

HARDEE 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 SUPERINTENDENT

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

	<u>District No.</u>
Paul Samuels, Vice Chair to 11-19-12, Chair from 11-20-12	1
Mildred Smith	2
Teresa Crawford, Chair to 11-19-12	3
Janice Platt	4
Thomas Trevino, Vice Chair from 11-20-12	5

David Durastanti, Superintendent

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

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by David A. Blanton, CPA. 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.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of Fiduciary Net Position – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	26
Notes to Financial Statements	27
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	48
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	50
Notes to Required Supplementary Information.....	51
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	52
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	57
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS.....	63
EXHIBIT A MANAGEMENT'S RESPONSE	64

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: The Board has not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 3: Controls over the enterprise resource software selection process and related payments could be enhanced.

Finding No. 4: The District had not developed a written, comprehensive information technology (IT) risk assessment.

Finding No. 5: District IT security controls related to data loss prevention and monitoring of database activity need improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, School Improvement Grants Cluster, and Race-to-the-Top 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 Hardee County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2013-165.

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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board, as of and for the fiscal year ended June 30, 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 18 percent of the assets and 99 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 Hardee 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 Hardee County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
March 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

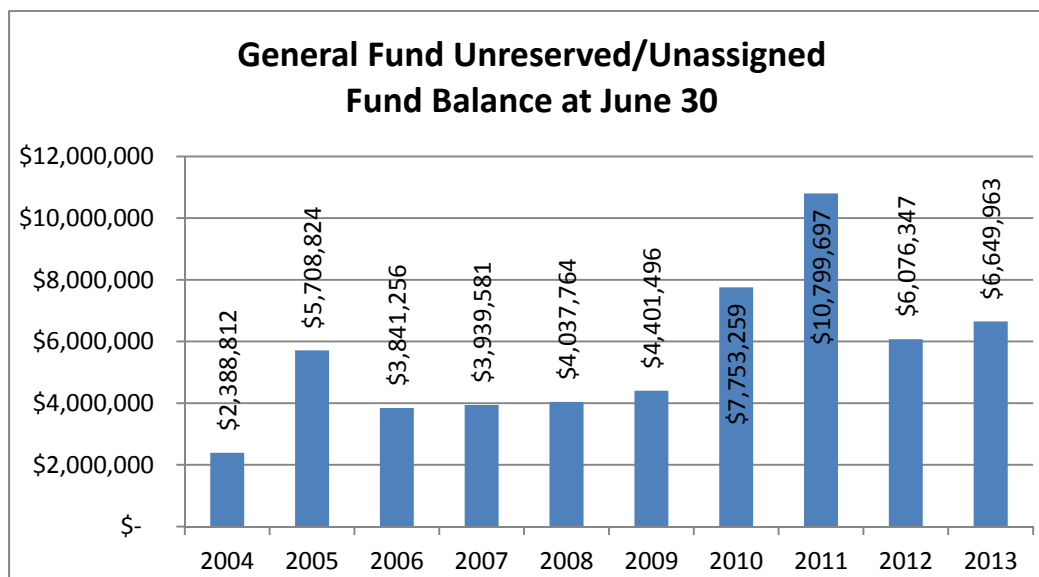
The management of the Hardee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended 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 immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- In total, net position decreased by \$3,541,514, which represents a 4.9 percent decrease from the 2011-12 fiscal year. The decrease was primarily due to depreciation expense exceeding capital asset additions, increases in other postemployment healthcare benefits expense and salaries and benefits (one-time bonuses, step increases, and health insurance cost increases), and certain one-time expenditures such as the purchase of network infrastructure computer equipment.
- During the 2012-13 fiscal year, General fund expenditures exceeded revenues by \$2,706,575. When other financing sources (transfers in and loss recoveries) totaling \$265,128 are considered, the fund balance of the General Fund decreased by \$2,441,447 to \$8,808,988. A significant portion of the General Fund's fund balance is considered nonspendable, restricted, and assigned, leaving an unassigned fund balance of \$6,649,963 as of June 30, 2013.

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



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.

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 Hardee County Education Foundation, Inc., is a legally separate organization and component unit that is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for the component unit 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 – Other Fund, and Special Revenue – Federal Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

Notes to Financial Statements

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

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		Increase (Decrease)
	6-30-13	6-30-12	
Current and Other Assets	\$ 11,443,074	\$ 14,038,948	\$ (2,595,874)
Capital Assets	65,331,332	66,492,688	(1,161,356)
Total Assets	76,774,406	80,531,636	(3,757,230)
Long-Term Liabilities	6,599,493	6,407,328	192,165
Other Liabilities	698,821	1,106,702	(407,881)
Total Liabilities	7,298,314	7,514,030	(215,716)
Net Position:			
Net Investment in Capital Assets	62,056,332	63,047,688	(991,356)
Restricted	3,440,737	2,863,453	577,284
Unrestricted	3,979,023	7,106,465	(3,127,442)
Total Net Position	\$ 69,476,092	\$ 73,017,606	\$ (3,541,514)

By far, the largest portion of the District's net position (89.3 percent) reflects its investment in capital assets (e.g., land; buildings; motor vehicles; and furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. 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 (5 percent) represents resources that are subject to external restrictions on how they may be used. Net position is restricted for State required carryover programs, food service, capital projects, etc. The remaining balance of \$3,979,023, unrestricted net position (5.7 percent), may be used to meet the District's ongoing obligations to students, employees, and creditors.

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

- Current and other assets decreased due to decreased cash and cash equivalents and investments at June 30, 2013. Overall, assets decreased because of salary and benefit increases (\$1,657,749) and one-time expenditures (\$1,060,483) during the 2012-13 fiscal year.
- Capital assets decreased because depreciation expense (\$3,104,836) for the 2012-13 fiscal year exceeded capital outlay expenditures for capital assets and other additions (\$1,943,479).
- Restricted net position increased because of an increase in assets restricted for class size reduction (\$290,887) and food service (\$156,509).

The following is a summary of the District's operating results for the fiscal year ended June 30, 2013, compared to operating results for the fiscal year ended June 30, 2012:

