

GLADES COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

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

Wayne Aldrich, Superintendent to 11-20-12

Scott Bass, Superintendent from 11-21-12

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 A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Deidre Melton, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**GLADES COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 2: Controls over monitoring school bus drivers could be enhanced.

Finding No. 3: The District had not developed a written information technology (IT) security incident response plan.

Finding No. 4: The District had not developed procedures for the review of IT access privileges.

Finding No. 5: The District's IT disaster recovery plan lacked certain key provisions.

Finding No. 6: The District had not developed written policies and procedures for certain IT functions.

Finding No. 7: District IT security controls related to user authentication and workstation controls, data loss prevention, and logging and monitoring of system activity needed improvement.

Summary of Report on Federal Awards

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

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 programs; and
- Taken corrective actions for findings included in our report No. 2013-127.

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, 2013. We obtained

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

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT

Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 23 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, as described in note I to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. Such 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 28, 2014

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, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 11 through 41.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- As of June 30, 2013, the assets exceed the liabilities by \$26,033,792. Of this amount, \$1,307,877 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position increased \$187,436, which represents a 0.7 percent increase over the 2011-12 fiscal year.
- General revenues total \$13,685,482, or 93.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$987,720, or 6.8 percent of all revenues.
- Expenses total \$14,485,766. Only \$987,720 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$1,795,767, which is \$864,056 less than the prior fiscal year balance. The General Fund total unassigned fund balance was \$1,760,563, or approximately 15.2 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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 and State revenues 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 Pemayetv Emahakv, Inc. (Corporation), which operates the Pemayetv Emahakv Charter “Our Way School” and the Pemayetv 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 is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or “major” funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – 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 major Special Revenue Funds to demonstrate compliance with the budget.

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

The District uses 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

	Net Position, End of Year	
	Governmental Activities	
	6-30-13	6-30-12
Current and Other Assets	\$ 2,943,686	\$ 3,417,264
Capital Assets	23,640,528	23,083,054
Total Assets	26,584,214	26,500,318
Long-Term Liabilities	452,687	565,929
Other Liabilities	97,735	88,033
Total Liabilities	550,422	653,962
Net Position:		
Net Investment in Capital Assets	23,640,528	23,083,054
Restricted	1,085,387	1,163,585
Unrestricted	1,307,877	1,599,717
Total Net Position	\$ 26,033,792	\$ 25,846,356

The largest portion of the District's net position (90.8 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (4.2 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (5 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Operating Results for the Fiscal Year Ended			
		Governmental Activities	
		6-30-13	6-30-12
Program Revenues:			
Charges for Services	\$	144,013	\$ 130,627
Operating Grants and Contributions		603,601	629,186
Capital Grants and Contributions		240,106	499,473
General Revenues:			
Property Taxes, Levied for Operational Purposes		3,375,596	3,919,124
Property Taxes, Levied for Capital Projects		827,479	567,304
Grants and Contributions Not Restricted to Specific Programs		9,141,741	8,357,945
Unrestricted Investment Earnings		5,258	7,872
Miscellaneous		335,407	577,940
Total Revenues		14,673,201	14,689,471
Functions/Program Expenses:			
Instruction		7,854,869	7,779,937
Pupil Personnel Services		529,425	492,410
Instructional Media Services		198,910	223,904
Instruction and Curriculum Development Services		350,722	307,704
Instructional Staff Training Services		170,074	139,413
Instruction Related Technology		27,749	81,312
School Board		394,918	331,994
General Administration		239,262	194,796
School Administration		653,583	679,390
Facilities Acquisition and Construction		628,992	1,223,990
Fiscal Services		166,724	162,748
Food Services		639,542	681,207
Central Services		27,100	27,270
Pupil Transportation Services		478,623	476,583
Operation of Plant		995,285	1,009,430
Maintenance of Plant		319,902	361,418
Administrative Technology Services		107,062	103,866
Unallocated Interest on Long-Term Debt			1,008
Unallocated Depreciation Expense		703,024	738,978
Loss on Disposal of Capital Assets			4,939
Total Functions/Program Expenses		14,485,766	15,022,297
Change in Net Position		187,435	(332,826)
Net Position - Beginning		25,846,357	26,179,182
Net Position - Ending	\$	26,033,792	\$ 25,846,356

The largest revenue source is the State of Florida (52.9 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.

Grants and contributions not restricted to specific programs revenues increased by \$783,796, or 9.4 percent, primarily due to an increase in FEFP revenues from the State.

Capital grants and contributions revenue decreased by \$259,367, or 51.9 percent. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational facilities. The decrease in funding is mainly due to the District receiving a one-time Florida Department of Transportation grant in the prior fiscal year.

Property tax revenues decreased by \$283,353, or 6.3 percent, as a result of a decrease in taxable assessed values and a 4.5 percent decrease in the total millage rate.

