

**GLADES COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2012



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Janet Storey	1
Jenny Allen, Vice Chair to 11-21-11	2
Jeri Wilson	3
Mike Pressley, Chair	4
Patricia Pearce, Vice Chair from 11-22-11	5

Wayne Aldrich, 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 James E. Raulerson, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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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

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be material weaknesses, as summarized below.

#### MATERIAL WEAKNESSES

Finding No. 1: Financial reporting procedures could be improved to ensure that accounts, transactions, and note disclosures are properly reported on the financial statements.

Finding No. 2: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in \$315,352.91 of questioned costs.

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. 3: Controls over electronic funds transfers could be enhanced.

Finding No. 4: Improvements should be made in controls over information technology functions.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on its major Federal program.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Glades 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 program; and
- Taken corrective actions for findings included in our report No. 2012-093.

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, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON 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 Glades County District School Board, as of and for the fiscal year ended June 30, 2012, 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 32 percent of the assets and 97 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and 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 Glades County District School Board as of June 30, 2012, 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 Glades 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 (OMB) 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
February 7, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Glades 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, 2012. 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 9 through 34.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- The District's total net assets decreased by \$332,825, which represents a 1.3 percent decrease from the 2010-11 fiscal year.
- General revenues totaled \$13,430,186, or 91.4 percent of all revenues in the 2011-12 fiscal year, compared to \$14,854,526, or 93.6 percent for the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$1,259,286, or 8.6 percent, compared to \$1,017,620, or 6.4 percent for the prior fiscal year.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$2,165,647 at June 30, 2012, or 17.1 percent of General Fund expenditures. The prior fiscal year assigned and unassigned fund balances in the General Fund were \$2,609,037, or 22.8 percent of total General Fund expenditures.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$913,894. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$454,135.

### 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 over all financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, including 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.

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.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, State revenues, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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 one separate legal entity in this report, the Pemaeytv Emahakv, Inc. (Corporation), which operates the Pemaeytv Emahakv Charter “Our Way School” and the Pemaeytv Emahakv Charter Middle School. Although a legally separate organization, the Corporation is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for the Corporation is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that are 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 as discussed below.

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

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and Special Revenue – Federal Economic Stimulus 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 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, 2012, compared to net assets as of June 30, 2011.

	<b>Net Assets, End of Year</b>	
	Governmental Activities	
	6-30-12	6-30-11
Current and Other Assets	\$ 3,417,264	\$ 3,366,008
Capital Assets	23,083,054	23,474,522
<b>Total Assets</b>	<b>26,500,318</b>	<b>26,840,530</b>
Long-Term Liabilities	565,929	570,851
Other Liabilities	88,033	90,497
<b>Total Liabilities</b>	<b>653,962</b>	<b>661,348</b>
Net Assets:		
Invested in Capital Assets	23,083,054	23,474,522
Restricted	1,163,585	666,474
Unrestricted	1,599,717	2,038,186
<b>Total Net Assets</b>	<b>\$ 25,846,356</b>	<b>\$ 26,179,182</b>

The largest portion of the District’s net assets (89.3 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment). 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 (4.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (6.2 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental	
	Activities	
	6-30-12	6-30-11
Program Revenues:		
Charges for Services	\$ 130,627	\$ 130,883
Operating Grants and Contributions	629,186	547,030
Capital Grants and Contributions	499,473	339,707
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,919,124	4,331,646
Property Taxes, Levied for Capital Projects	567,304	451,267
Grants and Contributions Not Restricted to Specific Programs	8,357,945	9,783,264
Unrestricted Investment Earnings	7,872	6,580
Miscellaneous	577,941	281,769
<b>Total Revenues</b>	<b>14,689,472</b>	<b>15,872,146</b>
Functions/Program Expenses:		
Instruction	7,779,937	8,465,032
Pupil Personnel Services	492,410	515,158
Instructional Media Services	223,904	221,221
Instruction and Curriculum Development Services	307,704	349,987
Instructional Staff Training Services	139,413	213,631
Instruction Related Technology	81,312	144,278
School Board	331,994	397,869
General Administration	194,796	219,209
School Administration	679,390	741,976
Facilities Acquisition and Construction	1,223,990	261,183
Fiscal Services	162,748	188,301
Food Services	681,207	668,354
Central Services	27,270	28,157
Pupil Transportation Services	476,583	520,196
Operation of Plant	1,009,430	1,016,918
Maintenance of Plant	361,418	464,685
Administrative Technology Services	103,866	51,753
Unallocated Interest on Long-Term Debt	1,008	28
Unallocated Depreciation Expense	738,978	735,726
Loss on Disposal of Capital Assets	4,939	
<b>Total Functions/Program Expenses</b>	<b>15,022,297</b>	<b>15,203,662</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (332,825)</b>	<b>\$ 668,484</b>

The largest revenue source is the State of Florida (51.3 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Property taxes levied for operational purposes decreased \$412,522, due to a decrease in millage rates from 7.171 to 6.873 and a decrease in taxable property values from \$629,284,402 to \$590,000,239. Property taxes levied for capital outlay projects increased by \$116,037, or 25.7 percent, due to the millage rate increase from 0.750 to 1.000, which was partially offset by declining property values.