Operating Results for the Fiscal Year Ended			
	Governmental Activities		Increase (Decrease)
	6-30-13	6-30-12	
Program Revenues:			
Charges for Services	\$ 411,743	\$ 416,801	\$ (5,058)
Operating Grants and Contributions	2,425,258	2,294,324	130,934
Capital Grants and Contributions	194,167	193,785	382
General Revenues:			
Property Taxes, Levied for Operational Purposes	10,962,523	10,748,119	214,404
Property Taxes, Levied for Capital Projects	769,702	757,754	11,948
Florida Education Finance Program	16,683,053	15,903,429	779,624
Other Federal Sources	5,927,808	6,554,964	(627,156)
Other State Sources	6,247,962	6,409,663	(161,701)
Unrestricted Investment Earnings	48,823	51,541	(2,718)
Miscellaneous	874,745	880,873	(6,128)
Total Revenues	44,545,784	44,211,253	334,531
Functions/Program Expenses:			
Instruction	25,744,973	25,196,887	548,086
Pupil Personnel Services	2,797,957	2,906,302	(108,345)
Instructional Media Services	825,067	823,833	1,234
Instruction and Curriculum Development Services	637,383	579,931	57,452
Instructional Staff Training Services	1,074,880	1,097,153	(22,273)
Instruction Related Technology	786,245	665,929	120,316
School Board	317,169	311,504	5,665
General Administration	453,030	508,560	(55,530)
School Administration	1,978,191	2,078,998	(100,807)
Facilities Acquisition and Construction	162,138		162,138
Fiscal Services	435,832	477,687	(41,855)
Food Services	2,820,984	2,751,772	69,212
Central Services	174,457	250,945	(76,488)
Pupil Transportation Services	2,384,542	2,288,622	95,920
Operation of Plant	3,767,312	4,414,684	(647,372)
Maintenance of Plant	1,855,220	1,728,756	126,464
Administrative Technology Services	262,258	236,386	25,872
Community Services	161,168	169,674	(8,506)
Unallocated Interest on Long-Term Debt	153,180	160,118	(6,938)
Unallocated Depreciation Expense	1,295,312	1,068,391	226,921
Total Functions/Program Expenses	48,087,298	47,716,132	371,166
Change in Net Position	(3,541,514)	(3,504,879)	(36,635)
Net Position - Beginning	73,017,606	76,522,485	(3,504,879)
Net Position - Ending	\$ 69,476,092	\$ 73,017,606	\$ (3,541,514)

The District's net position decreased by \$3,541,514 during the 2012-13 fiscal year. Depreciation expense exceeded capital asset additions by \$1,161,356, and other postemployment healthcare benefits expense was \$322,217.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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.

As of June 30, 2013, the District's governmental funds reported combined ending fund balances of \$10,897,433, a decrease of \$2,194,929 in comparison with the prior fiscal year. Of the total ending fund balance, \$6,649,963, or 61 percent, constitutes unassigned fund balance, which is available for spending at government's discretion. The remaining fund balances are classified as nonspendable (\$289,781), restricted (\$3,542,973), or assigned (\$414,717).

The following schedule summarizes fund balances for individual fund types:

Fund Balances				
	Unassigned Fund Balance	Nonspendable Restricted and Assigned Fund Balance	Total Fund Balance	Change in Total Fund Balance
Major Governmental Funds:				
General	\$ 6,649,963	\$ 2,159,025	\$ 8,808,988	\$ (2,441,447)
Special Revenue - Other		5,568	5,568	
Special Revenue - Federal Economic Stimulus				
Other Nonmajor Governmental Funds		2,082,878	2,082,878	246,518
Totals	<u>\$ 6,649,963</u>	<u>\$ 4,247,471</u>	<u>\$ 10,897,434</u>	<u>\$ (2,194,929)</u>
Percentage of Total Fund Balance	<u>61%</u>	<u>39%</u>	<u>100%</u>	

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$6,649,963, while the total fund balance is \$8,808,988.

Total fund balance decreased by \$2,441,447 during the fiscal year because of salary and benefit increases and one-time expenditures during the 2012-13 fiscal year, as follows:

- Increase in the Board's share for health insurance by \$1,600 per full-time employee (\$901,261);
- Step and bonus awards of \$700 or \$1,200, respectively, for full-time employees (\$756,488);
- Textbooks, band uniforms, and 112 computers for Hardee Senior High (\$121,879), (\$24,800), and (\$95,130), respectively;
- Network infrastructure computer equipment for Hardee Junior High (\$495,673 – capitalizable and \$38,821 noncapitalizable);
- Replacement of office roof at Zolfo Springs Elementary (\$85,996);
- Replacement of Heating Ventilation Air Conditioning chiller at Wauchula Elementary (\$83,412); and

- Purchase of one school bus (\$114,772)

The Special Revenue – Other Fund has total revenues and expenditures of \$4,855,882 each. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$1,005,845 each. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate significant fund balances.

The nonmajor governmental funds increased because some local capital outlay taxes were received but not spent on school buses by June 30, 2013, food service participation and the lunch reimbursement rate increased, and some vacant cafeteria positions were not filled.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund lists original budget, final budget, and actual amounts. Final budgeted revenues and expenditures were in line with original budget amounts. The actual amount of miscellaneous local revenue and facilities acquisition and construction expenditures in the General Fund were lower than budgeted because an anticipated donation of \$400,000 to renovate Hardee stadium was not received. Other significant areas of positive variance were property taxes (\$109,351), instruction (\$228,104), pupil transportation services (\$180,766), operation of plant (\$200,750), and maintenance of plant (\$195,765).

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is \$65,331,332 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software. The total decrease in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$1,161,356, or 1.7 percent.

Capital Assets, Net of Depreciation

	Balance 6-30-2013	Balance 6-30-2012	Increase (Decrease)
Land	\$ 2,046,222	\$ 2,046,222	\$
Improvements Other Than Buildings	2,779,704	2,810,853	(31,149)
Buildings and Fixed Equipment	56,767,274	58,358,202	(1,590,928)
Furniture, Fixture, and Equipment	2,211,307	1,835,530	375,777
Motor Vehicles	1,067,458	1,111,355	(43,897)
Computer Software	459,367	330,526	128,841
Total Capital Assets, Net of Depreciation	<u>\$ 65,331,332</u>	<u>\$ 66,492,688</u>	<u>\$ (1,161,356)</u>

Buildings and fixed equipment decreased because depreciation expense exceeded capital asset additions during the 2012-13 fiscal year. Furniture, fixtures, and equipment increased due to the purchase of network infrastructure capitalizable computer equipment costing \$495,673 for Hardee Jr. High School. Additional information on the District's capital assets is in notes I.F.4 and II.C.

Long-Term Debt

Bonds payable is the only long-term debt related to capital assets. At June 2013, the District had total bonded debt outstanding of \$3,275,000, comprised of \$2,505,000 for Revenue Bonds, Series 2009, which will mature in November

2035, and \$770,000 for three series of State School Bonds that mature in calendar years 2017, 2018, and 2021, respectively.

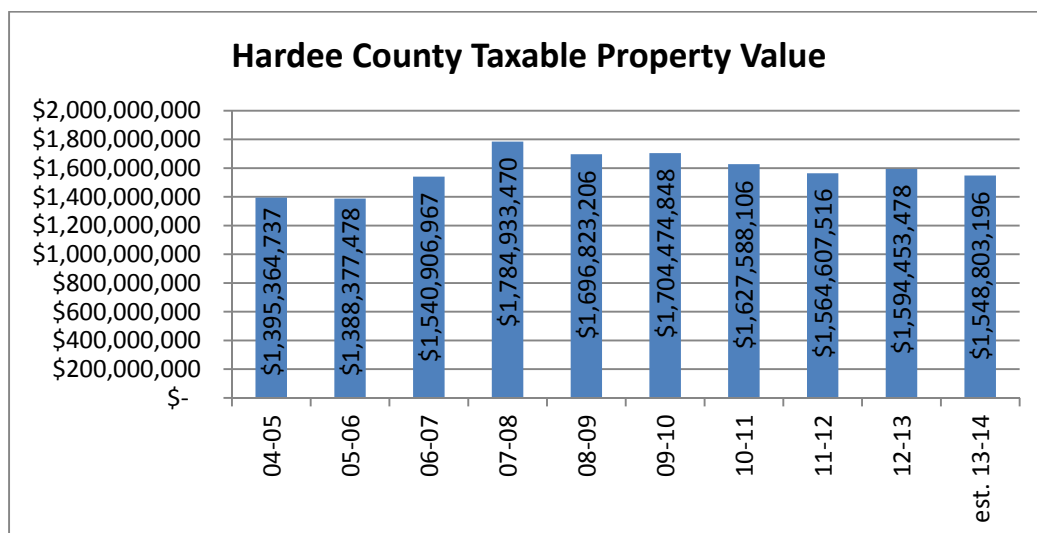
Additional information on the District's long-term debt is in note II.H to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Hardee County