Instruction expenses represent 54.2 percent of total governmental expenses in the 2012-13 fiscal year. Instruction expenses increased by \$74,932, or 1 percent, from the previous fiscal year due mainly from an increase in staffing levels, resulting in an increase in salaries and related benefits.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$483,281 during the fiscal year to \$2,845,950 at June 30, 2013. Approximately 61.9 percent of this amount is unassigned fund balance (\$1,760,563), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is 1) not in spendable form (\$36,310) or 2) restricted for particular purposes (\$1,049,077).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$1,760,563, while the total fund balance is \$1,795,767. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balances to General Fund total revenues. Unassigned fund balance is 15.2 percent of the total General Fund revenues, while total fund balance represents 15.5 percent of total General Fund revenues.

Total fund balance decreased by \$864,056 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Decreases in the local property tax rate, primarily due to the expiration of the critical operating needs assessment, and decreases in property values resulted in decreased tax revenues of \$543,528.
- Total expenditures decreased by \$409,513, or 3.2 percent, due mainly to a decrease in staff and other cost containment measures (e.g., reducing supplies expenditures, limiting travel, etc.) implemented by the District.
- Transfers of \$315,353 to the Capital Projects – Local Capital Improvement (LCI) Fund were necessary to restore moneys that should have been paid by the General Fund, and transfers from the LCI Fund to the General Fund were reduced from the previous fiscal year.

The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$30,123 each, and the funding was mainly used for instructional staff training. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased substantially due to a reduction of Federal Stimulus program funding.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$650,869, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased in the current fiscal year due to an increase in property tax revenue attributed to an increase in the assessed millage rate. It should be noted that \$131,613 of fund balance has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$46,402, or less than 1 percent. At the same time, final appropriations are more than the original budgeted amounts by \$768,279. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are less than the final budgeted amounts, while actual expenditures are \$1,750,972, or 12.5 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$224,470.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental as of June 30, 2013, is \$23,640,528 (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. Capital assets for the current fiscal year increased 2.4 percent. Major capital asset events at June 30, 2013, included construction in progress of the new middle/senior high school building.

Additional information on the District's capital assets can be found in note II.D to the financial statements.

Long-Term Debt

At June 30, 2013, the District had no long-term debt outstanding.

OTHER MATTERS OF SIGNIFICANCE

Approximately 65 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, 2012, was 1,520, and enrollment on June 30, 2013, was 1,497, a decrease of 25 students, or 1.6 percent. Since State revenue is largely based upon student enrollment, fluctuations in enrollment affect District revenues.

PEMAYETV EMAHAKV INC., MAJOR COMPONENT UNIT

The District considers the Pemayetv Emahakv Inc. (Corporation) to be a major component unit based upon its nature and significance to the District. The 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, 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, FL 33471.

BASIC FINANCIAL STATEMENTS

GLADES COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET POSITION June 30, 2013

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 2,878,132.65	\$ 494,236.00
Investments	4,947.91	
Due from Other Agencies	24,295.47	
Due from Primary Government		135,994.00
Prepaid Items	2,621.76	
Inventories	33,688.34	
Capital Assets:		
Nondepreciable Capital Assets	2,146,430.99	
Depreciable Capital Assets, Net	21,494,097.49	396,701.00
TOTAL ASSETS	26,584,214.61	1,026,931.00
LIABILITIES		
Salaries and Benefits Payable		113,332.00
Payroll Deductions and Withholdings	23,197.10	
Accounts Payable		308,298.00
Due to Other Agencies	2,137.00	
Deposits Payable	72,401.47	
Long-Term Liabilities:		
Portion Due Within One Year	33,667.92	
Portion Due After One Year	419,018.69	
TOTAL LIABILITIES	550,422.18	421,630.00
NET POSITION		
Investment in Capital Assets	23,640,528.48	396,701.00
Restricted for:		
State Required Carryover Programs	34,906.92	
Capital Projects	811,674.99	
Food Service	238,805.24	
Unrestricted	1,307,876.80	208,600.00
TOTAL NET POSITION	\$ 26,033,792.43	\$ 605,301.00

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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 7,854,869.03	\$	\$	\$
Pupil Personnel Services	529,425.23			
Instructional Media Services	198,910.36			
Instruction and Curriculum Development Services	350,722.36			
Instructional Staff Training Services	170,073.67			
Instruction Related Technology	27,749.24			
School Board	394,918.40			
General Administration	239,261.92			
School Administration	653,583.23			
Facilities Acquisition and Construction	628,991.87			240,106.06
Fiscal Services	166,724.24			
Food Services	639,541.95	144,012.92	603,601.48	
Central Services	27,099.91			
Pupil Transportation Services	478,622.65			
Operation of Plant	995,285.38			
Maintenance of Plant	319,901.53			
Administrative Technology Services	107,061.21			
Unallocated Depreciation/Amortization Expense	703,024.24			
Total Primary Government	\$ 14,485,766.42	\$ 144,012.92	\$ 603,601.48	\$ 240,106.06
Component Unit				
Pemayetv Emahakv, Inc.	\$ 5,855,688.00	\$ 0.00	\$ 68,105.00	\$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position - Beginning				
Net Position - Ending				