Instruction expenses represent 51.8 percent of total governmental expenses in the 2011-12 fiscal year. Instruction expenses decreased by \$685,095, or 8.1 percent from the previous fiscal year due mainly to reduction in instructional staff after the loss of the American Recovery and Reinvestment Act (ARRA) and Education Jobs Fund programs, which also explains the decrease in grants and contributions not restricted.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

### **Major Governmental Funds**

There are two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted cash or they are legally or contractually required to remain intact.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance is \$2,061,647, while the total fund balance is \$2,659,823. Total fund balance increased by \$25,981 during the fiscal year. An increase in State revenues was the key factor for this increase.

The Special Revenue - Federal Economic Stimulus Fund is used to account for certain Federal grant program resources related to ARRA and Education Jobs Fund programs. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund generally does not maintain a fund balance.

The Capital Projects – Local Capital Improvement Fund, used to account for ad valorem (property) tax levies authorized by the Board, has a total fund balance of \$431,044, which is restricted for the acquisition, construction, and maintenance of capital assets. Property tax revenue for capital projects increased by \$116,037 from the previous fiscal year to \$567,304, primarily as a result of an increase in the capital outlay millage of 0.25 mills.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the course of the 2011-12 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to \$1,447,282, or 12.4 percent. At the same time, final appropriations are more than the original budgeted amounts by \$1,573,028. Budget revisions were due primarily to the addition of two Florida Department of Transportation (FDOT) projects, changes in estimated State funding levels, and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues were less than final budgeted amounts by \$1,431,910, or 10.9 percent. The variance was due to two FDOT grants that were budgeted, but not received in the 2011-12 fiscal year. Actual expenditures were \$1,182,727, or 8.6 percent less than the final budgeted amount. The decrease in expenditures was primarily due to the FDOT canal and sidewalk projects that were fully budgeted but not completed. Actual ending fund balance was less than the estimate fund balance contained in the final amended budget by \$680,446.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$23,083,054 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in notes 4 and 12 to the financial statements.

### Long-Term Debt

At June 30, 2012, the District had no long-term debt outstanding.

## OTHER MATTERS OF SIGNIFICANCE

Approximately 60 percent of total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which in turn, will affect District revenue streams.

The District's enrollment on June 30, 2011, was 1,414 and enrollment on June 30, 2012, was 1,492, an increase of 78 students, or 5.5 percent. Since State revenue is largely based upon student enrollment, fluctuations in enrollment affect District revenue streams.

## REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent, Glades County District School Board, Post Office Box 459, Moore Haven, Florida 33471.

**BASIC FINANCIAL STATEMENTS**

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2012**

	Primary Government Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,231,024.30	\$ 622,870.00
Due from Other Agencies	147,792.08	
Due from Primary Government		347,327.00
Inventories	38,448.26	
Capital Assets:		
Nondepreciable Capital Assets	1,182,005.51	
Depreciable Capital Assets, Net	21,901,048.61	372,710.00
<b>TOTAL ASSETS</b>	<b>\$ 26,500,318.76</b>	<b>\$ 1,342,907.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 85,801.33	\$ 322,442.00
Payroll Deductions and Withholdings		
Accounts Payable		87,646.00
Due to Other Agencies	2,231.96	
Long-Term Liabilities:		
Portion Due Within One Year	40,488.52	
Portion Due After One Year	525,440.39	
<b>Total Liabilities</b>	<b>653,962.20</b>	<b>410,088.00</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	23,083,054.12	372,710.00
Restricted for:		
State Required Carryover Programs	40,059.65	
Capital Projects	995,179.69	
Food Service	128,345.29	
Unrestricted	1,599,717.81	560,109.00
<b>Total Net Assets</b>	<b>25,846,356.56</b>	<b>932,819.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,500,318.76</b>	<b>\$ 1,342,907.00</b>

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 7,779,936.79	\$	\$	\$
Pupil Personnel Services	492,410.34			
Instructional Media Services	223,904.06			
Instruction and Curriculum Development Services	307,703.74			
Instructional Staff Training Services	139,413.24			
Instruction Related Technology	81,311.83			
School Board	331,994.20			
General Administration	194,795.88			
School Administration	679,389.81			
Facilities Acquisition and Construction	1,223,990.07			499,473.37
Fiscal Services	162,748.44			
Food Services	681,206.97	130,627.16	629,185.82	
Central Services	27,269.99			
Pupil Transportation Services	476,583.51			
Operation of Plant	1,009,430.12			
Maintenance of Plant	361,418.38			
Administrative Technology Services	103,866.06			
Unallocated Interest on Long-Term Debt	1,006.29			
Unallocated Depreciation Expense	738,978.27			
Loss on Disposal of Capital Assets	4,939.28			
<b>Total Primary Government</b>	<b>\$ 15,022,297.27</b>	<b>\$ 130,627.16</b>	<b>\$ 629,185.82</b>	<b>\$ 499,473.37</b>
<b>Component Unit</b>				
Pemayetv Emahaky, Inc.	\$ 5,522,738.00	\$ 0.00	\$ 66,277.00	\$ 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				
<b>Total General Revenues</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
<b>Net Assets - Ending</b>				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit
\$ (7,779,936.79)	\$
(492,410.34)	
(223,904.06)	
(307,703.74)	
(139,413.24)	
(81,311.83)	
(331,994.20)	
(194,795.88)	
(679,389.81)	
(724,516.70)	
(162,748.44)	
78,606.01	
(27,269.99)	
(476,583.51)	
(1,009,430.12)	
(361,418.38)	
(103,866.06)	
(1,006.29)	
(738,978.27)	
(4,939.28)	
<u>(13,763,010.92)</u>	
	<u>(5,456,461.00)</u>
3,919,124.22	
567,304.05	
8,357,944.75	5,558,028.00
7,871.69	
<u>577,940.75</u>	
<u>13,430,185.46</u>	<u>5,558,028.00</u>
(332,825.46)	101,567.00
<u>26,179,182.02</u>	<u>831,252.00</u>
<u>\$ 25,846,356.56</u>	<u>\$ 932,819.00</u>

