

HARDEE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Paul Samuels, Chair to 11-18-13	1
Mildred Smith	2
Teresa Crawford, Vice Chair from 11-19-13	3
Janice Platt	4
Thomas Trevino, Vice Chair to 11-18-13, Chair from 11-19-13	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 Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24
Statement of 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 District needed to strengthen its controls to ensure that required background screenings are timely performed for District employees.

Finding No. 2: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 5: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 6: The District had not developed a written, comprehensive information technology (IT) disaster recovery plan.

Finding No. 7: The District had not developed a written, comprehensive IT risk assessment.

Finding No. 8: District IT security controls related to data loss prevention needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and Migrant Education 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:

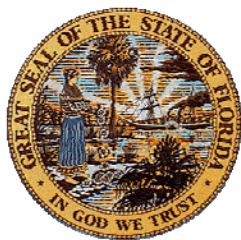
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2014-154.

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board, as of and for the fiscal year ended June 30, 2014, 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 20 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, 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, 2014, 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 District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

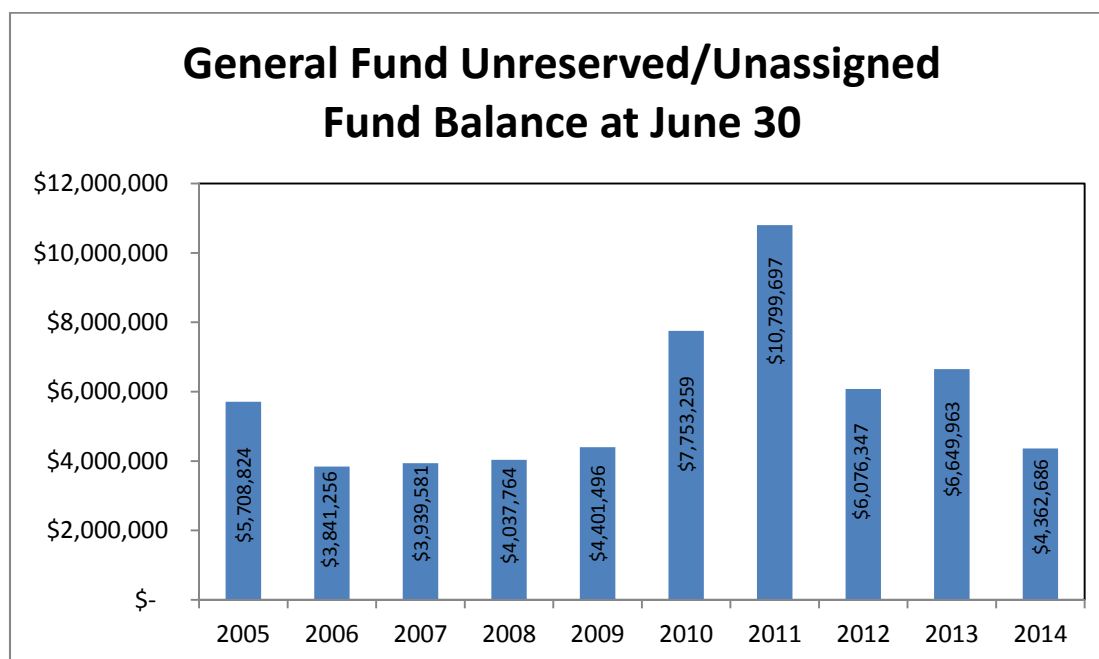
The management of the Hardee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended 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 2013-14 fiscal year are as follows:

- In total, net position decreased by \$1,354,631, which represents a 1.9 percent decrease from the 2012-13 fiscal year. The decrease was primarily due to depreciation expense exceeding capital asset additions and increases in instructional salary and benefit expenses.
- During the 2013-14 fiscal year, General Fund revenues exceeded expenditures by \$330,169. When other financing sources (sale of capital assets and loss recoveries) totaling \$32,339 are considered, the fund balance of the General Fund increased by \$362,508 to \$9,171,496. A significant portion of the General Fund's fund balance is considered nonspendable, restricted, or assigned, leaving an unassigned fund balance of \$4,362,686 as of June 30, 2014.

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, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year		
	Governmental Activities		Increase (Decrease)
	6-30-14	6-30-13	
Current and Other Assets	\$ 12,102,891	\$ 11,443,074	\$ 659,817
Capital Assets	63,832,168	65,331,332	(1,499,164)
Total Assets	75,935,059	76,774,406	(839,347)
Long-Term Liabilities	6,678,601	6,599,493	79,108
Other Liabilities	1,134,997	698,821	436,176
Total Liabilities	7,813,598	7,298,314	515,284
Net Position:			
Net Investment in Capital Assets	60,742,168	62,056,332	(1,314,164)
Restricted	3,566,834	3,440,737	126,097
Unrestricted	3,812,459	3,979,023	(166,564)
Total Net Position	\$ 68,121,461	\$ 69,476,092	\$ (1,354,631)