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	
\$ (7,854,869.03)	\$
(529,425.23)	
(198,910.36)	
(350,722.36)	
(170,073.67)	
(27,749.24)	
(394,918.40)	
(239,261.92)	
(653,583.23)	
(388,885.81)	
(166,724.24)	
108,072.45	
(27,099.91)	
(478,622.65)	
(995,285.38)	
(319,901.53)	
(107,061.21)	
(703,024.24)	
<u>(13,498,045.96)</u>	
	<u>(5,787,583.00)</u>
3,375,596.21	
827,479.51	
9,141,740.98	5,460,065.00
5,258.27	
335,406.86	
<u>13,685,481.83</u>	<u>5,460,065.00</u>
187,435.87	(327,518.00)
<u>25,846,356.56</u>	<u>932,819.00</u>
<u>\$ 26,033,792.43</u>	<u>\$ 605,301.00</u>

**GLADES COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 1,857,638.63	\$ 7,815.72	\$ 650,837.41
Investments	3,753.09		31.28
Due from Other Funds	10,145.59		
Due from Other Agencies	21,965.60	8.67	
Prepaid Items			
Inventories			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 1,893,502.91</u></u>	<u><u>\$ 7,824.39</u></u>	<u><u>\$ 650,868.69</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 23,197.10	\$ 7,824.39	\$
Due to Other Funds			
Due to Other Agencies	2,137.00		
Deposits Payable	72,401.47		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>97,735.57</u>	<u>7,824.39</u>	
Fund Balances:			
Nonspendable:			
Prepaid Items			
Inventories			
Total Nonspendable Fund Balance	<u> </u>	<u> </u>	<u> </u>
Restricted for:			
State Required Carryover Programs	34,906.92		
Capital Projects	297.10		650,868.69
Food Service			
Total Restricted Fund Balance	35,204.02		650,868.69
Unassigned Fund Balance	1,760,563.32		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,795,767.34</u>		650,868.69
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,893,502.91</u></u>	<u><u>\$ 7,824.39</u></u>	<u><u>\$ 650,868.69</u></u>

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

Other Governmental Funds	Total Governmental Funds
\$ 361,840.89	\$ 2,878,132.65
1,163.54	4,947.91
	10,145.59
2,321.20	24,295.47
2,621.76	2,621.76
33,688.34	33,688.34
\$ 401,635.73	\$ 2,953,831.72
\$ 2,321.20	\$ 23,197.10
	10,145.59
	2,137.00
	72,401.47
2,321.20	107,881.16
2,621.76	2,621.76
33,688.34	33,688.34
36,310.10	36,310.10
	34,906.92
160,509.20	811,674.99
202,495.23	202,495.23
363,004.43	1,049,077.14
	1,760,563.32
399,314.53	2,845,950.56
\$ 401,635.73	\$ 2,953,831.72

**GLADES COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances - Governmental Funds \$ 2,845,950.56

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 23,640,528.48

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	\$ 448,905.61	
Other Postemployment Benefits Payable	3,781.00	(452,686.61)
	<u> </u>	<u> </u>

Net Position - Governmental Activities \$ 26,033,792.43

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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, 2013**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 372,717.68	\$	\$
Federal Through State and Local	1,000.00	30,123.07	
State	7,509,855.54		
Local:			
Property Taxes	3,375,596.21		827,479.51
Charges for Services - Food Service			
Miscellaneous	289,710.77		18,271.82
Total Local Revenues	<u>3,665,306.98</u>		<u>845,751.33</u>
Total Revenues	<u>11,548,880.20</u>	<u>30,123.07</u>	<u>845,751.33</u>
Expenditures			
Current - Education:			
Instruction	7,087,073.04	12,590.97	
Pupil Personnel Services	412,231.78		
Instructional Media Services	201,260.86		
Instruction and Curriculum Development Services	271,237.10		
Instructional Staff Training Services	46,194.69	2,603.90	
Instruction Related Technology	23,346.99		
School Board	397,489.70		
General Administration	223,486.76		
School Administration	648,745.96		
Facilities Acquisition and Construction			539,497.44
Fiscal Services	168,737.31		
Food Services			
Central Services	27,401.32		
Pupil Transportation Services	468,706.47		
Operation of Plant	998,425.55		
Maintenance of Plant	322,706.00		
Administrative Technology Services	108,356.47		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	814,066.12		279,899.58
Other Capital Outlay		14,928.20	
Debt Service:			
Interest and Fiscal Charges			
Total Expenditures	<u>12,219,466.12</u>	<u>30,123.07</u>	<u>819,397.02</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(670,585.92)</u>		<u>26,354.31</u>
Other Financing Sources (Uses)			
Transfers In	121,883.00		315,352.91
Transfers Out	(315,352.91)		(121,883.00)
Total Other Financing Sources (Uses)	<u>(193,469.91)</u>		<u>193,469.91</u>
Net Change in Fund Balances	<u>(864,055.83)</u>		<u>219,824.22</u>
Fund Balances, Beginning	2,659,823.17		431,044.47
Fund Balances, Ending	<u>\$ 1,795,767.34</u>	<u>\$ 0.00</u>	<u>\$ 650,868.69</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 42,948.00	\$ 415,665.68
1,805,810.37	1,836,933.44
252,979.91	7,762,835.45
	4,203,075.72
144,012.92	144,012.92
2,253.88	310,236.47
<u>146,266.80</u>	<u>4,657,325.11</u>
2,248,005.08	14,672,759.68
823,844.71	7,923,508.72
122,787.39	535,019.17
	201,260.86
84,171.60	355,408.70
122,570.12	171,368.71
4,402.25	27,749.24
	397,489.70
18,642.17	242,128.93
13,070.00	661,815.96
89,494.43	628,991.87
	168,737.31
642,691.70	642,691.70
	27,401.32
13,748.73	482,455.20
	998,425.55
	322,706.00
	108,356.47
99,473.78	1,193,439.48
52,130.92	67,059.12
<u>26.46</u>	<u>26.46</u>
2,087,054.26	15,156,040.47
<u>160,950.82</u>	<u>(483,280.79)</u>
	437,235.91
	<u>(437,235.91)</u>
160,950.82	(483,280.79)
<u>238,363.71</u>	<u>3,329,231.35</u>
\$ 399,314.53	\$ 2,845,950.56