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,597,722.50	\$ 7.82	\$ 431,044.47
Due from Other Funds	2,971.81		
Due from Other Agencies	147,162.15	8.67	
Inventories			
<b>TOTAL ASSETS</b>	<b>\$ 2,747,856.46</b>	<b>\$ 16.49</b>	<b>\$ 431,044.47</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll Deductions and Withholdings	\$ 85,801.33	\$ 16.49	\$
Due to Other Funds			
Due to Other Agencies	2,231.96		
<b>Total Liabilities</b>	<b>88,033.29</b>	<b>16.49</b>	
Fund Balances:			
Nonspendable for Inventory			
Restricted for:			
State Required Carryover Programs	40,059.65		
Capital Projects	454,116.80		431,044.47
Food Service			
Total Restricted Fund Balance	494,176.45		431,044.47
Assigned to Purchase Obligations	104,000.00		
Unassigned Fund Balance	2,061,646.72		
<b>Total Fund Balances</b>	<b>2,659,823.17</b>		<b>431,044.47</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,747,856.46</b>	<b>\$ 16.49</b>	<b>\$ 431,044.47</b>

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$ 202,249.51	\$ 3,231,024.30
621.26	2,971.81
38,448.26	147,792.08
<u>                    </u>	<u>                    </u>
\$ 241,319.03	\$ 3,420,236.45
<u>                    </u>	<u>                    </u>
\$ 2,955.32	\$ 85,801.33
<u>                    </u>	2,971.81
	2,231.96
<u>                    </u>	<u>                    </u>
2,955.32	91,005.10
<u>                    </u>	<u>                    </u>
38,448.26	38,448.26
<u>                    </u>	<u>                    </u>
	40,059.65
110,018.42	995,179.69
89,897.03	89,897.03
<u>                    </u>	<u>                    </u>
199,915.45	1,125,136.37
<u>                    </u>	<u>                    </u>
	104,000.00
<u>                    </u>	<u>                    </u>
	2,061,646.72
<u>                    </u>	<u>                    </u>
238,363.71	3,329,231.35
<u>                    </u>	<u>                    </u>
\$ 241,319.03	\$ 3,420,236.45
<u>                    </u>	<u>                    </u>

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

<b>Total Fund Balances - Governmental Funds</b>	\$	3,329,231.35
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.		23,083,054.12
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 fiscal year-end consist of:		
Compensated Absences Payable	\$ 539,846.91	
Other Postemployment Benefits Payable	26,082.00	(565,928.91)
<b>Total Net Assets - Governmental Activities</b>		<u>\$ 25,846,356.56</u>

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

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**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 322,077.80	\$	\$
Federal Through State and Local State	900.00 7,158,659.57	51,886.26	
Local:			
Property Taxes	3,919,124.22		567,304.05
Charges for Services - Food Service			
Miscellaneous	314,323.68		19,754.76
Total Local Revenues	4,233,447.90		587,058.81
<b>Total Revenues</b>	11,715,085.27	51,886.26	587,058.81
<b>Expenditures</b>			
Current - Education:			
Instruction	7,148,418.26	16,838.09	
Pupil Personnel Services	403,157.32	2,376.99	
Instructional Media Services	224,008.02		
Instruction and Curriculum Development Services	216,884.74		
Instructional Staff Training Services	31,128.08	9,520.30	
Instruction Related Technology	71,281.95	9,863.50	
School Board	332,081.25		
General Administration	169,937.26	928.99	
School Administration	679,775.78		
Facilities Acquisition and Construction	959,543.09	818.39	135,933.30
Fiscal Services	162,835.84		
Food Services	933.57		
Central Services	15,738.60	11,540.00	
Pupil Transportation Services	467,478.53		
Operation of Plant	1,009,569.48		
Maintenance of Plant	361,543.70		
Administrative Technology Services	103,924.78		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	270,738.87		
Other Capital Outlay			26,184.66
Debt Service:			
Interest and Fiscal Charges			967.26
<b>Total Expenditures</b>	12,628,979.12	51,886.26	163,085.22
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(913,893.85)		423,973.59
<b>Other Financing Sources (Uses)</b>			
Transfers In	691,090.89		
Insurance Loss Recoveries	248,784.32		
Transfers Out			(315,352.91)
<b>Total Other Financing Sources (Uses)</b>	939,875.21		(315,352.91)
<b>Net Change in Fund Balances</b>	25,981.36		108,620.68
Fund Balances, Beginning	2,633,841.81		322,423.79
<b>Fund Balances, Ending</b>	\$ 2,659,823.17	\$ 0.00	\$ 431,044.47