By far, the largest portion of the District's net position (89.2 percent) reflects its investment in capital assets (e.g., land; buildings; motor vehicles; 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 (5.2 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 \$3,812,459, unrestricted net position (5.6 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 during the fiscal year ended June 30, 2014, is as follows:

- Current and other assets increased due to increased cash and cash equivalents at June 30, 2014. Overall, assets increased because Florida Education Finance Program (FEFP) revenues increased during the 2013-14 fiscal year.
- Capital assets and net investment in capital assets decreased because depreciation expense (\$3,193,245) in the 2013-14 fiscal year exceeded capital outlay expenditures for capital assets and other additions (\$1,694,082).
- Other liabilities increased because salary and benefits payable (\$375,314), accounts payable (\$437,722) and construction contracts payable (\$73,693) at June 30, 2014, increased compared to the previous fiscal year end. These increases primarily resulted from amounts due for infrastructure upgrades and increased health insurance benefit costs.

The following is a summary of the District's operating results for the fiscal year ended June 30, 2014, compared to operating results for the fiscal year ended June 30, 2013:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Increase (Decrease)
	6-30-14	6-30-13	
Program Revenues:			
Charges for Services	\$ 406,016	\$ 411,743	\$ (5,727)
Operating Grants and Contributions	2,633,337	2,425,258	208,079
Capital Grants and Contributions	192,542	194,167	(1,625)
General Revenues:			
Property Taxes, Levied for Operational Purposes	10,491,127	10,962,523	(471,396)
Property Taxes, Levied for Capital Projects	771,232	769,702	1,530
Florida Education Finance Program	19,872,186	16,683,053	3,189,133
Other Federal Sources	5,824,139	5,927,808	(103,669)
Other State Sources	6,575,830	6,247,962	327,868
Unrestricted Interest Earnings	22,844	48,823	(25,979)
Miscellaneous	1,671,827	874,745	797,082
Total Revenues	48,461,080	44,545,784	3,915,296
Functions/Program Expenses:			
Instruction	26,248,906	25,744,973	503,933
Student Personnel Services	3,032,748	2,797,957	234,791
Instructional Media Services	808,626	825,067	(16,441)
Instruction and Curriculum Development Services	634,950	637,383	(2,433)
Instructional Staff Training Services	1,171,899	1,074,880	97,019
Instruction Related Technology	895,201	786,245	108,956
School Board	317,136	317,169	(33)
General Administration	490,028	453,030	36,998
School Administration	2,154,738	1,978,191	176,547
Facilities Acquisition and Construction	187,818	162,138	25,680
Fiscal Services	482,728	435,832	46,896
Food Services	3,152,168	2,820,984	331,184
Central Services	219,232	174,457	44,775
Student Transportation Services	2,473,920	2,384,542	89,378
Operation of Plant	3,723,330	3,767,312	(43,982)
Maintenance of Plant	1,829,614	1,855,220	(25,606)
Administrative Technology Services	293,975	262,258	31,717
Community Services	182,220	161,168	21,052
Unallocated Interest on Long-Term Debt	145,505	153,180	(7,675)
Unallocated Depreciation Expense	1,370,969	1,295,312	75,657
Total Functions/Program Expenses	49,815,711	48,087,298	1,728,413
Change in Net Position	(1,354,631)	(3,541,514)	2,186,883
Net Position - Beginning	69,476,092	73,017,606	(3,541,514)
Net Position - Ending	\$ 68,121,461	\$ 69,476,092	\$ (1,354,631)

The District's net position decreased by \$1,354,631 during the 2013-14 fiscal year. Contributing elements of the changes are as follows:

- FEFP revenues increased because the State appropriated \$876,425 in new funding to increase employee pay, the State increased the base student allocation by \$169 per student, and Hardee schools' full-time equivalent student count increased by 87 students.
- Property taxes, levied for operations decreased because the State reduced the district required local effort millage rate by 0.272 mills while taxable value decreased by \$36,378,328.
- Miscellaneous revenues increased due to a donation of \$159,255 to renovate the stadium and \$506,889 in one-time E-rate funds for the computer infrastructure upgrade at the Junior High.
- Instruction expenditures increased due to restructuring the instructional salary schedule, increasing new teacher pay from \$33,345 to \$35,000 and increasing the Board's share for health insurance from \$7,200 to \$8,088.
- Depreciation expense exceeded capital asset additions by \$1,499,164.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$11,113,399, an increase of \$215,965 in comparison with the prior fiscal year. Of the total ending fund balance, \$4,362,686, or 39 percent, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balances are classified as nonspendable (\$299,215), restricted (\$3,674,181), and assigned (\$2,777,317).

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	\$ 4,362,686	\$ 4,808,810	\$ 9,171,496	\$ 362,508
Special Revenue - Other		5,568	5,568	
Special Revenue - Federal Economic Stimulus				
Other Nonmajor Governmental Funds		1,936,335	1,936,335	(146,543)
Total	<u>\$ 4,362,686</u>	<u>\$ 6,750,713</u>	<u>\$ 11,113,399</u>	<u>\$ 215,965</u>
Percentage of Total Fund Balance	<u>39%</u>	<u>61%</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 \$4,362,686, while the total fund balance is \$9,171,496. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 18.5 percent of the total General Fund revenues, while total fund balance represents approximately 23.7 percent of total General Fund revenues.