**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, 2013**

Net Change in Fund Balances - Governmental Funds	\$ (483,280.79)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.	557,474.36
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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.	90,941.30
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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 decrease in the other postemployment benefits liability for the current fiscal year.	22,301.00
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Change in Net Position - Governmental Activities	\$ 187,435.87
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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, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>121,519.42</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>121,519.42</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, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Glades County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's component unit. A separate column is used to emphasize that they are legally separate from the District. The Pemayetv 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 Pemayetv Emahakv Charter "Our Way School" and the Pemayetv Emahakv Charter Middle School (Charter Schools) under charters approved by their sponsor, the Board, and is considered a component unit of the District because

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

the District is financially accountable for the charter schools, as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens to the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools, and the District is responsible for the operation, control, and supervision of public schools within the District. The District considers the Corporation to be a major component unit based upon its nature and significance to the District.

The District received the majority of its operating funds through a State funding formula that is intended to equalize funding received from the State and local property tax between districts within the State. The Corporation's charter schools operating through a contract with the District are provided their proportionate share of these funds, based upon the number of full-time equivalent students enrolled at the charter schools.

The financial data reported on the accompanying statements was derived from the Charter Schools audited financial statements for the fiscal year ended June 30, 2013. The audit reports are filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the 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).
- 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:

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

- 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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The Pemayetv Emahaky, Inc., is accounted for as governmental organization and follows the same accounting model as the District's governmental activities.

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

2. Investments

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Types and amount of investment held at fiscal year-end are described in a subsequent note.

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

4. Capital Assets

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

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

Capital assets of the major component unit are defined by the Pemayetv Emahaky, Inc. (Corporation), as those costing more than \$750. 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	5-10 years
Leasehold Improvements	15-39 years

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

5. Long-Term Liabilities

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

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

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2013.

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the 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. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The District received a Classrooms First capital outlay appropriation from the State. 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.

3. District Property Taxes

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

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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 2012 tax levy on September 13, 2012. 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.

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

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JUNE 30, 2013**

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME	40 Day Average	\$ 2,301.65
Fund B	3.98 Year Average	2,646.26
		\$ 4,947.91
Total Investments, Primary Government		\$ 4,947.91

➤ **Interest Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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C. Due From Primary Government – Component Unit

As of June 30, 2013, the District's component unit (Corporation) reported \$135,994 as Due from Primary Government (District). However, the District did not record a corresponding Due to Component Unit because the District sent warrants for this amount to the Corporation on June 30, 2013. Because the Corporation did not receive the warrants until July 2013, in the subsequent fiscal year, the amounts were recorded as receivables on the Corporation's financial statements.

D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 813,648.45	\$	\$	\$ 813,648.45
Land Improvements	97,618.19	719,028.54		816,646.73
Construction in Progress	270,738.87	964,425.48	719,028.54	516,135.81
Total Capital Assets Not Being Depreciated	1,182,005.51	1,683,454.02	719,028.54	2,146,430.99
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	693,708.08	41,476.20		735,184.28
Motor Vehicles	1,014,011.06	202,466.00		1,216,477.06
Audio Visual Materials and Computer Software	552,395.62	52,130.92		604,526.54
Total Capital Assets Being Depreciated	33,879,253.87	296,073.12		34,175,326.99
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	749,532.30	40,864.49		790,396.79
Buildings and Fixed Equipment	9,476,255.41	570,019.61		10,046,275.02
Furniture, Fixtures, and Equipment	394,029.42	45,582.07		439,611.49
Motor Vehicles	825,253.86	42,705.80		867,959.66
Audio Visual Materials and Computer Software	533,134.27	3,852.27		536,986.54
Total Accumulated Depreciation	11,978,205.26	703,024.24		12,681,229.50
Total Capital Assets Being Depreciated, Net	21,901,048.61	(406,951.12)		21,494,097.49
Governmental Activities Capital Assets, Net	\$ 23,083,054.12	\$ 1,276,502.90	\$ 719,028.54	\$ 23,640,528.48

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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.

