were entered incorrectly, resulting in significant distortion in the costs. For example, our review of cost reports disclosed 40 different food items (e.g., applesauce, pears, and sausage patties) that were assigned no costs and 6 other food item costs that appeared misstated (e.g., 2 oz. salad dressing costing \$150.11). Consequently, District records did not evidence that meal costs for regular meals and a la carte items by school were properly documented and monitored, limiting the District's ability to determine the efficiency of the food service program operations. Similar findings were noted in several previous audit reports, most recently in our report No. 2011-115. During the 2011-12 fiscal year, the District purchased a new food service software application to help monitor meal costs.

Recommendation: The District should continue its efforts to establish procedures to effectively monitor and evaluate meal costs for each school.

Finding No. 5: Information Technology - Risk Assessment

Management of information technology (IT) related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps an entity understand its greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the District has informally considered external and internal risks and identified security controls, such as selected configuration settings and policies and procedures, to mitigate these risks, the District had not developed a written, comprehensive IT risk assessment. The absence of a written, comprehensive IT risk assessment may limit the District’s assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls.

Recommendation: The District should develop a written, comprehensive IT risk assessment to provide a documented basis for managing IT-related risks.

Finding No. 6: Information Technology - Security Incident Response Plan

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

District personnel indicated that they have informal procedures to address security incidents; however, the District had not developed a comprehensive written security incident response plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District’s failure to take appropriate and timely actions to prevent further loss or damage to the District’s data and IT resources.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555 and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not applicable

Program Administration. Additional Matters Finding No. 4 addresses the lack of controls to properly monitor meal costs at District schools. This control deficiency impacts the administration of the Federally-funded food service program.

Recommendation: The District should implement procedures necessary to adequately monitor food service program operations.

District Contact Person: George Kelly, Director of Food Service

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2011-115.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2008-137 (4) 2009-098 (1) 2010-057 (1) 2011-115 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Program Administration	The District could enhance its controls over Federal expenditures for the food service program.	Uncorrected	In November 2011, the Food Service Dept. purchased another software module to more accurately track inventory costs, using automated input from vendors. In the 2011-12 fiscal year, one cafeteria manager will check the other cafeterias' database for accuracy in the new inventory pricing module.
2011-115 (2)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Reporting	Control deficiencies existed for claiming Federal meal reimbursements, resulting in questioned costs of \$18,359.15.	Corrected	Overcharge was repaid to the food service program.

EXHIBIT A
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF HARDEE COUNTY

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January 20, 2012

David W. Martin, Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The following are responses to your preliminary and tentative audit findings and recommendations for the Hardee County District School Board for the fiscal year ended June 30, 2011:

No. 1: Performance Assessments. In September 2011, the Deputy Superintendent and I sent out Administrative Performance Appraisal forms for 2011-12 to principals, assistant principals and directors. These performance appraisal forms contain areas for goals, FCAT scores, District FCAT grade and administrator performance rating.

No. 2: Compensation and Salary Schedules. The salary schedule for fiscal year 2011-12 is still being negotiated. Determining which instructional jobs are more "difficult" and "critically hard to fill" in Hardee County is controversial, subjective and hard to negotiate.

No. 3: Electronic Funds Transfers. In January 2012, the Board approved new policy 6.18 Electronic Transfer of Funds. In January 2012, the Board Chair signed an addendum to various ACH banking forms and agreements that were previously signed by the Superintendent, Finance Director and bank representatives. Finance staff also documented control procedures related to electronic transfers of funds.

No. 4: Food Service Operations. The food service management software calculates costs of food items that are incorporated into regular meals and a la carte items. Cafeteria managers input costs, prepare menu cost reports monthly and submit them to the Food Service Director. Cafeteria managers know the importance of properly entering food costs into the food service software.


No. 5: Information Technology- Risk Assessments. The Management Information Systems (MIS) Department will develop and write a comprehensive information technology risk assessment.

No. 6: Information Technology- Incident Response Plan. The MIS Department will develop and write a security incident response plan.

Federal Awards No. 1: Program Administration. See Food Service Operations response above.

My staff and I appreciate your audit team's work and the suggestions to improve the Hardee County School system.

Sincerely,


David Durastanti
Superintendent of Schools

Affirmative Action/Equal Opportunity Employer