The General Fund total fund balance increased by \$362,508 because FEFP revenues significantly increased in the 2013-14 fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$5,212,194 each. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$544,458 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 decreased because some capital outlay and debt service funds received in prior fiscal years were spent to reroof the cafeteria at Wauchula Elementary and because local capital outlay taxes received in the prior fiscal year were spent to purchase three buses during the 2013-14 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund lists original budget, final budget, and actual amounts. Instruction had a positive variance of \$534,884 due to unspent funds for teacher pay, teacher extra duty pay, supplies and textbooks. Facilities acquisition and construction had a positive variance of \$153,549 because the stadium pressbox renovations and Zolfo Springs Elementary fresh air projects were on-going at June 30, 2014. Maintenance of plant had a positive variance of \$257,749 due to unspent funds for paving, pest control, asbestos reinspection, gasoline, and building demolition.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is \$63,832,168 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; construction in progress; 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 \$1,499,164 or 2.3 percent.

Capital Assets, Net of Depreciation

	Balance 6-30-14	Balance 6-30-13	Increase (Decrease)
Land	\$ 2,046,222	\$ 2,046,222	\$
Land Improvements	140,182	140,182	
Improvements Other Than Buildings	2,471,735	2,639,522	(167,787)
Construction In Progress	90,129		90,129
Buildings and Fixed Equipment	55,297,062	56,767,274	(1,470,212)
Furniture, Fixtures, and Equipment	2,174,711	2,211,307	(36,596)
Motor Vehicles	1,324,466	1,067,458	257,008
Computer Software	287,661	459,367	(171,706)
Total Capital Assets, Net of Depreciation	\$ 63,832,168	\$ 65,331,332	\$ (1,499,164)

Buildings and fixed equipment decreased because depreciation expense exceeded capital asset additions during the 2013-14 fiscal year. Motor vehicles increased due to the purchase of school buses. Additional information on the District's capital assets can be found in notes I.F.4 and II.C to the financial statements.

Long-Term Debt

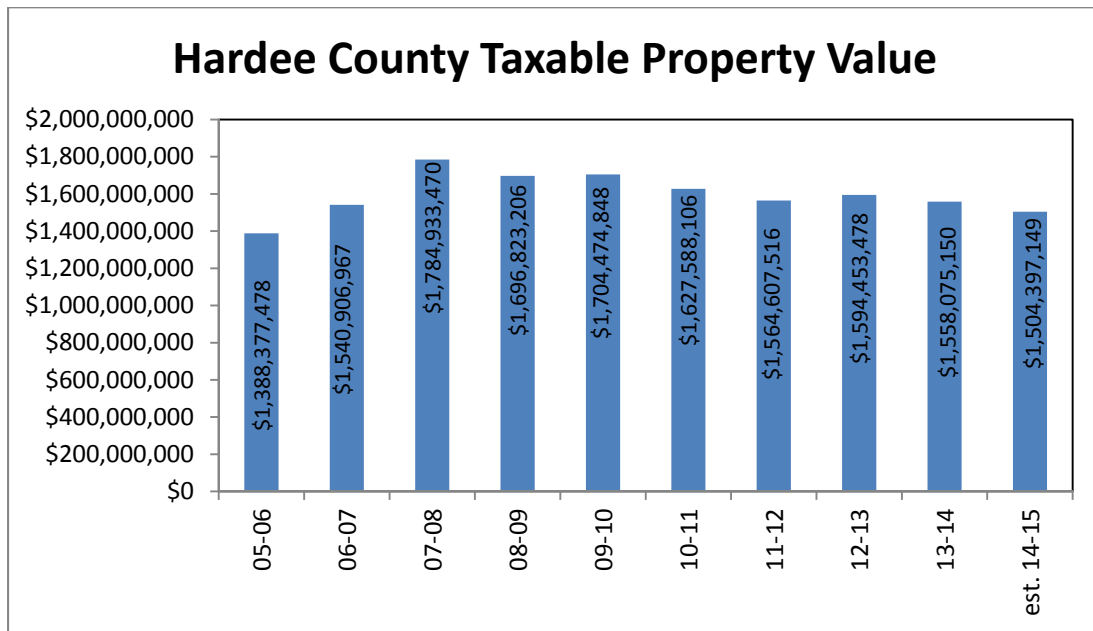
Bonds payable is the only long-term debt related to capital assets. At June 30, 2014, the District had total bonded debt outstanding of \$3,090,000, comprised of \$2,435,000 for Revenue Bonds, Series 2009, which will mature in November 2035, and \$655,000 for three series of State School Bonds that mature 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**