	Beginning Balance	Additions	Deletions	Ending Balance
MAJOR COMPONENT UNIT - Pemayetv Emahakv Inc.				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ 132,772.00	\$ 16,780.00	\$	\$ 149,552.00
Furniture, Fixtures, and Equipment	422,009.00	111,558.00		533,567.00
Total Capital Assets Being Depreciated	554,781.00	128,338.00		683,119.00
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,559.00	8,876.00		13,435.00
Furniture, Fixtures, and Equipment	177,512.00	95,471.00		272,983.00
Total Accumulated Depreciation	182,071.00	104,347.00		286,418.00
Total Capital Assets Being Depreciated, Net	372,710.00	23,991.00		396,701.00
Major Component Unit Capital Assets, Net	\$ 372,710.00	\$ 23,991.00	\$	\$ 396,701.00

The component unit'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.

E. 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), with 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, 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 the Investment Plan.

(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, 2011, June 30, 2012, and June 30, 2013, totaled \$682,706, \$439,730, and \$502,787, respectively, which were equal to the required contributions for each fiscal year.

There were 15 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$33,046, which was equal to the required contribution for the 2012-13 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

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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.

F. Other Postemployment Benefit Obligations

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 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 recommendations of the Insurance Committee and 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 2012-13 fiscal year, 13 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$54,359. The OPEB Plan members receiving benefits contributed \$55,240, through their required contributions ranging from \$501 to \$1,246 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:

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Description	Amount
Normal Cost (service cost for one year)	\$ 13,988
Amortization of Unfunded Actuarial Accrued Liability	20,453
Annual Required Contribution	34,441
Interest on Net OPEB Obligation	587
Adjustment to Annual Required Contribution	(2,970)
Annual OPEB Cost (Expense)	32,058
Contribution Toward the OPEB Cost	(54,359)
Change in Net OPEB Obligation	(22,301)
Net OPEB Obligation, Beginning of Year	26,082
Net OPEB Obligation, End of Year	\$ 3,781

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, 2013, and the two preceding fiscal years, 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
2012-13	32,058	169.6%	3,781

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$467,555, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$467,555, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$5,151,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.1 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.

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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, 2012, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and the District's 2012-13 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 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5 percent after three years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

G. Construction and Other Significant Commitments

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

Project	Contract Amount	Completed to Date	Balance Committed
U.S. 27 Turn Lane: Engineering	\$ 166,714.13	\$ 94,650.91	\$ 72,063.22
Moore Haven Middle/Senior High School: Architect	1,279,414.00	367,324.20	912,089.80
Total	<u>\$ 1,446,128.13</u>	<u>\$ 461,975.11</u>	<u>\$ 984,153.02</u>

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, 2013:

Major Funds			
General	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 297</u>	<u>\$ 131,613</u>	<u>\$ 1,230</u>	<u>\$ 133,140</u>

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H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third party injuries and property damage; and natural disasters. The Glades County District School Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a public entity risk sharing pool for property, general liability, automobile liability, workers' compensation, governmental 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 inter-local agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchases 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. Employers' Mutual Inc., serves as the third-party administrator, insurance broker and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except wind/hail/flood). The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind event is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. SCERMP's purchased excess property loss limit during the 2012-13 fiscal year was \$100 million per tower (consisting of 4 members per tower), except 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 2012-13 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. Employer's liability is included subject to \$2,000,000 per occurrence and \$4,000,000 in the aggregate.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature in the future, which effectively limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per occurrence.

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

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

I. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$539,846.91	\$64,310.83	\$155,252.13	\$ 448,905.61	\$33,667.92
Other Postemployment Benefits Payable	26,082.00	32,058.00	54,359.00	3,781.00	
Total Governmental Activities	<u>\$565,928.91</u>	<u>\$96,368.83</u>	<u>\$209,611.13</u>	<u>\$ 452,686.61</u>	<u>\$33,667.92</u>

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

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

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K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 10,145.59	\$
Special Revenue:		
Federal Economic Stimulus		7,824.39
Nonmajor Governmental		2,321.20
Total	<u>\$ 10,145.59</u>	<u>\$ 10,145.59</u>

The amounts payable to the General Fund represent reimbursable expenditures initially paid by the General Fund and are expected to be repaid within one year.

L. Revenues and Expenditures/Expenses**1. Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 4,952,220.00
Categorical Educational Program - Class Size Reduction	1,660,254.00
Racing Commission Funds	223,250.00
Classrooms First	124,558.00
Charter School Capital Outlay Funding	65,672.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	49,876.06
Workforce Development Program	49,860.00
Food Service Supplement	13,615.00
Mobile Home License Tax	8,559.87
School Recognition	6,997.00
Miscellaneous	607,973.52
Total	<u>\$ 7,762,835.45</u>

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

**GLADES COUNTY
DISTRICT SCHOOL BOARD
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2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.274	\$ 3,013,667
Basic Discretionary Local Effort	0.748	427,423
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	857,132
Total	<u>7.522</u>	<u>\$ 4,298,222</u>

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 121,883.00	\$ 315,352.91
Capital Projects:		
Local Capital Improvement Fund	<u>315,352.91</u>	<u>121,883.00</u>
Total	<u>\$ 437,235.91</u>	<u>\$ 437,235.91</u>

The transfer from the General Fund to the Capital Projects – Local Capital Improvement (LCI) Fund was to reimburse the LCI Fund for certain expenditures that should have been paid from the General Fund. The transfer from the LCI Fund was to reimburse the General Fund for certain property and casualty insurance premiums.