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$	\$
1,701,699.34	322,077.80
251,380.97	1,754,485.60
	7,410,040.54
	4,486,428.27
130,627.16	130,627.16
2,949.68	337,028.12
<u>133,576.84</u>	<u>4,954,083.55</u>
<u>2,086,657.15</u>	<u>14,440,687.49</u>
617,731.83	7,782,988.18
87,111.42	492,645.73
	224,008.02
90,995.09	307,879.83
98,817.46	139,465.84
166.38	81,311.83
	332,081.25
24,021.60	194,887.85
	679,775.78
127,695.29	1,223,990.07
	162,835.84
680,429.04	681,362.61
	27,278.60
9,267.89	476,746.42
	1,009,569.48
	361,543.70
	103,924.78
	270,738.87
55,526.35	81,711.01
<u>39.03</u>	<u>1,006.29</u>
<u>1,791,801.38</u>	<u>14,635,751.98</u>
<u>294,855.77</u>	<u>(195,064.49)</u>
	691,090.89
	248,784.32
<u>(375,737.98)</u>	<u>(691,090.89)</u>
<u>(375,737.98)</u>	<u>248,784.32</u>
(80,882.21)	53,719.83
<u>319,245.92</u>	<u>3,275,511.52</u>
<u>\$ 238,363.71</u>	<u>\$ 3,329,231.35</u>

**GLADES 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, 2012**

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	53,719.83
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.		(386,528.39)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(4,939.28)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		17,963.38
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.		(13,041.00)
<b>Change in Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>(332,825.46)</u></b>

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>114,340.39</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ <u>114,340.39</u>

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The Glades 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 Glades 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 Glades County.

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

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

**Discretely Presented Component Unit.** The Pema yetv Emahakv, Inc. (Corporation), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 1002.33, Florida Statutes. The Corporation operates the Pema yetv Emahakv Charter "Our Way School" and the Pema yetv Emahakv Charter Middle School (Charter Schools) under charters approved by their sponsor, the Board, and is considered a component unit because it is fiscally dependent on the District to levy taxes for its support.

The financial data reported on the accompanying statements was derived from the Charter Schools' audited financial statements for the fiscal year ended June 30, 2012. The audit reports are filed in the District's administrative offices.

**Basis of Presentation:**

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

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

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

- Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental 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 – 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.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- 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 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

**Deposits.** The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

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.

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

**Capital Assets.** Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing 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.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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	7 - 50 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 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, long-term obligations are not recognized as liabilities until due.

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

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

**State Revenue Sources.** 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 unspent balance of categorical and earmarked educational program resources.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms First construction program. 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 Glades County Property Appraiser, and property taxes are collected by the Glades County Tax Collector.

The Board adopted the 2011 tax levy on September 12, 2011. 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 Glades County Tax Collector at fiscal year-end but not yet remitted to the District.

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

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

## **2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information.** 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 Board meeting prior to the due date for the annual financial report.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

➤ 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. DUE FROM PRIMARY GOVERNMENT – COMPONENT UNIT**

As of June 30, 2012, the component unit (Corporation) reported a total of \$347,327 as Due from Primary Government. However, the District did not record a corresponding Due to Component Unit because the District sent warrants totaling this amount to the Corporation on June 30, 2012. Because the Corporation did not receive the warrants until July 2012, the amounts were recorded as Due from Primary Government.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 813,648.45	\$	\$	\$ 813,648.45
Land Improvements - Nondepreciable	97,618.19			97,618.19
Construction In Progress		270,738.87		270,738.87
<b>Total Capital Assets Not Being Depreciated</b>	<b>911,266.64</b>	<b>270,738.87</b>		<b>1,182,005.51</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,594,513.98			1,594,513.98
Buildings and Fixed Equipment	30,024,625.13			30,024,625.13
Furniture, Fixtures, and Equipment	689,148.42	62,449.66	57,890.00	693,708.08
Motor Vehicles	1,014,011.06			1,014,011.06
Audio Visual Materials and Computer Software	533,134.27	19,261.35		552,395.62
<b>Total Capital Assets Being Depreciated</b>	<b>33,855,432.86</b>	<b>81,711.01</b>	<b>57,890.00</b>	<b>33,879,253.87</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	700,301.64	49,230.66		749,532.30
Buildings and Fixed Equipment	8,905,395.85	570,859.56		9,476,255.41
Furniture, Fixtures, and Equipment	392,805.10	54,175.04	52,950.72	394,029.42
Motor Vehicles	766,186.66	59,067.20		825,253.86
Audio Visual Materials and Computer Software	527,488.46	5,645.81		533,134.27
<b>Total Accumulated Depreciation</b>	<b>11,292,177.71</b>	<b>738,978.27</b>	<b>52,950.72</b>	<b>11,978,205.26</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>22,563,255.15</b>	<b>(657,267.26)</b>	<b>4,939.28</b>	<b>21,901,048.61</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 23,474,521.79</b>	<b>\$ (386,528.39)</b>	<b>\$ 4,939.28</b>	<b>\$ 23,083,054.12</b>

The District's capital assets serve multiple functions; however, depreciation expense is not allocated to multiple expense functions on the statement of activities, but is shown as unallocated depreciation expense.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**5. 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
<b>GOVERNMENTAL ACTIVITIES</b>					
Compensated Absences Payable	\$ 557,810.29	\$ 18,542.20	\$ 36,505.58	\$ 539,846.91	\$ 40,488.52
Other Postemployment Benefits Payable	13,041.00	31,760.00	18,719.00	26,082.00	
<b>Total Governmental Activities</b>	<b>\$ 570,851.29</b>	<b>\$ 50,302.20</b>	<b>\$ 55,224.58</b>	<b>\$ 565,928.91</b>	<b>\$ 40,488.52</b>