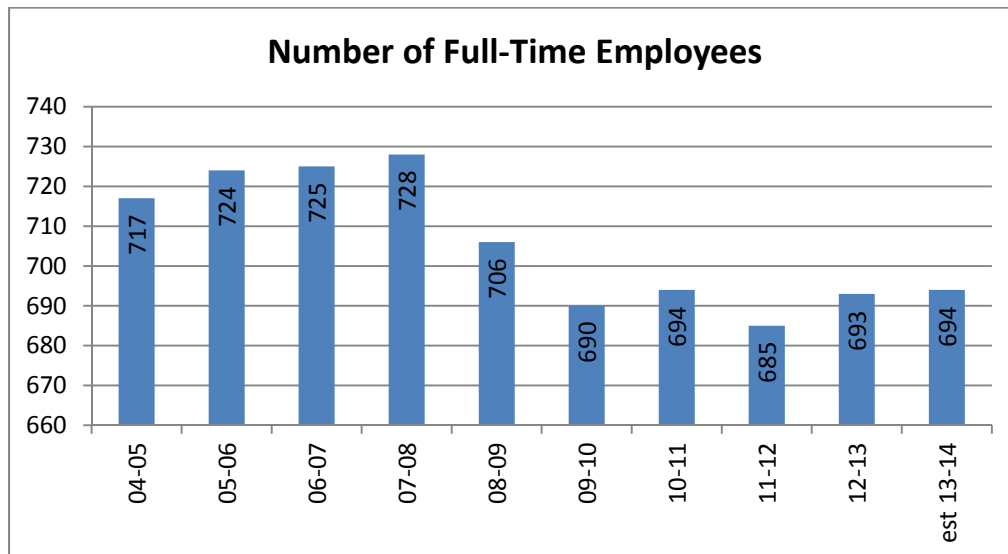
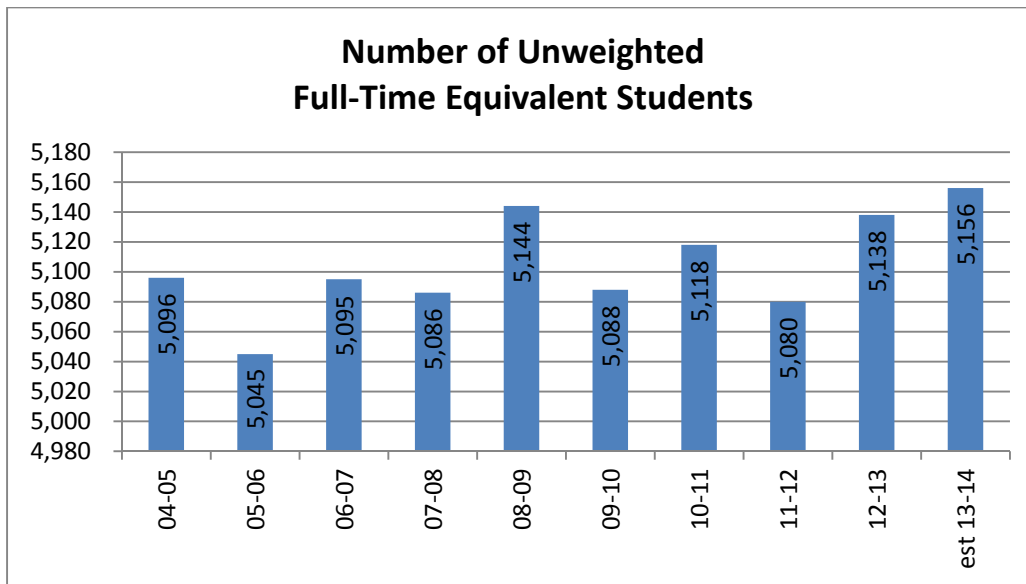
Hardee County's population was estimated to be 27,514 in calendar year 2012 with 7.7 percent of the population under age 5 and 27.4 percent of the population under age 18. Between calendar years 2010 and 2012, Hardee County's population decreased by 0.8 percent. Because funding is largely based on numbers of enrolled students, a decrease in population, particularly school-aged children, may decrease District enrollment and related funding.

Taxable values for Hardee County are estimated to decrease by \$45,650,282 (2.9 percent) to \$1,548,803,196 for the 2013-14 fiscal year. Taxable value in Hardee County is comprised of real property and tangible property. The biggest components of real property are agricultural, single family residential and improved commercial/industrial property. Tangible property includes power generation, utilities, and other tangible property. The following chart represents Hardee County taxable property values:



Hardee County School District

The Hardee County School District is comprised of five elementary schools, a junior high school, a senior high school, an adult education program, various preschool programs, and an alternative school. The District's number of unweighted full-time equivalent students (UFTE) in the 2012-13 fiscal year increased by 58 students to 5,138. The District projects to serve 5,156 UFTE students in the 2013-14 fiscal year. The following charts show the number of UFTE students and full-time employees:



On July 29, 2013, the Board adopted the proposed millage rates, the tentative budget for fiscal year 2013-14, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2013, and tentative fund balances at June 30, 2014.

Fund Balance Comparison			
	Projected Fund Balance 6-30-14	Actual Fund Balance 6-30-13	Projected Change in Fund Balance FY 2013-14
Major Governmental Funds:			
General	\$ 8,541,100	\$ 8,808,988	\$ (267,888)
Special Revenue - Other	5,568	5,568	
Special Revenue - Federal Stimulus			
Other Nonmajor Governmental Funds	1,819,319	2,082,878	(263,559)
	<u>\$ 10,365,987</u>	<u>\$ 10,897,434</u>	<u>\$ (531,447)</u>

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:

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

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 6,051,801.55	\$ 137,378.00
Investments	4,011,380.15	32,058.00
Accounts Receivable	93,637.63	
Due from Other Agencies	979,474.18	
Due from Component Unit	17,000.00	
Contributions Receivable		51,000.00
Scholarship Payments Receivable		4,000.00
Inventories	289,780.87	
Capital Assets:		
Nondepreciable Capital Assets	2,186,403.91	
Depreciable Capital Assets, Net	63,144,927.81	
TOTAL ASSETS	76,774,406.10	224,436.00
LIABILITIES		
Salaries and Benefits Payable	207,279.39	
Accounts Payable	255,831.12	
Scholarships Payable		20,631.00
Matured Interest Payable	1,817.50	
Due to Other Agencies	60,602.45	
Due to Primary Government		17,000.00
Unearned Revenue	20,110.54	
Accrued Interest Payable	153,180.00	
Long-Term Liabilities:		
Portion Due Within One Year	542,587.00	
Portion Due After One Year	6,056,905.71	
TOTAL LIABILITIES	7,298,313.71	37,631.00
NET POSITION		
Net Investment in Capital Assets	62,056,331.72	
Restricted for:		
State Required Carryover Programs	1,481,263.13	
Debt Service	7,495.30	
Capital Projects	1,092,376.30	
Food Service	829,826.25	
Other Purposes	29,776.57	111,124.00
Unrestricted	3,979,023.12	75,681.00
TOTAL NET POSITION	\$ 69,476,092.39	\$ 186,805.00