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JUNE 30, 2013**

N. Subsequent Events

Pursuant to Section 1013.64, Florida Statutes, the District received special allocation in the 2013-14 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following three fiscal years. During the three-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources. On July 25, 2013, the Board received the first of three Public Education Capital Outlay Special Facilities encumbrance authorizations in the amount of \$7,870.913. The funding will be used for the construction of the new Moore Haven Middle/High School.

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, 2013**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 220,000.00	\$ 372,717.68	\$ 372,717.68	\$ 1,000.00
Federal Through State and Local			1,000.00	1,000.00
State	8,797,023.00	8,491,802.75	7,509,855.54	(981,947.21)
Local:				
Property Taxes	3,446,807.00	3,507,580.38	3,375,596.21	(131,984.17)
Miscellaneous	75,010.00	213,140.81	289,710.77	76,569.96
Total Local Revenues	<u>3,521,817.00</u>	<u>3,720,721.19</u>	<u>3,665,306.98</u>	<u>(55,414.21)</u>
Total Revenues	<u>12,538,840.00</u>	<u>12,585,241.62</u>	<u>11,548,880.20</u>	<u>(1,036,361.42)</u>
Expenditures				
Current - Education:				
Instruction	7,189,880.00	7,370,071.89	7,087,073.04	282,998.85
Pupil Personnel Services	408,549.29	423,793.82	412,231.78	11,562.04
Instructional Media Services	209,552.00	210,210.59	201,260.86	8,949.73
Instruction and Curriculum Development Services	293,970.00	281,693.78	271,237.10	10,456.68
Instructional Staff Training Services	33,517.00	53,776.00	46,194.69	7,581.31
Instruction Related Technology	15,000.00	23,582.18	23,346.99	235.19
School Board	351,520.00	1,047,647.92	397,489.70	650,158.22
General Administration	205,213.00	224,375.00	223,486.76	888.24
School Administration	678,391.00	682,979.70	648,745.96	34,233.74
Facilities Acquisition and Construction	1,522,276.10	584,114.01		584,114.01
Fiscal Services	173,178.51	170,141.76	168,737.31	1,404.45
Central Services	28,767.00	28,803.42	27,401.32	1,402.10
Pupil Transportation Services	536,956.00	495,555.55	468,706.47	26,849.08
Operation of Plant	972,662.71	1,016,774.25	998,425.55	18,348.70
Maintenance of Plant	474,314.83	434,039.01	322,706.00	111,333.01
Administrative Technology Services	108,412.00	108,813.34	108,356.47	456.87
Fixed Capital Outlay:				
Facilities Acquisition and Construction		814,066.12	814,066.12	
Other Capital Outlay				
Total Expenditures	<u>13,202,159.44</u>	<u>13,970,438.34</u>	<u>12,219,466.12</u>	<u>1,750,972.22</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(663,319.44)</u>	<u>(1,385,196.72)</u>	<u>(670,585.92)</u>	<u>714,610.80</u>
Other Financing Sources (Uses)				
Transfers In		296,670.94	121,883.00	(174,787.94)
Transfers Out			(315,352.91)	(315,352.91)
Total Other Financing Sources (Uses)		<u>296,670.94</u>	<u>(193,469.91)</u>	<u>(490,140.85)</u>
Net Change in Fund Balances	<u>(663,319.44)</u>	<u>(1,088,525.78)</u>	<u>(864,055.83)</u>	<u>224,469.95</u>
Fund Balances, Beginning	<u>2,659,823.17</u>	<u>2,659,823.17</u>	<u>2,659,823.17</u>	
Fund Balances, Ending	<u>\$ 1,996,503.73</u>	<u>\$ 1,571,297.39</u>	<u>\$ 1,795,767.34</u>	<u>\$ 224,469.95</u>

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 173,750.51	\$ 173,750.51	\$ 30,123.07	\$ (143,627.44)
173,750.51	173,750.51	30,123.07	(143,627.44)
61,880.88	46,952.68	12,590.97	34,361.71
4,200.00	2,800.00		2,800.00
44,562.03	45,962.03	2,603.90	43,358.13
6,536.50	6,536.50		6,536.50
3,589.12	3,589.12		3,589.12
52,981.98	52,981.98		52,981.98
	14,928.20	14,928.20	
173,750.51	173,750.51	30,123.07	143,627.44
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) - (2) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2010	\$ 0	\$ 296,689	\$ 296,689	0.0%	\$ 6,932,974	4.3%
July 1, 2012	0	467,555	467,555	0.0%	5,151,000	9.1%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit cost method to estimate the actuarial accrued liability.
 (2) The July 1, 2012, UAAL was significantly higher than the July 1, 2010, liability, due to an increase in number of retirees receiving the postemployment health benefits through the District core plan, which increased cost and liability.