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

**6. 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	\$ 2,971.81	\$
Special Revenue:		
Federal Economic Stimulus		16.49
Nonmajor Governmental		2,955.32
<b>Total</b>	<b>\$ 2,971.81</b>	<b>\$ 2,971.81</b>

The amounts payable to the General Fund represent reimbursable expenditures initially paid by the General Fund.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 691,090.89	\$
Capital Projects:		
Local Capital Improvement		315,352.91
Nonmajor Governmental		375,737.98
<b>Total</b>	<b>\$ 691,090.89</b>	<b>\$ 691,090.89</b>

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Transfers from the nonmajor Capital Projects – Public Education Capital Outlay (PECO) Fund were for distribution of PECO funds to the Charter Schools and to reimburse eligible expenditures reported in the General Fund. The transfer from the Capital Projects – Local Capital Improvement Fund was to reimburse the District’s insurance consortium for insurance claim overpayments.

## **7. FUND BALANCE REPORTING**

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

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

➤ **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 the General Fund as restricted as well as unspent State categorical and other earmarked education funding and unspent transportation grant moneys 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. The District did not have any committed fund balances at June 30, 2012.

➤ **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 Finance Director and not included in other categories. The Board authorized the Finance Director to assign fund balance by approval of the annual financial report.

➤ **Unassigned**

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**8. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 4,831,194.00
Categorical Educational Program - Class Size Reduction	1,699,665.00
Classrooms First	124,558.00
Gross Receipts Tax (Public Education Capital Outlay)	63,776.98
School Recognition	57,578.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	49,748.42
Workforce Development Program	35,276.00
Food Service Supplement	14,035.00
Mobile Home License Tax	9,202.41
Discretionary Lottery Funds	4,813.00
Miscellaneous	520,193.73
	<hr/>
Total	\$ 7,410,040.54
	<hr/> <hr/>

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

**9. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.125	\$ 3,007,182
Basic Discretionary Local Effort	0.748	438,901
Voted School Tax:		
Critical Operating Needs	1.000	586,765
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.000	586,765
Total	<hr/> <hr/>	<hr/> <hr/>
	7.873	\$ 4,619,613

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**10. FLORIDA RETIREMENT SYSTEM**

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

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

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

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

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$670,921, \$682,706, and \$439,730, respectively, which were equal to the required contributions for each fiscal year.

There were 20 District participants in the Investment Plan during the 2011-12 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$72,013, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**11. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**Plan Description.** The Other Postemployment Benefits Plan (OPEB 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 death benefits. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, seven retirees received other postemployment benefits. The District’s contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$18,719. The OPEB Plan members receiving benefits contributed \$46,120.47, through their required contributions ranging from \$501.12 to \$1,081.41 per month for retiree-only coverage, depending on the health plan selected.

**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 OPEB Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	\$ 15,464
Amortization of Unfunded Actuarial Accrued Liability	16,296
Annual Required Contribution	31,760
Annual OPEB Cost (Expense)	31,760
Contribution Toward the OPEB Cost	(18,719)
Increase in Net OPEB Obligation	13,041
Net OPEB Obligation, Beginning of Year	13,041
Net OPEB Obligation, End of Year	\$ 26,082

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 31,760	58.9%	\$ 13,041
2011-12	31,760	58.9%	26,082

**Funded Status and Funding Progress.** As of July 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$296,689, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$296,689 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$6,932,974, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.3 percent.

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

The District’s OPEB actuarial valuation as of July 1, 2010, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the District’s 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 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 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2011-12 fiscal year, reduced to 5 percent after three years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

The following is a schedule of encumbrances at June 30, 2012:

General Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 558,413	\$ 1,230	\$ 559,643

**Construction Contracts.** Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Sidewalks and Canal Project:			
Contractor	\$ 477,406.54	\$ 146,638.42	\$ 330,768.12
Consultant and Engineer	257,239.13	123,390.45	133,848.68
Total	\$ 734,645.67	\$ 270,028.87	\$ 464,616.80

**13. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP) under which eight district school boards have established a public entity risk pool for property, general liability, automobile liability, workers' compensation, government crime, and other coverage deemed necessary by the members of 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 SCERMP. SCERMP is self-sustaining through member contribution (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 superintendents and finance directors or an authorized representative of all participating districts. Employer's Mutual, Inc., serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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. The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductibles for all other wind events are \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 for 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 during the 2011-12 fiscal year was \$100 million per tower (consisting of 4 members per tower), except for the limit for flood/earthquake of \$75 million.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2011-12 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 \$2,000,000 in the aggregate.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, which effectively limited the amount of the District's liability for tort claims to \$200,000 per claim and \$300,000 per occurrence during the 2011-12 fiscal year.

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 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 commercial coverage in any of the past three fiscal years.