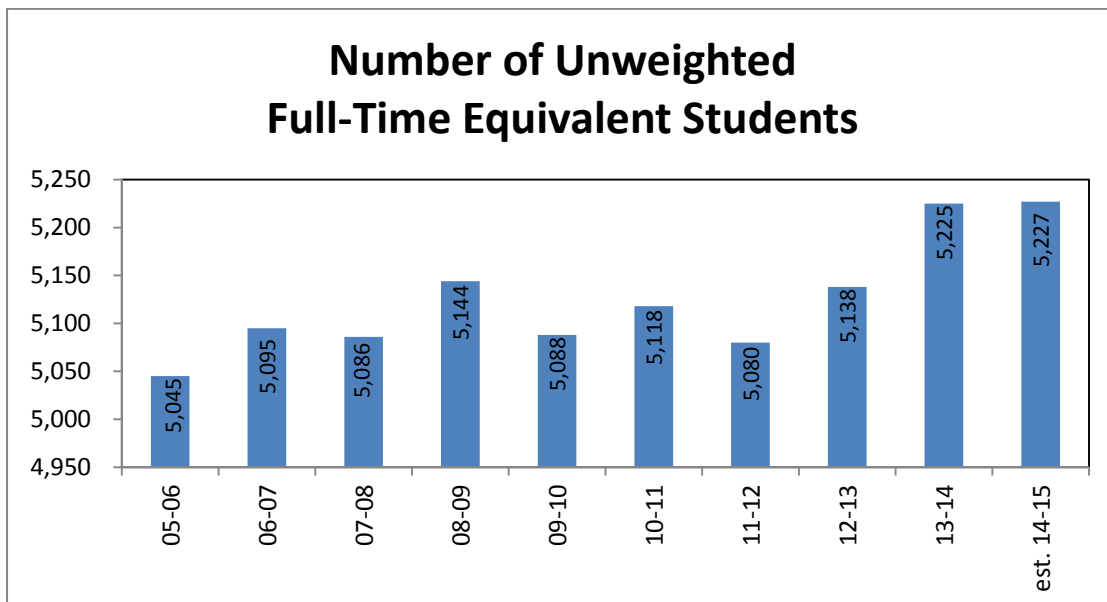
Hardee County's population was estimated to be 27,519 in calendar year 2013 with 7.3 percent of the population under age 5 and 26.8 percent of the population under age 18. Between calendar years 2010 and 2013, Hardee County's population decreased by 0.8 percent. Because funding is largely based on numbers of enrolled students, any decrease in population, particularly of school-aged children, may decrease District enrollment and related funding. Although total population declined slightly, the District experienced a slight gain in reported students for the 2013-14 fiscal year.

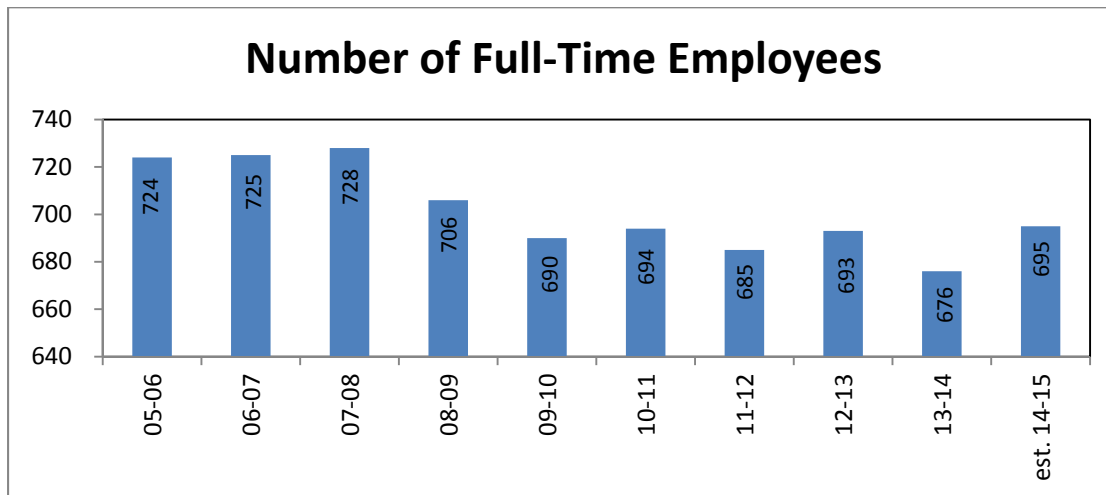
Taxable values for Hardee County are estimated to decrease by \$53,678,001 (3.4 percent) to \$1,504,397,149 for the 2014-15 fiscal year. Taxable value in Hardee County is comprised of real property and tangible property. The biggest components of real property are agricultural, single family residential, 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 2013-14 fiscal year increased by 87 students to 5,225. The District projects to serve 5,227 UFTE students in the 2014-15 fiscal year. The following charts show the number of UFTE students and full-time employees:





On July 28, 2014, the Board adopted the proposed millage rates, the tentative budget for the 2014-15 fiscal year, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2014, and tentative fund balances at June 30, 2015.