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**HARDEE 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	\$ 25,744,973.19	\$ 56,540.45	\$	\$
Pupil Personnel Services	2,797,957.03			
Instructional Media Services	825,067.21			
Instruction and Curriculum Development Services	637,383.32			
Instructional Staff Training Services	1,074,879.75			
Instruction Related Technology	786,244.87			
School Board	317,168.52			
General Administration	453,029.70			
School Administration	1,978,190.53			
Facilities Acquisition and Construction	162,137.73			194,166.71
Fiscal Services	435,832.43			
Food Services	2,820,984.33	295,502.54	2,425,258.23	
Central Services	174,457.22			
Pupil Transportation Services	2,384,541.49	59,700.21		
Operation of Plant	3,767,312.19			
Maintenance of Plant	1,855,220.30			
Administrative Technology Services	262,258.02			
Community Services	161,167.71			
Unallocated Interest on Long-Term Debt	153,180.00			
Unallocated Depreciation Expense*	1,295,312.42			
Total Primary Government	\$ 48,087,297.96	\$ 411,743.20	\$ 2,425,258.23	\$ 194,166.71
Component Unit				
The Hardee County Education Foundation, Inc.	\$ 127,621.00	\$ 0.00	\$ 137,183.00	\$ 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				

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

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component
Governmental	Unit
Activities	
\$ (25,688,432.74)	\$
(2,797,957.03)	
(825,067.21)	
(637,383.32)	
(1,074,879.75)	
(786,244.87)	
(317,168.52)	
(453,029.70)	
(1,978,190.53)	
32,028.98	
(435,832.43)	
(100,223.56)	
(174,457.22)	
(2,324,841.28)	
(3,767,312.19)	
(1,855,220.30)	
(262,258.02)	
(161,167.71)	
(153,180.00)	
(1,295,312.42)	
\$ (45,056,129.82)	
	9,562.00
10,962,523.18	
769,701.55	
28,858,823.93	
48,823.25	406.00
874,744.52	
41,514,616.43	406.00
(3,541,513.39)	9,968.00
73,017,605.78	176,837.00
\$ 69,476,092.39	\$ 186,805.00

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 4,349,595.60	\$	\$
Investments	3,990,910.86		
Accounts Receivable	110,300.21		
Due from Other Funds	507,856.85		
Due from Other Agencies	85,257.11	473,499.88	107,666.44
Inventories	238,836.05		
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 9,282,756.68</u>	<u>\$ 473,499.88</u>	<u>\$ 107,666.44</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 207,279.39	\$	\$
Accounts Payable	205,922.93	45,110.99	2,484.32
Matured Interest Payable			
Due to Other Funds		402,695.37	105,161.48
Due to Other Agencies	60,566.34	15.47	20.64
Unearned Revenue		20,110.54	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>473,768.66</u>	<u>467,932.37</u>	<u>107,666.44</u>
Fund Balances:			
Nonspendable:			
Inventories	238,836.05		
Restricted for:			
Federal Required Carryover Programs		5,567.51	
State Required Carryover Programs	1,481,263.13		
Local Carryover Programs	24,209.06		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	<u>1,505,472.19</u>	<u>5,567.51</u>	
Assigned for:			
After School Child Care Project	124,932.10		
Budgetary Deficit	289,784.92		
Total Assigned Fund Balance	<u>414,717.02</u>		
Unassigned Fund Balance	<u>6,649,962.76</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>8,808,988.02</u>	<u>5,567.51</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,282,756.68</u>	<u>\$ 473,499.88</u>	<u>\$ 107,666.44</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 1,702,205.95	\$ 6,051,801.55
20,469.29	4,011,380.15
337.42	110,637.63
	507,856.85
313,050.75	979,474.18
50,944.82	289,780.87
<u> </u>	<u> </u>
\$ 2,087,008.23	\$ 11,950,931.23
<u> </u>	<u> </u>
\$	\$
2,312.88	207,279.39
1,817.50	255,831.12
	1,817.50
	507,856.85
	60,602.45
	20,110.54
<u> </u>	<u> </u>
4,130.38	1,053,497.85
<u> </u>	<u> </u>
50,944.82	289,780.87
<u> </u>	<u> </u>
	5,567.51
	1,481,263.13
	24,209.06
160,675.30	160,675.30
1,092,376.30	1,092,376.30
778,881.43	778,881.43
<u> </u>	<u> </u>
2,031,933.03	3,542,972.73
<u> </u>	<u> </u>
	124,932.10
<u> </u>	<u> </u>
	289,784.92
<u> </u>	<u> </u>
	414,717.02
<u> </u>	<u> </u>
	6,649,962.76
<u> </u>	<u> </u>
2,082,877.85	10,897,433.38
<u> </u>	<u> </u>
\$ 2,087,008.23	\$ 11,950,931.23
<u> </u>	<u> </u>

**HARDEE 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	\$ 10,897,433.38
---	-------------------------

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.	65,331,331.72
--	---------------

Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(153,180.00)
---	--------------

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

Bonds Payable	\$ 3,275,000.00	
Compensated Absences Payable	2,256,587.71	
Other Postemployment Benefits Payable	1,067,905.00	
	(6,599,492.71)	

Net Position - Governmental Activities	\$ 69,476,092.39
---	-------------------------

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**HARDEE 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 - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 69,514.44	\$	\$
Federal Through State and Local State	22,745,339.30	4,852,448.94	1,005,845.11
Local:			
Property Taxes	10,962,523.18		
Charges for Services - Food Service			
Miscellaneous	1,033,225.68	3,432.86	
Total Local Revenues	11,995,748.86	3,432.86	
Total Revenues	34,810,602.60	4,855,881.80	1,005,845.11
Expenditures			
Current - Education:			
Instruction	21,646,242.07	2,546,675.32	515,229.04
Pupil Personnel Services	1,729,558.35	962,521.54	45,688.18
Instructional Media Services	611,506.57		
Instruction and Curriculum Development Services	294,628.77	321,205.10	
Instructional Staff Training Services	374,102.88	529,289.38	151,231.02
Instruction Related Technology	745,276.89	35,940.90	
School Board	314,757.29		
General Administration	281,398.00	142,821.81	19,373.56
School Administration	1,929,423.80		1,489.77
Facilities Acquisition and Construction	27,050.75		
Fiscal Services	406,702.40		
Food Services			
Central Services	149,049.66	297.24	
Pupil Transportation Services	2,060,710.68	21,364.92	10,971.54
Operation of Plant	3,717,328.57		
Maintenance of Plant	1,759,283.07		
Administrative Technology Services	256,697.29		
Community Services	160,655.56		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	206,776.00		
Other Capital Outlay	846,028.71	295,765.59	261,862.00
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	37,517,177.31	4,855,881.80	1,005,845.11
Excess (Deficiency) of Revenues Over Expenditures	(2,706,574.71)		
Other Financing Sources (Uses)			
Transfers In	223,017.28		
Insurance Loss Recoveries	42,110.39		
Transfers Out			
Total Other Financing Sources (Uses)	265,127.67		
Net Change in Fund Balances	(2,441,447.04)		
Fund Balances, Beginning	11,250,435.06	5,567.51	
Fund Balances, Ending	\$ 8,808,988.02	\$ 5,567.51	\$ 0.00