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2012**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 207,430.00	\$ 322,077.80	\$ 322,077.80	\$
Federal Through State and Local	800.00	900.00	900.00	
State	7,433,822.00	8,580,133.85	7,158,659.57	(1,421,474.28)
Local:				
Property Taxes	3,873,375.00	3,910,142.90	3,919,124.22	8,981.32
Miscellaneous	184,286.00	333,740.81	314,323.68	(19,417.13)
Total Local Revenues	<u>4,057,661.00</u>	<u>4,243,883.71</u>	<u>4,233,447.90</u>	<u>(10,435.81)</u>
<b>Total Revenues</b>	<u>11,699,713.00</u>	<u>13,146,995.36</u>	<u>11,715,085.27</u>	<u>(1,431,910.09)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	7,088,818.88	7,363,252.62	7,148,418.26	214,834.36
Pupil Personnel Services	425,523.00	431,825.43	403,157.32	28,668.11
Instructional Media Services	217,367.00	224,524.05	224,008.02	516.03
Instruction and Curriculum Development Services	224,107.00	224,117.34	216,884.74	7,232.60
Instructional Staff Training Services	33,580.00	34,322.14	31,128.08	3,194.06
Instruction Related Technology		80,873.77	71,281.95	9,591.82
School Board	329,389.00	381,537.41	332,081.25	49,456.16
General Administration	169,112.00	170,504.59	169,937.26	567.33
School Administration	676,606.23	688,074.68	679,775.78	8,298.90
Facilities Acquisition and Construction	918,551.00	1,557,674.27	959,543.09	598,131.18
Fiscal Services	170,457.00	172,066.58	162,835.84	9,230.74
Food Services		933.57	933.57	
Central Services	30,035.00	28,109.40	15,738.60	12,370.80
Pupil Transportation Services	522,364.45	513,488.92	467,478.53	46,010.39
Operation of Plant	987,108.57	1,036,412.06	1,009,569.48	26,842.58
Maintenance of Plant	343,920.86	529,261.23	361,543.70	167,717.53
Administrative Technology Services	101,738.75	103,989.44	103,924.78	64.66
Fixed Capital Outlay:				
Facilities Acquisition and Construction		270,738.87	270,738.87	
<b>Total Expenditures</b>	<u>12,238,678.74</u>	<u>13,811,706.37</u>	<u>12,628,979.12</u>	<u>1,182,727.25</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(538,965.74)</u>	<u>(664,711.01)</u>	<u>(913,893.85)</u>	<u>(249,182.84)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	355,137.00	1,122,353.91	691,090.89	(431,263.02)
Insurance Loss Recoveries		248,784.32	248,784.32	
<b>Total Other Financing Sources (Uses)</b>	<u>355,137.00</u>	<u>1,371,138.23</u>	<u>939,875.21</u>	<u>(431,263.02)</u>
<b>Net Change in Fund Balances</b>	<u>(183,828.74)</u>	<u>706,427.22</u>	<u>25,981.36</u>	<u>(680,445.86)</u>
Fund Balances, Beginning	<u>2,633,841.81</u>	<u>2,633,841.81</u>	<u>2,633,841.81</u>	
<b>Fund Balances, Ending</b>	<u>\$ 2,450,013.07</u>	<u>\$ 3,340,269.03</u>	<u>\$ 2,659,823.17</u>	<u>\$ (680,445.86)</u>

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 136,696.57	\$ 226,579.51	\$ 51,886.26	\$ (174,693.25)
<u>136,696.57</u>	<u>226,579.51</u>	<u>51,886.26</u>	<u>(174,693.25)</u>
84,466.09	79,661.71	16,838.09	62,823.62
4,200.00	6,576.99	2,376.99	4,200.00
32,108.56	54,082.33	9,520.30	44,562.03
10,400.00	16,400.00	9,863.50	6,536.50
1,999.94	4,518.11	928.99	3,589.12
	818.39	818.39	
3,521.98	64,521.98	11,540.00	52,981.98
<u>136,696.57</u>	<u>226,579.51</u>	<u>51,886.26</u>	<u>174,693.25</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2010	\$ 0	\$ 296,689	\$ 296,689	0.0%	\$ 6,932,974	4.3%

Note: The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

**1. BUDGETARY BASIS OF ACCOUNTING**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 84,463.71	\$
National School Lunch Program	10.555	300, 350	149,641.50	
Summer Food Service Program for Children	10.559	323	2,760.00	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	106,720.89	
National School Lunch Program	10.555 (2)	300, 350	254,494.93	
<b>Total United States Department of Agriculture</b>			598,081.03	
<b>United States Department of Education:</b>				
Direct:				
Impact Aid	84.041	NA	322,077.80	
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	460,132.16	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	2.68	
<b>Total Title I, Part A Cluster</b>			460,134.84	
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	299,133.73	
Special Education - Preschool Grants	84.173	267	5,405.68	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	6,835.38	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	5,311.56	
<b>Total Special Education Cluster</b>			316,686.35	
Florida Department of Education:				
Migrant Education - State Grant Program	84.011	217	63,176.10	
Career and Technical Education - Basic Grants to States	84.048	161	116,340.58	
Charter Schools	84.282	298	50,000.00	50,000.00
Rural Education	84.358	110	29,451.16	
Improving Teacher Quality State Grants	84.367	224	62,742.73	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	35,413.68	
Education Jobs Fund	84.410	541	4,322.96	
Highlands County District School Board:				
Safe and Drug-Free Schools and Communities - National Programs	84.184	None	958.09	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	None	59.01	
<b>Total Indirect</b>			1,139,285.50	50,000.00
<b>Total United States Department of Education</b>			1,461,363.30	50,000.00
<b>Total Expenditures of Federal Awards</b>			\$ 2,059,444.33	\$ 50,000.00

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. Includes \$69,146.92 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Glades County District School Board as of and for the fiscal year ended June 30, 2012, 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 includes 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 Glades 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding Nos. 1 and 2 to be material weaknesses.