Fund Balance Comparison

	Projected Fund Balance 6-30-15	Actual Fund Balance 6-30-14	Projected Change In Fund Balance FY 2014-15
Major Governmental Funds:			
General	\$ 6,558,907	\$ 9,171,496	\$ (2,612,589)
Special Revenue - Other	5,568	5,568	
Special Revenue - Federal Economic Stimulus			
Other Nonmajor Governmental Funds	1,864,053	1,936,335	(72,282)
Total	<u>\$ 8,428,528</u>	<u>\$ 11,113,399</u>	<u>\$ (2,684,871)</u>

The fund balance in the General Fund is expected to decrease in the 2014-15 fiscal year due to the following:

- Purchase orders totaling \$391,396 were open as of June 30, 2014, and most will be paid during the 2014-15 fiscal year.
- In August 2014, the Board and union representatives approved a salary and benefit package for the 2014-15 fiscal year, totaling approximately \$1,519,000. The package increases instructional staff pay by \$350, increases pay of non-instructional employees by 1 percent, awards a one-time bonus of \$1,200 to eligible employees, awards a “step” to eligible employees and increases the Board contribution to health insurance by \$240 per employee.
- Additional temporary positions (instructional and educational support) were authorized, advertised, and filled or expected to be filled in order to improve student achievement. Hourly at-will employees were reduced.
- Textbooks, text-related materials, and digital access for Hardee Junior High English adoption (\$135,117), math adoption (\$93,750) and Hardee Senior High English adoption (\$161,445) were ordered in July and early August 2014.
- Increased budget for electricity and other utilities by \$151,314 (9 percent) to cover expected increases in usage and rates.
- Heating, ventilating, and air conditioning (HVAC) fresh air project at Zolfo Springs Elementary (\$102,159) and roofing or HVAC as needed (\$145,000).

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, 2014

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 11,199,586.77	\$ 172,344.00
Investments	36,732.28	31,447.00
Accounts Receivable	130,345.19	
Due from Other Agencies	437,011.79	
Inventories	299,214.92	
Capital Assets:		
Nondepreciable Capital Assets	2,276,533.51	
Depreciable Capital Assets, Net	61,555,634.72	
TOTAL ASSETS	75,935,059.18	203,791.00
LIABILITIES		
Salaries and Benefits Payable	375,313.88	
Accounts Payable	437,721.99	30,668.00
Matured Interest Payable	1,817.50	
Construction Contracts Payable	73,693.00	
Due to Other Agencies	79,825.64	
Unearned Revenue	21,120.15	
Accrued Interest Payable	145,505.00	
Long-Term Liabilities:		
Portion Due Within One Year	506,462.00	
Portion Due After One Year	6,172,138.76	
TOTAL LIABILITIES	7,813,597.92	30,668.00
NET POSITION		
Net Investment in Capital Assets	60,742,168.23	
Restricted for:		
State Required Carryover Programs	1,690,838.32	
Debt Service	12,816.67	
Capital Projects	918,986.75	
Food Service	859,026.99	
Other Purposes	85,164.85	111,837.00
Unrestricted	3,812,459.45	61,286.00
TOTAL NET POSITION	\$ 68,121,461.26	\$ 173,123.00

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,248,906.22	\$ 67,388.26	\$	\$
Student Personnel Services	3,032,747.81			
Instructional Media Services	808,626.50			
Instruction and Curriculum Development Services	634,950.32			
Instructional Staff Training Services	1,171,899.52			
Instruction Related Technology	895,200.90			
School Board	317,136.18			
General Administration	490,028.30			
School Administration	2,154,737.61			
Facilities Acquisition and Construction	187,818.39			192,541.98
Fiscal Services	482,727.59			
Food Services	3,152,168.35	298,479.12	2,633,337.45	
Central Services	219,231.56			
Student Transportation Services	2,473,920.06	40,149.02		
Operation of Plant	3,723,329.96			
Maintenance of Plant	1,829,613.69			
Administrative Technology Services	293,974.77			
Community Services	182,219.98			
Unallocated Interest on Long-Term Debt	145,505.00			
Unallocated Depreciation Expense*	1,370,968.74			
Total Primary Government	\$ 49,815,711.45	\$ 406,016.40	\$ 2,633,337.45	\$ 192,541.98
Component Unit				
The Hardee County Education Foundation, Inc.	\$ 142,247.00	\$ 0.00	\$ 128,334.00	\$ 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	
\$	(26,181,517.96)	\$
	(3,032,747.81)	
	(808,626.50)	
	(634,950.32)	
	(1,171,899.52)	
	(895,200.90)	
	(317,136.18)	
	(490,028.30)	
	(2,154,737.61)	
	4,723.59	
	(482,727.59)	
	(220,351.78)	
	(219,231.56)	
	(2,433,771.04)	
	(3,723,329.96)	
	(1,829,613.69)	
	(293,974.77)	
	(182,219.98)	
	(145,505.00)	
	(1,370,968.74)	
	(46,583,815.62)	
		(13,913.00)
	10,491,127.04	
	771,231.96	
	32,272,153.89	
	22,844.36	231.00
	1,671,827.24	
	45,229,184.49	231.00
	(1,354,631.13)	(13,682.00)
	69,476,092.39	186,805.00
\$	68,121,461.26	\$ 173,123.00