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
	69,514.44
2,381,087.23	8,239,381.28
424,013.85	23,169,353.15
769,701.55	11,732,224.73
295,502.54	295,502.54
3,149.89	1,039,808.43
<u>1,068,353.98</u>	<u>13,067,535.70</u>
<u>3,873,455.06</u>	<u>44,545,784.57</u>
	24,708,146.43
	2,737,768.07
	611,506.57
	615,833.87
	1,054,623.28
	781,217.79
	314,757.29
	443,593.37
	1,930,913.57
	27,050.75
	406,702.40
2,549,229.91	2,549,229.91
	149,346.90
	2,093,047.14
	3,717,328.57
	1,759,283.07
	256,697.29
	160,655.56
504,794.68	711,570.68
17,865.87	1,421,522.17
170,000.00	170,000.00
<u>162,029.54</u>	<u>162,029.54</u>
<u>3,403,920.00</u>	<u>46,782,824.22</u>
<u>469,535.06</u>	<u>(2,237,039.65)</u>
	223,017.28
	42,110.39
<u>(223,017.28)</u>	<u>(223,017.28)</u>
<u>(223,017.28)</u>	<u>42,110.39</u>
246,517.78	(2,194,929.26)
<u>1,836,360.07</u>	<u>13,092,362.64</u>
<u>\$ 2,082,877.85</u>	<u>\$ 10,897,433.38</u>

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Governmental Funds \$ (2,194,929.26)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,161,356.65)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 170,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year. (39,947.98)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (322,217.00)

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the decrease in the accrued interest payable. 6,937.50

Change in Net Position - Governmental Activities \$ (3,541,513.39)

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2013**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 8,120.98	\$ 390,473.00
Investments		69,594.00
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 8,120.98</u></u>	<u><u>\$ 460,067.00</u></u>
LIABILITIES		
Internal Accounts Payable	<u>\$</u>	<u>\$ 460,067.00</u>
NET POSITION		
Net Position Held in Trust for Scholarships and Other Purposes	<u>8,120.98</u>	
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 8,120.98</u></u>	

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Private-Purpose Trust Funds
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	\$ 13.84
DEDUCTIONS	
Scholarship Payments	875.00
Change in Net Position	(861.16)
Net Position - Beginning	8,982.14
Net Position - Ending	\$ 8,120.98

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

**HARDEE 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 the legally separated component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Hardee 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 that can be associated with a specific program or activity is allocated to the related function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Hardee County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The 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 Hardee County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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 Hardee County Education Foundation, Inc. (Foundation), a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures to and for the benefit of the District. Because the District can unilaterally dissolve the Foundation, and the Foundation

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

provides specific financial benefits to the District, the Foundation is considered a component unit. The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2013. The audit report is filed in the District's administrative offices. A separate column is used to emphasize that it is legally separate from the District.

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 – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

Additionally, the District reports the following fiduciary fund types:

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

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. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as

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

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 21 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 21 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Foundation is accounted for as a stand alone enterprise fund and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

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

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 in the SBA debt service accounts for investment of debt service moneys, 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.

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the 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 at the time inventory items are purchased and are adjusted to reflect year-end physical inventories. For surplus donated foods, fiscal year-end adjustments are made to the expenditures and corresponding inventory accounts to record physical inventories on hand.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, with the exception of Improvements Other than Buildings which are those costing more

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

than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land acquired prior to 1973 and most buildings acquired or constructed prior to 1979 are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$89,680 of the stated values and \$5,033,364 of stated building values are based on these estimates.

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	17.63 years
Buildings and Fixed Equipment	49.23 years
Furniture, Fixtures, and Equipment	6.66 years
Motor Vehicles	9.29 years
Computer Software	5 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.

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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

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

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

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 balance 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 on June 27, 2013, authorized the Director of Finance to assign 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.

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.

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

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.

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

3. District Property Taxes

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

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

The Board adopted the 2012 tax levy on September 6, 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.

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

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

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

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 based on average daily balances.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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 (1)	40 Day Average	\$ 24,833.39
Fund B	3.98 Year Average	52,167.33
Debt Service Accounts	6 Months	20,469.29
Certificate of Deposit	October 21, 2013	4,008,337.53
Total Investments, Reporting Entity		<u>\$ 4,105,807.54</u>

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 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 investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

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

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

The District's investment in the certificate of deposit is in a qualified public depository.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,046,221.85	\$	\$	\$ 2,046,221.85
Land Improvements	118,342.06	21,840.00		140,182.06
Total Capital Assets Not Being Depreciated	2,164,563.91	21,840.00		2,186,403.91
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,034,794.16	214,643.97		5,249,438.13
Buildings and Fixed Equipment	83,949,395.24	101,524.00	17,125.00	84,033,794.24
Furniture, Fixtures, and Equipment	5,955,786.06	974,267.01	420,781.15	6,509,271.92
Motor Vehicles	4,601,014.76	238,349.00	46,612.85	4,792,750.91
Computer Software	860,150.25	392,855.36	353,585.12	899,420.49
Total Capital Assets Being Depreciated	100,401,140.47	1,921,639.34	838,104.12	101,484,675.69
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,342,283.08	267,633.02		2,609,916.10
Buildings and Fixed Equipment	25,591,192.76	1,692,451.93	17,125.00	27,266,519.69
Furniture, Fixtures, and Equipment	4,120,255.94	598,490.37	420,781.15	4,297,965.16
Motor Vehicles	3,489,660.16	282,245.80	46,612.85	3,725,293.11
Computer Software	529,624.07	264,014.87	353,585.12	440,053.82
Total Accumulated Depreciation	36,073,016.01	3,104,835.99	838,104.12	38,339,747.88
Total Capital Assets Being Depreciated, Net	64,328,124.46	(1,183,196.65)		63,144,927.81
Governmental Activities Capital Assets, Net	\$ 66,492,688.37	\$ (1,161,356.65)	\$ 0.00	\$ 65,331,331.72

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

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 825,731.45
Pupil Personnel Services	34,423.83
Instructional Media Services	209,797.37
Instructional Staff Training Services	4,337.91
General Administration	3,060.08
School Administration	27,490.46
Fiscal Services	24,520.38
Food Services	236,771.24
Central Services	24,398.64
Pupil Transportation Services	296,288.27
Operation of Plant	21,420.21
Maintenance of Plant	101,283.73
Unallocated	<u>1,295,312.42</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,104,835.99</u>

D. 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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. 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 except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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.

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

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
FRS, Senior Management Service	3.00	6.30
FRS, Special Risk	3.00	14.90
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 \$2,479,290, \$1,669,640, and \$1,768,622, respectively, which were equal to the required contributions for each fiscal year.