### 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.

Our **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** 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  
February 7, 2013



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
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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 Glades County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2012. The District's major Federal program is 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 its major Federal program 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 its major Federal program for the fiscal year ended June 30, 2012.

### 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.

#### **Restricted Purpose Relating to Testing of Internal Control Over Compliance**

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
February 7, 2013

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for major program
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**GLADES COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

**Finding No. 1: Financial Reporting**

State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code (FAC), and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District’s annual financial report (AFR). Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). One of the principal methods that a school district uses to provide accountability for its public resources is the preparation of its AFR. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition.

Our review of the District’s 2011-12 fiscal year AFR, as submitted to the FDOE and presented for audit, disclosed that financial reporting procedures could be improved. Specifically, we noted the following errors, omissions, and misclassifications:

- Preparation of fund financial statements pursuant to GAAP requires an analysis to determine the major funds that require separate columnar presentation. The District is required to report a fund as major when the fund’s assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications.

For the 2011-12 fiscal year, the Capital Projects - Local Capital Improvement (LCI) Fund’s assets totaled \$431,044, representing in excess of 10 percent of the total governmental fund assets. District personnel prepared a fund analysis to determine major funds, but inadvertently did not identify and report the LCI Fund as a major fund to be reported separately, contrary to GAAP. Separately reporting major funds allows financial statement users to readily identify the District’s most significant funds and their related balances and transactions, and ensures compliance with GAAP.

- The District received a Florida Department of Transportation (FDOT) grant for certain land improvements. The District requested and received proceeds from the FDOT grant to reimburse the District for the land improvement expenditures; however, the District incorrectly reduced General Fund facilities, acquisition, and construction expenditures by \$261,390 for these reimbursements instead of appropriately reporting the grant proceeds as State revenue, resulting in understatements of State revenue and expenditures by this amount.
- The basic financial statements are required to include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District’s financial activity. However, the District omitted the following disclosures from the notes to financial statements:
  - For significant construction and other commitments outstanding at fiscal year-end, the District’s notes omitted a description of \$559,643 of encumbrances and \$464,617 of commitments outstanding at June 30, 2012, for a sidewalk and canal project.

- For fund balance reporting, the District’s notes omitted a description of the hierarchy for fund balance reporting classification and the constraints imposed on the uses of resources between the categories of nonspendable, restricted, committed, assigned, and unassigned.

Without such disclosures, financial statement users may make incorrect conclusions about the District’s construction activities or the availability for future uses of fund balances.

The above deficiencies occurred mainly because of oversights by District personnel. We extended our audit procedures to determine the adjustments necessary to properly report the accounts, transactions, and note disclosures, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

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**Recommendation:** The District should improve its financial reporting procedures to ensure that financial statement accounts, transactions, and note disclosures are properly reported.

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**Finding No. 2: Ad Valorem Taxation**

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; purchases of new and replacement equipment; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – LCI Fund. For the 2011-12 fiscal year, the District had LCI Fund expenditures totaling \$163,085.22, and our tests of LCI Fund expenditures totaling \$94,012.65 disclosed that the expenditures were statutorily authorized.

In addition, the District transferred \$315,352.91 of ad valorem tax levy proceeds from the LCI Fund to reimburse the General Fund for a payment to the South Central Educational Risk Management Consortium (Consortium), the District’s insurance carrier. The District experienced property damage from Hurricane Wilma during the 2005-06 fiscal year and received reimbursements for damage from the Consortium. Subsequently, a determination was made that the Consortium overpaid the District by \$661,199.19. The District reimbursed the Consortium for the overpayment from the General Fund and, to subsidize a portion of the reimbursement, the District transferred the \$315,352.91 from the LCI Fund to the General Fund. However, as this use of ad valorem tax levy proceeds is not for a purpose authorized by Section 1011.71, Florida Statutes, these amounts represent questioned costs. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

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**Recommendation:** The District should enhance controls to ensure that expenditures of ad valorem tax levy proceeds are made only for authorized purposes. In addition, the District should document the allowability of the \$315,352.91 of questioned costs or restore this amount to the LCI Fund.

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**ADDITIONAL MATTERS**

**Finding No. 3: Electronic Funds Transfers**

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including

direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities.

In addition, SBE Rule 6A-1.0012, 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. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs. Board policy requires the Superintendent to prescribe the accounting and control procedures under which EFTs may be made, and the District established a bank agreement signed by the Superintendent, which authorized EFTs up to \$300,000.

During the 2011-12 fiscal year, the District regularly used EFTs for retirement benefits, Federal withholding taxes, direct deposits of employee pay, and transfers between District bank accounts. According to District records, cash and cash equivalents and investments totaling \$3,231,024.30 were available for electronic transfer at June 30, 2012. While the District used informal processes (oral instructions or written notes) to control and monitor EFTs, the Board had not adopted policies prescribing the accounting and control procedures of EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes. Also, the bank agreement lacked the signatures of the Board chair and those authorized to initiate and approve EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that controls are in place, such as supervisory review and approval of monthly journal entry reports and bank reconciliations, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, without Board adopted policies and procedures governing EFT activities and a bank agreement containing the required signatures, there is an increased risk of misappropriation of funds without timely detection. A similar finding was noted in our report No. 2012-093.