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 9,415,520.26	\$	\$ 1,342.86
Investments	20,018.11		
Accounts Receivable	129,638.19		
Due from Other Funds	139,007.19		
Due from Other Agencies	99,172.81	189,614.80	41,021.31
Inventories	261,057.83		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,064,414.39</u>	<u>\$ 189,614.80</u>	<u>\$ 42,364.17</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 375,313.88	\$	\$
Accounts Payable	364,124.66	53,703.00	12,542.46
Matured Interest Payable			
Construction Contracts Payable	73,693.00		
Due to Other Funds		109,208.60	29,798.59
Due to Other Agencies	79,787.05	15.47	23.12
Unearned Revenue		21,120.15	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>892,918.59</u>	<u>184,047.22</u>	<u>42,364.17</u>
Fund Balances:			
Nonspendable:			
Inventories	261,057.83		
Restricted for:			
Federal Required Carryover Programs		5,567.58	
State Required Carryover Programs	1,690,838.32		
Debt Service			
Capital Projects			
Local Carryover Programs	79,597.27		
Food Service			
Total Restricted Fund Balance	<u>1,770,435.59</u>	<u>5,567.58</u>	
Assigned for:			
After School Child Care Project	164,727.77		
Budgetary Deficit	2,612,588.89		
Total Assigned Fund Balance	<u>2,777,316.66</u>		
Unassigned Fund Balance	<u>4,362,685.72</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>9,171,495.80</u>	<u>5,567.58</u>	
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,064,414.39</u>	<u>\$ 189,614.80</u>	<u>\$ 42,364.17</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 1,782,723.65	\$ 7,251,957.36
16,714.17	3,984,361.69
707.00	130,345.19
	139,007.19
107,202.87	437,011.79
38,157.09	299,214.92
\$ 1,945,504.78	\$ 12,241,898.14
\$	\$
7,351.87	375,313.88
1,817.50	437,721.99
	1,817.50
	73,693.00
	139,007.19
	79,825.64
	21,120.15
9,169.37	1,128,499.35
38,157.09	299,214.92
	5,567.58
	1,690,838.32
158,321.67	158,321.67
918,986.75	918,986.75
	79,597.27
820,869.90	820,869.90
1,898,178.32	3,674,181.49
	164,727.77
	2,612,588.89
	2,777,316.66
	4,362,685.72
1,936,335.41	11,113,398.79
\$ 1,945,504.78	\$ 12,241,898.14

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balances - Governmental Funds	\$ 11,113,398.79
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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.	63,832,168.23
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Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(145,505.00)
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 3,090,000.00	
Compensated Absences Payable	2,210,382.76	
Other Postemployment Benefits Payable	<u>1,378,218.00</u>	<u>(6,678,600.76)</u>

Net Position - Governmental Activities	\$ <u>68,121,461.26</u>
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The accompanying notes to financial statements are an integral part of this statement.

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**HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 70,347.35	\$	\$
Federal Through State and Local State	26,263,516.22	5,209,333.07	544,458.11
Local:			
Property Taxes	10,491,127.04		
Charges for Services - Food Service			
Miscellaneous	1,793,691.51	2,861.00	
Total Local Revenues	<u>12,284,818.55</u>	<u>2,861.00</u>	
Total Revenues	<u>38,618,682.12</u>	<u>5,212,194.07</u>	<u>544,458.11</u>
Expenditures			
Current - Education:			
Instruction	22,240,327.51	2,705,334.59	256,314.02
Student Personnel Services	1,875,136.94	1,103,582.82	
Instructional Media Services	588,147.68		
Instruction and Curriculum Development Services	290,925.83	351,563.61	
Instructional Staff Training Services	489,585.18	617,083.67	64,842.37
Instruction Related Technology	846,944.31	44,468.08	
School Board	314,778.30		
General Administration	305,276.42	173,877.13	5,246.51
School Administration	2,096,399.05		8,168.88
Facilities Acquisition and Construction	616.20		
Fiscal Services	451,441.59		
Food Services	830.47		
Central Services	169,358.26	4,810.18	20,883.85
Student Transportation Services	2,209,605.52	23,022.06	
Operation of Plant	3,691,820.32		
Maintenance of Plant	1,724,368.78		
Administrative Technology Services	292,930.06		
Community Services	181,865.72		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	242,960.75		35,741.04
Other Capital Outlay	275,194.12	188,451.86	153,261.44
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>38,288,513.01</u>	<u>5,212,194.00</u>	<u>544,458.11</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>330,169.11</u>	<u>0.07</u>	
Other Financing Sources			
Proceeds from Sale of Capital Assets	14,544.91		
Insurance Loss Recoveries	17,793.76		
Total Other Financing Sources	<u>32,338.67</u>		
Net Change in Fund Balances	362,507.78	0.07	
Fund Balances, Beginning	<u>8,808,988.02</u>	<u>5,567.51</u>	
Fund Balances, Ending	<u>\$ 9,171,495.80</u>	<u>\$ 5,567.58</u>	<u>\$ 0.00</u>