**GLADES COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

I. BUDGETARY BASIS OF ACCOUNTING

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, 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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 223,760.23
National School Lunch Program	10.555 (2)	300	374,390.17
Total Child Nutrition Cluster			598,150.40
United States Department of Education:			
Direct:			
Impact Aid	84.041	N/A	372,717.68
Indian Education - Grants to Local Educational Agencies	84.060	N/A	42,948.00
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	395,729.96
Special Education - Preschool Grants	84.173	266, 267	9,621.78
Total Special Education Cluster			405,351.74
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	495,311.98
Migrant Education - State Grant Program	84.011	217	74,672.05
Career and Technical Education - Basic Grants to States	84.048	161	54,794.01
Charter Schools	84.282	298	75,000.00
Rural Education	84.358	110	29,169.74
English Language Acquisition Grants	84.365	102	9,486.38
Improving Teacher Quality State Grants	84.367	224	69,403.67
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	RL111	30,123.07
Highlands County District School Board:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	None	500.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	None	269.15
Total Indirect			1,244,081.79
Total United States Department of Education			1,659,747.47
Total Expenditures of Federal Awards			\$ 2,257,897.87

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 \$35,585.04 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$30,392.22.



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

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

Report on the Financial Statements

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Glades County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a

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

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 28, 2014



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

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 each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 28, 2014

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.041	Impact Aid
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**GLADES COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

ADDITIONAL MATTERS

Finding No. 1: Facilities Management

The District's facilities maintenance department is responsible for managing construction and renovation projects and ensuring facilities are safe and suitable for their intended use. In addition, department personnel perform heating, ventilating, air conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the facilities maintenance department employed nine full-time employees, and the department's operating cost was \$322,706. Also, during the fiscal year, the District had expenditures totaling \$379,373 for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 26, 2013, the District planned to spend \$23.6 million on construction projects and \$825,000 on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$33.8 million and, as shown in the Florida Department of Education's Florida Inventory of School Houses data, District facilities had an average age of 31 years.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facilities and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities maintenance department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by facilities maintenance department personnel based on safety and suitability priorities, although some of these jobs are outsourced to local vendors. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** The District's facilities maintenance department has established short-term and long-term goals and District procedures included consideration of whether construction and maintenance projects met applicable building codes, safety standards, and projected completion dates. Also, one of the goals for the facilities maintenance department is to provide a safe, clean, and well-maintained environment to support teaching and learning. However, the department had not established goals that identify cost-effectiveness or efficiency outcomes. To adequately establish outcome measures, the facilities maintenance department could

set goals such as completing renovation or remodeling projects, or maintenance-related jobs, that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities maintenance department is operating as cost-effectively and efficiently as possible.

Recommendation: The District should consider developing written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing additional goals and objectives for the facilities maintenance department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 2: Bus Drivers

State Board of Education Rule 6A-3.0141(4) and (9), Florida Administrative Code (FAC), require that the District ensure that personnel, prior to transporting students on school buses, be physically capable of operating the vehicles as determined by a physician and documented on a Florida Department of Education (FDOE) physical examination form. Further, SBE Rule 6A-3.0141(6), FAC, requires the District to review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver history records for school bus drivers prior to initial employment and the first day of the fall semester, and thereafter using automated weekly updates. Also, Section 322.21(8), Florida Statutes, requires individuals to pay a fee to have their commercial driver license reinstated after disqualification of their license.

The District employed ten bus drivers for the 2012-13 fiscal year. While District records indicated that monitoring procedures over school bus drivers were generally adequate, District personnel did not obtain and review FDHSMV driver history records on a weekly basis, contrary to SBE Rule 6A-3.0141(6), FAC. District personnel monitored the driver history records from the FDHSMV to confirm that drivers were appropriately licensed during the first week of school but, thereafter, did not perform weekly updates. Also, our comparison of District records and FDHSMV records disclosed one bus driver had a suspended commercial vehicle driving license for the lack of physical examination form from September 10, 2012, to June 12, 2013, while the bus driver drove regularly scheduled bus routes. District personnel indicated that the District was aware the FDHSMV notified the bus driver that the driver did not timely submit the required physical examination form, resulting in the disqualified status of the bus driver's license, but the District was unaware that the disqualified status resulted in license suspension. The bus driver subsequently obtained and submitted the required form to the FDHSMV, paid reinstatement fee, and the license was restored. District personnel also indicated that, in January 2014, District personnel began reviewing driver's history records from the FDHSMV on a weekly basis.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that District personnel timely review bus driver history records to ensure that drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure the timely review of school bus driver history records for current and prospective bus drivers.

Finding No. 3: Information Technology - Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, and provisions for a team trained in incident response, notification to affected parties, and incident analysis and assessment of additional actions needed.

The District did not have a written information technology (IT) security incident response plan. Such plans could include:

- Definition of computer security incidents and an established process for reporting a suspected incident;
- Established procedures for isolating and containing a security threat and capturing and maintaining events associated with an incident;
- Identification of response team members trained in roles and responsibilities;
- An established process for involving the appropriate local, State, and Federal authorities; and
- An established process, pursuant to Section 817.5681, Florida Statutes, of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person.