There were 71 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$215,350, which was equal to the required contribution for the 2012-13 fiscal year.

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

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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, 40 retirees received medical insurance benefits, and another 210 retirees received life insurance benefits. The District provided required contributions of \$243,221 toward the annual OPEB cost, net of retiree contributions totaling \$294,288, which represents 1.2 percent of covered payroll.

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

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

Description	Amount
Normal Cost (service cost for one year)	\$ 237,397
Amortization of Unfunded Actuarial Accrued Liability	<u>344,819</u>
Annual Required Contribution	582,216
Interest on Net OPEB Obligation	29,828
Adjustment to Annual Required Contribution	<u>(46,606)</u>
Annual OPEB Cost (Expense)	565,438
Contribution Toward the OPEB Cost	<u>(243,221)</u>
Change in Net OPEB Obligation	322,217
Net OPEB Obligation, Beginning of Year	<u>745,688</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,067,905</u></u>

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	\$ 480,849	56.1%	\$ 517,083
2011-12	501,141	54.4%	745,688
2012-13	565,438	43.0%	1,067,905

Funded Status and Funding Progress. As of January 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,409,966, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,409,966, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$24,174,028, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.4 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.

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

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 January 1, 2013, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, projected salary increases of 4 to 8.25 percent, and an annual healthcare cost trend rate of 15 percent initially for the 2013 calendar year, changed by various increments and decrements per year to an ultimate rate of 5.495 percent in the 2027 calendar year. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis over a 20 year period. The remaining amortization period at June 30, 2013, was 16 years.

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2013:

Major Funds				
<u>General</u>	<u>Special Revenue - Other</u>	<u>Special Revenue - Federal Economic Stimulus</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 324,345.61</u>	<u>\$ 65,629.36</u>	<u>\$ 24,294.48</u>	<u>\$ 391,945.72</u>	<u>\$ 806,215.17</u>

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third party injuries and/or property damage and natural disasters. The District 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 protection, general liability, automobile liability, workers' compensation, government crime, and other coverage deemed necessary by the members of SCERMP. Section

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

1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member assessments (premiums) and purchases 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 coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents, finance directors, or authorized representatives of all participating districts. Ascension, 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 named wind and flood). The named wind, hail, hurricane, or flood deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000.

SCERMP's purchased excess property loss limit during the 2012-13 fiscal year was \$100 million, 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. Employers 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 at future dates, 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 insurers based on the benefits and features selected by the District. Life insurance in the amount of \$25,000 is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds.

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

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

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	\$ 215,000	5.0	2017
Series 2005B, Refunding	75,000	5.0	2018
Series 2010A, Refunding	480,000	4.0 - 5.0	2021
District Revenue Bonds:			
Series 2009	2,505,000	2.5 - 5.4	2035
Total Bonds Payable	<u>\$ 3,275,000</u>		

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

➤ State School Bonds

These bonds are issued by the SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

➤ District Revenue Bonds

These bonds are authorized by Chapter 78-517, Laws of Florida, which provides that the bonds be secured by a sum of from the State's Pari-mutuel Tax Collection Trust Fund (pledged revenues) pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2012)). The annual distribution is remitted by the Florida Department of Financial Services to the Hardee County Board of Commissioners, who then remits the distribution to the District.

The District has pledged a total of \$4,190,428 of pledged revenues in connection with the District Revenue Bonds of 2009, described above. During the 2012-13 fiscal year, the District recognized pledged revenues totaling \$187,375 and expended \$182,818 (98 percent) of these revenues for debt service directly collateralized by these revenues. The pledged revenues are committed until final maturity of the debt on November 1, 2035. Approximately 97 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	\$ 152,850.00	\$ 115,000.00	\$ 37,850.00
2015	152,100.00	120,000.00	32,100.00
2016	151,100.00	125,000.00	26,100.00
2017	144,850.00	125,000.00	19,850.00
2018	88,600.00	75,000.00	13,600.00
2019-2021	230,850.00	210,000.00	20,850.00
Total State School Bonds	920,350.00	770,000.00	150,350.00
District Revenue Bonds:			
2014	185,330.00	70,000.00	115,330.00
2015	183,405.00	70,000.00	113,405.00
2016	186,230.00	75,000.00	111,230.00
2017	183,848.75	75,000.00	108,848.75
2018	181,336.25	75,000.00	106,336.25
2019-2023	918,753.75	435,000.00	483,753.75
2024-2028	907,350.00	530,000.00	377,350.00
2029-2033	902,883.75	675,000.00	227,883.75
2034-2036	541,290.00	500,000.00	41,290.00
Total District Revenue Bonds	4,190,427.50	2,505,000.00	1,685,427.50
Total	\$ 5,110,777.50	\$ 3,275,000.00	\$ 1,835,777.50

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,445,000.00	\$	\$ 170,000.00	\$ 3,275,000.00	\$ 185,000.00
Compensated Absences Payable	2,216,639.73	139,885.41	99,937.43	2,256,587.71	357,587.00
Other Postemployment Benefits Payable	745,688.00	565,438.00	243,221.00	1,067,905.00	
Total Governmental Activities	\$ 6,407,327.73	\$ 705,323.41	\$ 513,158.43	\$ 6,599,492.71	\$ 542,587.00

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

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

I. 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.

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 507,856.85	\$
Special Revenue:		
Other		402,695.37
Federal Economic Stimulus		105,161.48
Total	<u>\$ 507,856.85</u>	<u>\$ 507,856.85</u>

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

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

K. 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:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 16,683,053.00
Categorical Educational Program - Class Size Reduction	5,602,206.00
Workforce Development Program	265,917.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	194,166.71
Racing Commission Funds	187,375.00
Voluntary Pre-K	94,890.45
Food Service Supplement	44,171.00
Adults with Disabilities	42,500.00
Miscellaneous	55,073.99
Total	<u><u>\$ 23,169,353.15</u></u>

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 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	5.406	\$ 8,630,459.94
Basic Discretionary Local Effort	0.748	1,194,151.69
Voted Tax:		
Additional Discretionary Local Effort	1.000	1,596,459.48
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	0.500	798,229.74
Total	<u>7.654</u>	<u>\$ 12,219,300.85</u>

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

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 223,017.28	\$
Nonmajor Governmental		223,017.28
Total	<u>\$ 223,017.28</u>	<u>\$ 223,017.28</u>