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

Other Governmental Funds	Total Governmental Funds
\$	\$
2,589,494.45	70,347.35
420,884.12	8,343,285.63
	26,684,400.34
771,231.96	11,262,359.00
298,479.12	298,479.12
5,656.37	1,802,208.88
<u>1,075,367.45</u>	<u>13,363,047.00</u>
<u>4,085,746.02</u>	<u>48,461,080.32</u>
	25,201,976.12
	2,978,719.76
	588,147.68
	642,489.44
	1,171,511.22
	891,412.39
	314,778.30
	484,400.06
	2,104,567.93
	616.20
	451,441.59
2,885,892.58	2,886,723.05
	195,052.29
	2,232,627.58
	3,691,820.32
	1,724,368.78
	292,930.06
	181,865.72
985,610.29	1,264,312.08
20,887.16	637,794.58
185,000.00	185,000.00
<u>154,898.43</u>	<u>154,898.43</u>
<u>4,232,288.46</u>	<u>48,277,453.58</u>
<u>(146,542.44)</u>	<u>183,626.74</u>
	14,544.91
	<u>17,793.76</u>
	<u>32,338.67</u>
(146,542.44)	215,965.41
<u>2,082,877.85</u>	<u>10,897,433.38</u>
\$ 1,936,335.41	\$ 11,113,398.79

**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, 2014**

Net Change in Fund Balances - Governmental Funds	\$ 215,965.41
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.	(1,499,163.49)
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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.	185,000.00
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In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.	46,204.95
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Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.	(310,313.00)
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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.	7,675.00
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Change in Net Position - Governmental Activities	\$ (1,354,631.13)
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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, 2014**

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 8,132.83	\$ 500,300.00
	<u> </u>	<u> </u>
LIABILITIES		
Internal Accounts Payable	<u> </u>	\$ 500,300.00
		<u> </u>
NET POSITION		
Net Position Held in Trust for Scholarships and Other Purposes	\$ 8,132.83	
	<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, 2014**

	Private-Purpose Trust Funds
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	\$ 11.85
Change in Net Position	11.85
Net Position - Beginning	8,120.98
Net Position - Ending	<u><u>\$ 8,132.83</u></u>

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the 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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Foundation 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, 2014. 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 Fund.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

governmental activities are eliminated in the preparation of the government-wide financial statements. The District reports no transfers of resources between funds in the current fiscal year.

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 private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and 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. 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 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Types and 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.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 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 \$4,891,222 of stated building values are based on these estimates.

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 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.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2014.

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 24, 2014, 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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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 2013 tax levy on September 5, 2013. 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, 2014**

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 the District. 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 based on average daily balances.

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 60,684.51
Fund B	2.86 Year Average	20,018.11
Debt Service Accounts	6 Months	16,714.17
Total Investments, Reporting Entity		<u>\$ 97,416.79</u>

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District 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, 2014. 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, 2014, is estimated at 2.86 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 (SEC) 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 SBE 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.

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

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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	140,182.06			140,182.06
Construction in Progress		90,129.60		90,129.60
Total Capital Assets Not Being Depreciated	2,186,403.91	90,129.60		2,276,533.51
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,249,438.13	100,355.15		5,349,793.28
Buildings and Fixed Equipment	84,033,794.24	327,664.72	404,640.38	83,956,818.58
Furniture, Fixtures, and Equipment	6,509,271.92	546,018.32	666,220.31	6,389,069.93
Motor Vehicles	4,792,750.91	488,708.00	381,496.22	4,899,962.69
Computer Software	899,420.49	141,205.98	264,715.91	775,910.56
Total Capital Assets Being Depreciated	101,484,675.69	1,603,952.17	1,717,072.82	101,371,555.04
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,609,916.10	268,142.36		2,878,058.46
Buildings and Fixed Equipment	27,266,519.69	1,797,877.45	404,640.38	28,659,756.76
Furniture, Fixtures, and Equipment	4,297,965.16	582,613.78	666,220.31	4,214,358.63
Motor Vehicles	3,725,293.11	231,700.09	381,496.22	3,575,496.98
Computer Software	440,053.82	312,911.58	264,715.91	488,249.49
Total Accumulated Depreciation	38,339,747.88	3,193,245.26	1,717,072.82	39,815,920.32
Total Capital Assets Being Depreciated, Net	63,144,927.81	(1,589,293.09)		61,555,634.72
Governmental Activities Capital Assets, Net	\$ 65,331,331.72	\$ (1,499,163.49)	\$ 0.00	\$ 63,832,168.23

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 861,240.25
Student Personnel Services	33,430.48
Instructional Media Services	218,673.67
Instructional Staff Training Services	4,378.97
General Administration	2,978.90
School Administration	26,761.20
Fiscal Services	29,061.66
Food Services	248,417.90
Central Services	23,720.96
Student Transportation Services	254,688.44
Operation of Plant	20,711.61
Maintenance of Plant	98,212.48
Unallocated	<u>1,370,968.74</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,193,245.26</u></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, 2014**

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 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Special Risk Regular	3.00	19.06
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$1,669,640, \$1,768,622, and \$2,379,375, respectively, which were equal to the required contributions for each fiscal year.