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 may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources. A similar finding was noted in our report No. 2013-127.

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

Finding No. 4: Information Technology – Access Privileges

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions inconsistent with their assigned job responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities.

The District had not developed procedures for or performed a review of access privileges for employees and contractors granted end-user and administrative access within the District's finance and human resources application. In response to our inquiry, District management indicated that reports of assigned user access privileges were not available and would need to be developed by the District's provider for application software management services. The District had certain compensating controls in place (e.g., supervisory monitoring of expenditures and employee

activities, timely independent bank reconciliations, and supervisory review and approval of transactions such as journal entries and electronic funds transfers), and our review did not disclose any inappropriate or unnecessary access privileges. However, absent a periodic review of access privileges, unnecessary and inappropriate access privileges may not be detected and the risk of unauthorized disclosure, modification, or destruction of District data and IT resources is increased. Similar findings were noted in our report Nos. 2012-093 and 2013-127.

Recommendation: The District should develop procedures for the review of IT access privileges and deactivate any unnecessary or inappropriate access privileges detected.

Finding No. 5: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an element of IT controls established to manage the availability of critical data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as identification of critical applications, provision for backups of critical data sets, and step-by-step procedures for recovery.

Although the District had a written disaster recovery plan, the plan did not identify the District's critical data, processes, and applications; provide for backup of critical data; or detail procedures for recovery. The absence of these key provisions in the District's disaster recovery plan may hinder the District's effort to minimize the impact of, and timely recover from, a disaster or a disruption of operations. Similar findings were noted in our report Nos. 2012-093 and 2013-127.

Recommendation: The District should revise its IT disaster recovery plan to include the identification of the District's critical data, processes, and applications; provision for backup of critical data; and step-by-step procedures for recovery.

Finding No. 6: Information Technology – Written Policies and Procedures

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

The District lacked written policies and procedures for authorizing and assigning user identifications and associated access privileges, ensuring the timely deactivation of access privileges, and resetting user passwords. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in our report Nos. 2012-093 and 2013-127.

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

Finding No. 7: Information Technology – Security Controls – User Authentication and Workstation Controls, Data Loss Prevention, and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication and workstation controls, data loss

prevention, and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication and workstation controls, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication, and logging and monitoring of system activity, were communicated to District management in connection with our report Nos. 2012-093 and 2013-127.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-127. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2013-127, Finding No. 4	NA
4	Audit Report No. 2013-127, Finding No. 4	Audit Report No. 2012-093, Finding No. 3
5	Audit Report No. 2013-127, Finding No. 4	Audit Report No. 2012-093, Finding No. 3
6	Audit Report No. 2013-127, Finding No. 4	Audit Report No. 2012-093, Finding No. 3
7	Audit Report No. 2013-127, Finding No. 4	Audit Report No. 2012-093, Finding No. 3

NA - Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT'S RESPONSE

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, 2013*

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
2013-127		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

GLADES COUNTY SCHOOL DISTRICT
Building Academic Excellence

February 28, 2014

Scott Bass
Superintendent

Janet Harris
*Academic
Services
Director*

Sue Woodward
Finance Director

Janice Foster
*Student Services
Director*

School Board

• **Janet Storey**
District 1

• **Jenny Allen**
District 2

• **Jeri Wilson**
District 3

• **Mike Pressley**
District 4

• **Patricia Pearce**
District 5

David W. Martin, CPA
Auditor General
State of Florida
12557-1 New Brittany Blvd.
Fort Myers, FL 33907

Dear Mr. Martin:

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, 2013. Please feel free to contact my office with any questions or concerns.

Findings Response

Finding No. 1: Facilities Management.

The District will work toward creating written policies which will evaluate the maintenance practices and procedures of the District to ensure that the proper and effective techniques are being implemented. The District will also consider cost effectiveness and efficiency outcomes when developing the annual Five Year Work Plan.

Finding No. 2: Bus Drivers.

The District has implemented the necessary procedures needed to review bus drivers driving history on a weekly basis.

Finding No. 3: Information Technology – Security Incident Response Plan.

The District staff is in the process of developing written strategies to ensure reasonable response time to incidents that may jeopardize the District's IT resources.

Finding No. 4: Information Technology – Access Privileges.

The District staff is developing procedures for the review of access privileges and removing unnecessary access privileges that are detected.



EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5: Information Technology – Disaster Recovery Plan.

District IT staff is documenting the steps that are in place for our current disaster recovery efforts.

Finding No. 6: Information Technology – Written Policies and Procedures.

The District has developed and has gotten Board approval of the documented IT functions.

Finding No. 7: Information Technology – Security Controls.

- **User Authentication**
- **Workstation Controls**
- **Data Loss Prevention**
- **Logging and Monitoring of System Activity**

The District is working to improve the noted deficiencies to maintain confidentiality, integrity and availability of District Data and IT Resources. Currently our IT staff is composed of one individual for the entire District, however, we will perform these tasks to the best of our ability.

If there are any responses that you need further clarification on, please do not hesitate to contact me at 863-946-2083.

Sincerely,



Scott Bass
Superintendent of Schools