Interfund transfers consisted of transfers of the Capital Projects - Local Capital Improvement Fund to the General Fund to assist in funding property and casualty insurance and maintenance operations of the District.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 69,185.00	\$ 69,185.00	\$ 69,514.44	\$ 329.44
Federal Through State and Local State	160,000.00 23,220,872.63	160,000.00 22,745,724.27	160,000.00 22,745,339.30	 (384.97)
Local:				
Property Taxes	10,853,172.00	10,853,172.00	10,962,523.18	109,351.18
Miscellaneous	756,725.00	1,455,425.92	1,033,225.68	(422,200.24)
Total Local Revenues	11,609,897.00	12,308,597.92	11,995,748.86	(312,849.06)
Total Revenues	35,059,954.63	35,123,507.19	34,810,602.60	(312,904.59)
Expenditures				
Current - Education:				
Instruction	22,749,899.85	21,874,345.68	21,646,242.07	228,103.61
Pupil Personnel Services	1,862,394.59	1,785,078.54	1,729,558.35	55,520.19
Instructional Media Services	686,356.70	639,925.70	611,506.57	28,419.13
Instruction and Curriculum Development Services	282,940.00	305,673.00	294,628.77	11,044.23
Instructional Staff Training Services	355,087.00	398,741.72	374,102.88	24,638.84
Instruction Related Technology	1,386,712.59	834,519.64	745,276.89	89,242.75
School Board	334,728.00	329,069.00	314,757.29	14,311.71
General Administration	295,912.00	286,476.00	281,398.00	5,078.00
School Administration	1,990,191.00	1,930,916.50	1,929,423.80	1,492.70
Facilities Acquisition and Construction	245,850.00	544,295.00	27,050.75	517,244.25
Fiscal Services	436,066.00	425,668.69	406,702.40	18,966.29
Food Services	7,000.00	10,500.00		10,500.00
Central Services	156,182.00	155,421.00	149,049.66	6,371.34
Pupil Transportation Services	2,373,614.00	2,241,477.00	2,060,710.68	180,766.32
Operation of Plant	3,962,067.00	3,918,078.51	3,717,328.57	200,749.94
Maintenance of Plant	1,845,672.58	1,955,047.58	1,759,283.07	195,764.51
Administrative Technology Services	250,240.00	259,636.20	256,697.29	2,938.91
Community Services	177,015.78	170,444.78	160,655.56	9,789.22
Fixed Capital Outlay:				
Facilities Acquisition and Construction		206,776.00	206,776.00	
Other Capital Outlay		846,028.71	846,028.71	
Total Expenditures	39,397,929.09	39,118,119.25	37,517,177.31	1,600,941.94
Excess (Deficiency) of Revenues Over Expenditures	(4,337,974.46)	(3,994,612.06)	(2,706,574.71)	1,288,037.35
Other Financing Sources				
Transfers In	180,712.00	223,017.28	223,017.28	
Proceeds from Sale of Capital Assets	2,000.00	2,000.00		(2,000.00)
Insurance Loss Recoveries	470.00	35,968.00	42,110.39	6,142.39
Total Other Financing Sources	183,182.00	260,985.28	265,127.67	4,142.39
Net Change in Fund Balances	(4,154,792.46)	(3,733,626.78)	(2,441,447.04)	1,292,179.74
Fund Balances, Beginning	11,250,435.06	11,250,435.06	11,250,435.06	
Fund Balances, Ending	\$ 7,095,642.60	\$ 7,516,808.28	\$ 8,808,988.02	\$ 1,292,179.74

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 6,284,393.91	\$ 6,687,794.86	\$ 4,852,448.94	\$ (1,835,345.92)	\$ 701,078.00	\$ 1,389,005.39	\$ 1,005,845.11	\$ (383,160.28)
	3,855.00	3,432.86	(422.14)				
	3,855.00	3,432.86	(422.14)				
6,284,393.91	6,691,649.86	4,855,881.80	(1,835,768.06)	701,078.00	1,389,005.39	1,005,845.11	(383,160.28)
3,392,114.69	3,744,287.22	2,546,675.32	1,197,611.90	488,313.17	679,674.10	515,229.04	164,445.06
1,279,198.99	1,321,284.36	962,521.54	358,762.82		58,864.64	45,688.18	13,176.46
378,198.67	370,453.01	321,205.10	49,247.91	5,000.00	5,000.00		5,000.00
511,345.91	629,938.10	529,289.38	100,648.72	161,737.36	292,428.06	151,231.02	141,197.04
31,623.00	37,194.00	35,940.90	1,253.10				
222,312.72	209,020.53	142,821.81	66,198.72	27,561.97	41,839.64	19,373.56	22,466.08
				10,965.50	3,336.95	1,489.77	1,847.18
36,071.98	19,947.04	297.24	19,649.80	7,500.00	26,800.00		26,800.00
62,575.09	63,760.01	21,364.92	42,395.09		19,200.00	10,971.54	8,228.46
	295,765.59	295,765.59			261,862.00	261,862.00	
5,913,441.05	6,691,649.86	4,855,881.80	1,835,768.06	701,078.00	1,389,005.39	1,005,845.11	383,160.28
370,952.86							
370,952.86							
5,567.51	5,567.51	5,567.51					
\$ 376,520.37	\$ 5,567.51	\$ 5,567.51	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll [(B-A)/C]
	(A)	(B)	(B-A)	(A/B)	(C)	
January 1, 2008	\$ 0	\$ 4,418,739	\$ 4,418,739	0.0%	\$ 24,528,149	18.0%
January 1, 2011	0	4,902,773	4,902,773	0.0%	23,992,107	20.4%
January 1, 2013	0	5,409,966	5,409,966	0.0%	24,174,028	22.4%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

**HARDEE 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.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The District is required to perform periodic actuarial valuations of its postemployment benefits other than pensions. For the January 1, 2013, valuation, the following key assumptions were modified to reflect current experience: (1) The assumed rate of retiree coverage acceptance was revised from 35 percent to 45 percent; (2) Rates of retiree participation once eligible for Medicare were revised; (3) Trend rates for medical and prescription costs were increased; (4) Trends for costs were increased reflecting provisions of the Affordable Care Act; (5) Certain demographic assumptions were revised to reflect the changes made by the Florida Retirement System in its July 2011, actuarial valuation; (6) The number of participating retirees declined; and (7) The cost of employee coverage was lower than projected in the January 1, 2011, valuation. The net OPEB obligation increased, in part, because of these changes.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 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	\$ 474,214.78
National School Lunch Program	10.555 (2)	300	1,868,803.33
Summer Food Service Program for Children	10.559	323	22,957.70
Total United States Department of Agriculture			2,365,975.81
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (5)	263	1,246,591.43
Special Education - Preschool Grants	84.173 (6)	267	27,112.66
Polk County District School Board:			
Special Education - Grants to States	84.027 (5)	None	37,000.00
Special Education - Preschool Grants	84.173 (6)	None	41,000.00
University of South Florida:			
Special Education - Grants to States	84.027 (5)	None	674.83
Total Special Education Cluster			1,352,378.92
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	138,075.18
ARRA - School Improvement Grants, Recovery Act	84.388	126	618,079.23
Total School Improvement Grants Cluster			756,154.41
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002 (3)	191	95,041.74
Title I Grants to Local Educational Agencies	84.010	212, 226, 228	1,882,688.13
Migrant Education - State Grant Program	84.011	217	832,125.41
Career and Technical Education - Basic Grants to States	84.048	161	84,825.75
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	2,553.20
Rural Education	84.358	110	68,889.08
English Language Acquisition State Grants	84.365	102	95,383.90
Improving Teacher Quality State Grants	84.367	224	279,847.37
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RL111, RG311, RD211	387,765.88
Highlands County District School Board:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	None	200.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	1,184.10
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	550.30
South Florida State College:			
Adult Education - Basic Grants to States	84.002 (3)	None	1,553.70
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	900.00
Advancement Via Individual Determination:			
Investing in Innovation (i3) Fund	84.411	None	13,753.15
Total United States Department of Education			5,855,795.04
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	69,514.44
Total Expenditures of Federal Awards			\$ 8,291,285.29

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 \$87,323.15 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Adult Education - Basic Grants to States. Total CFDA No. 84.002 expenditures: \$96,595.44.