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**Recommendation:** The Board should adopt written policies and procedures related to EFTs, including the use of electronic signatures. Such policies and procedures should ensure that EFT agreements contain required signatures and identify those authorized to initiate and approve EFTs.

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#### **Finding No. 4: Information Technology**

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Effectively managing information technology (IT) resources requires an IT manager to develop, communicate, monitor, and enforce compliance with security policies. Such policies are intended to protect the confidentiality, integrity, and availability of data and IT resources and provide benchmarks against which compliance can be measured and contribute to an effective control environment. We noted that the District's IT processes could be improved as summarized below:

- The District lacked written IT policies and procedures for controlling user identifications and associated access privileges, reviewing access privileges for continued appropriateness, ensuring the timely deactivation of access privileges, and resetting user passwords. A lack of written policies and procedures increases the risk that IT controls may not be followed consistently and in a manner pursuant to management's expectations.
- Certain District security controls related to user authentication, logging, and software monitoring needed improvement, the specific details of which are excluded from this report to avoid the possibility of

compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

- The District’s disaster recovery plan did not identify the District’s critical data, processes, and applications; provide for backup of critical data; or contain a step-by-step plan for recovery to minimize the potential impact of an event that disrupts IT operations. Without a comprehensive disaster recovery plan, there is an increased risk that, in the event of a disaster, prompt and effective continuation of District IT operations may not occur.
- District personnel indicated that since the District had not experienced any network security violations, the District had not developed a written security incident response plan. However, 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.

Similar findings were noted in audit report Nos. 2011-092 and 2012-093.

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**Recommendation:** The District should establish written IT policies and procedures to document management’s expectations for the performance of the IT functions described above. Also, security controls should be improved for user authentication, logging, and software monitoring to ensure the continued confidentiality, integrity, and availability of District data and IT resources. In addition, the District should identify data, processes, and applications critical to its operations, address backup provisions, and detail recovery measures in its disaster recovery plan to minimize potential disruptions to IT operations. The District should also develop a written security incident response plan to provide reasonable assurance that the District will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2012-093, Finding No. 2	NA
4	Audit Report No. 2012-093, Finding No. 3	Audit Report 2011-092, Finding Nos. 6, 7, and 8

NA – Not Applicable

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*GLADES COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012*

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
2012-093		There were no prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE

**GLADES COUNTY SCHOOL DISTRICT**  
*Building Academic Excellence*

**Scott Bass**  
*Superintendent*

February 7, 2013

**Deborah Pressley**  
*Curriculum  
Services  
Director*

David W. Martin, CPA  
Auditor General  
State of Florida

**Sue Woodward**  
*Finance Director*

12557-1 New Brittany Blvd.  
Fort Myers, FL 33907

**Janice Foster**  
*Exceptional Student  
Education Director*

Dear Mr. Martin:

**School Board**

• **Janet Storey**  
District 1

• **Jenny Allen**  
District 2

• **Jeri Wilson**  
District 3

• **Mike Pressley**  
District 4

• **Patricia Pearce**  
District 5

Below please find my response to the preliminary and tentative findings regarding the financial, Federal and operational audit for the fiscal year ended June 30, 2012. Please feel free to contact my office with any questions or concerns.

**Findings Response**

**Finding No. 1: Financial Reporting.**

The District will work toward improving our financial reporting procedures and ensure that all accounts, transactions and disclosures are reported properly. With the transition of a new finance director, we have already taken actions to offer professional development for staff to correct these issues.

**Finding No. 2: Ad Valorem Taxation.**

The District has transferred \$315,352.91 from general fund to reimburse the LCIF fund for this expense. In addition, the district will take the necessary measures to ensure that enhanced controls are in place so that only allowable expenditures are made from LCIF funds.

**Finding No. 3: Electronic Funds Transfers.**

The District is in the process of drafting appropriate policies and procedures for EFTs that will satisfy Florida Statutes. Approval of policies/procedures is anticipated to be final in May of 2013.



EXHIBIT A (CONTINUED)  
MANAGEMENT'S RESPONSE

**GLADES COUNTY SCHOOL DISTRICT**  
*Building Academic Excellence*

**Scott Bass**  
*Superintendent*

•

**Deborah Pressley**  
*Curriculum  
Services  
Director*

•

**Sue Woodward**  
*Finance Director*

•

**Janice Foster**  
*Exceptional Student  
Education Director*

•

**School Board**

• **Janet Storey**  
*District 1*

• **Jenny Allen**  
*District 2*

• **Jeri Wilson**  
*District 3*

• **Mike Pressley**  
*District 4*

• **Patricia Pearce**  
*District 5*

**Finding No. 4: Information Technology.**

The District is continuing to address the IT findings from the prior years (09-10 and 10-11) and is developing an action plan with staff to remedy as many findings as possible. The District took the first step in correcting these items by hiring an IT manager. The IT manager is aware of these findings and has already made contact with your office to start working on these issues for the current audit year.

Again, if there are any responses that you need further clarification on, please do not hesitate to contact me at 8630946-2083.

Sincerely,



Scott Bass  
Superintendent of Schools