(4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$390,400.28.

(5) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$1,284,266.26.

(6) Special Education - Preschool Grants. Total CFDA No. 84.173 expenditures: \$68,112.66.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Hardee 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 March 24, 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 Hardee 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
March 24, 2014



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Hardee 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
March 24, 2014

**HARDEE 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
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 Entities
84.377 and 84.388	School Improvement Grants Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2012-089 and 2013-165.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Facilities Management

The educational facilities (facilities) department is responsible for managing construction and renovation projects, and ensuring facilities are safe and suitable for their intended use. Facilities department personnel performed minor construction and renovation services, heating, ventilating, and air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the District employed 20 facilities department employees, and the department's operating cost was \$1.8 million. Also, during the fiscal year, the District had expenditures totaling \$169,000 for capital projects fund construction and renovation projects, and \$139,545 for maintenance. As shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 5, 2013, the District planned to spend \$2.3 million on construction and renovation projects and \$795,000 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 \$91.5 million and, as shown on the Florida Department of

Education's Inventory of School Houses data, the average ages of District permanent and relocatable facilities were 29 and 23 years, respectively.

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 facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities 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 bid-build methods and construction manager at risk methods. In addition, maintenance-related jobs, such as HVAC replacement and repairs, are routinely performed by facilities department personnel based on safety and suitability priorities, although some jobs are outsourced to contractors. 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 facilities department had established short-term and long-term goals; however our review disclosed that these goals did not address accountability for the department. For example, department goals were to ensure a safe well-maintained and clean environment that is conducive to the teaching and learning process. However, the department goals did not sufficiently identify cost effectiveness or efficiency outcomes. To adequately establish outcome measures, the facilities 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 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. Also, the District should consider developing goals and objectives for the facilities department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 3: Enterprise Resource Planning Software

Pursuant to State Board of Education Rule 6A-1.012(14), Florida Administrative Code, the District may acquire information technology systems, such as enterprise resource planning (ERP) software, through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs determined by

the Board. Good business practice dictates that selection and purchase of ERP software, such as for student records, include documented considerations of the software costs in relation to the benefits of the software to specific user needs. Effective procurement procedures serve to increase public confidence in the procurement process.

District personnel indicated that they discussed ERP student records software with personnel from other school districts to assess the experiences of other school districts in implementing their software and related costs. Also, District personnel indicated that they made direct inquiry with a potential ERP provider a few years ago. After these assessments, as recommended by District personnel, the Board approved a contract of \$147,101 (comprised of \$96,501 of licensing and hosting fees and \$50,600 in implementation and training costs) for student records ERP software on July 31, 2012. District personnel indicated the contract was entered based on several factors such as affordability in comparison to the District's previous software; the ability to operate with other District software platforms; and enhanced usability. It was apparent that District personnel attempted to obtain information upon which to make this procurement decision; however, District records did not evidence cost estimates for the designed ERP software to be used in its direct negotiations with the ERP software provider. Given the extensive complexities and costs of ERP systems, utilizing independently developed cost estimates for the desired system components and functionalities would have provided more complete evidence upon which to negotiate for this procurement.

In addition, our review of the ERP software contract and related payments disclosed the following:

- Contract provisions did not establish software installation and related service dates or the number of District employees to receive software training. Without such contractual provisions, there is an increased risk that the software installation and related services may not be consistent with Board expectations.
- The District made full payment of \$147,101 on August 23, 2012; however, our review disclosed that certain contract deliverables were not met until after payment was made. For instance, training, system implementation, and integration were not accomplished until August 2013. Without documented receipt of deliverables before payment is made, there is an increased risk that the District may not receive all the services for which it is entitled.

Recommendation: The District should enhance its procedures to ensure, for future ERP software purchases, that District records clearly demonstrate that such purchases are made at the lowest price consistent with desired quality. Also, future contracts should include the service timeframes and details to allow appropriate monitoring of project management and training services. In addition, payments for ERP software and related services should only be made after documented satisfactory receipt of the software and service deliverables.

Finding No. 4: Information Technology – Risk Assessment

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

The District had developed a policy providing for the IT department to perform periodic information security risk assessments for the purpose of determining areas of vulnerability and implementing remediation plans. However, although the District had informally considered external and internal risks and identified security controls, such as selected configuration settings, because of insufficient staffing resources, the District had not developed a written,

comprehensive IT risk assessment. The absence of a written, comprehensive IT risk assessment may limit the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls. Similar findings were noted in our report Nos. 2012-089 and 2013-165.

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

Finding No. 5: Information Technology – Security Controls – Data Loss Prevention and Monitoring of Database Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to data loss prevention and monitoring of database 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 data loss prevention and monitoring of database activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to District management in connection with our report No. 2013-165.

Recommendation: The District should improve IT security controls related to data loss prevention and monitoring of database 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. 2013-165. 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
1	Audit Report No. 2013-165, Finding No. 2	Audit Report No. 2012-089, Finding No. 2
4	Audit Report No. 2013-165, Finding No. 4	Audit Report No. 2012-089, Finding No. 5
5	Audit Report No. 2013-165, Finding No. 5	NA

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

*HARDEE 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
2013-165		There were no prior Federal findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF HARDEE COUNTY

P.O. BOX 1678
WAUCHULA, FLORIDA 33873

ADMINISTRATIVE OFFICES
1009 NORTH 6TH AVENUE
WAUCHULA, FLORIDA 33873

BOARD MEMBERS

Mildred Smith
Thomas Trevino
Paul Samuels
Janice Platt
Teresa Crawford

David D. Durastanti, Superintendent of Schools
Bob Shayman, Deputy Superintendent

(863) 773-9058
Fax (863) 773-0069

February 24, 2014

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

Dear Mr. Martin:

The following are responses to your preliminary and tentative audit findings and recommendations for the Hardee County District School Board for the fiscal year ended June 30, 2013:

No. 1: Compensation and Salary Schedules. Representatives from the School Board and the Hardee Education Association/ United may collectively negotiate differentiated pay factors, eligibility and funding before June 2014.

No. 2: Facilities Management. In February 2014, the Finance and Facilities departments implemented procedures to document evaluation of alternative techniques for maintenance services or renovations in excess of \$15,000. In addition, the Facilities department will consider revising work order procedures in order to better document Facilities staff efforts and to improve accountability.

No. 3: Enterprise Resource Planning Software. The new student data software and the software provider have met or exceeded staff's expectations; however, we understand your concerns. We have no plans to replace the current budgetary accounting/ payroll/ human resources software system.

No. 4: Information Technology- Risk Assessment. Management Information Services (MIS) staff will improve its comprehensive information technology risk assessment.

No. 5: Information Technology- Security Controls -Data Loss Prevention and Monitoring of Database Activity. MIS staff will improve technology security controls in accordance with information verbally communicated by your staff.

As always, we appreciate your Lakeland staff's diligence and professionalism. Your staff provided practical recommendations to improve Hardee District Schools.

Sincerely,



David Durastanti
Superintendent of Schools

Affirmative Action/Equal Opportunity Employer