There were 75 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$260,292, which was equal to the required contribution for the 2013-14 fiscal year.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

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 2013-14 fiscal year, 41 retirees received medical insurance benefits and 196 retirees received life insurance benefits. The District provided required contributions of \$276,525 toward the annual OPEB cost, net of retiree contributions totaling \$294,221, which represents 1.1 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, 2014**

Description	Amount
Normal Cost (service cost for one year)	\$ 252,254
Amortization of Unfunded Actuarial Accrued Liability	<u>358,612</u>
Annual Required Contribution	610,866
Interest on Net OPEB Obligation	42,716
Adjustment to Annual Required Contribution	<u>(66,744)</u>
Annual OPEB Cost (Expense)	586,838
Contribution Toward the OPEB Cost	<u>(276,525)</u>
Change in Net OPEB Obligation	310,313
Net OPEB Obligation, Beginning of Year	<u>1,067,905</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,378,218</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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2011-12	\$ 501,141	54.4%	\$ 745,688
2012-13	565,438	43.0%	1,067,905
2013-14	586,838	47.1%	1,378,218

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, 2014**

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, 2014, and to estimate the District's 2013-14 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, 2014, was 15 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, 2014:

Major Funds				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 391,396.23</u>	<u>\$ 51,011.84</u>	<u>\$ 29,672.90</u>	<u>\$ 33,165.02</u>	<u>\$ 505,245.99</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.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the 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 2013-14 fiscal year was \$75,000,000.

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2013-14 fiscal year was \$1,000,000. 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.

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 insurance coverage in any of the past three fiscal years.

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	\$ 165,000	5.0	2017
Series 2005B, Refunding	60,000	5.0	2018
Series 2010A, Refunding	430,000	4.0 - 5.0	2021
District Revenue Bonds:			
Series 2009	2,435,000	3.0 - 5.4	2035
Total Bonds Payable	<u>\$ 3,090,000</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 proceeds 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 (2014)). 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 \$4,005,097.50 of pledged revenues in connection with the District Revenue Bonds of 2009, described above. During the 2013-14 fiscal year, the District recognized pledged revenues totaling \$187,375 and expended \$186,080 (99 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, 2014**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
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	74,850.00	65,000.00	9,850.00
2020-2021	156,000.00	145,000.00	11,000.00
Total State School Bonds	767,500.00	655,000.00	112,500.00
District Revenue Bonds:			
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	183,560.00	80,000.00	103,560.00
2020-2024	920,321.25	455,000.00	465,321.25
2025-2029	901,450.00	550,000.00	351,450.00
2030-2034	906,316.25	715,000.00	191,316.25
2035-2036	358,630.00	340,000.00	18,630.00
Total District Revenue Bonds	4,005,097.50	2,435,000.00	1,570,097.50
Total	\$ 4,772,597.50	\$ 3,090,000.00	\$ 1,682,597.50

2. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 3,275,000.00	\$	\$ 185,000.00	\$ 3,090,000.00	\$ 190,000.00
Compensated Absences Payable	2,256,587.71	123,172.76	169,377.71	2,210,382.76	316,462.00
Other Postemployment Benefits Payable	1,067,905.00	586,838.00	276,525.00	1,378,218.00	
Total Governmental Activities	\$ 6,599,492.71	\$ 710,010.76	\$ 630,902.71	\$ 6,678,600.76	\$ 506,462.00

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, 2014**

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	\$ 139,007.19	\$
Special Revenue:		
Other		109,208.60
Federal Economic Stimulus		29,798.59
Total	<u>\$ 139,007.19</u>	<u>\$ 139,007.19</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, 2014**

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 2013-14 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 19,872,186.00
Categorical Educational Program - Class Size Reduction	5,647,924.00
Workforce Development Program	251,944.00
Technology Transformation Grant for Rural School District	198,029.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	192,541.98
Voluntary Pre-K	70,772.81
Discretionary Lottery Funds	49,346.00
Food Service Supplement	43,843.00
Adults with Disabilities	42,500.00
School Recognition	35,252.00
Miscellaneous	280,061.55
Total	<u><u>\$ 26,684,400.34</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 2013 tax roll for the 2013-14 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.134	\$ 7,999,157.82
Basic Discretionary Local Effort	0.748	1,165,440.21
Voted School Tax:		
Additional Discretionary Local Effort	1.000	1,558,075.15
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	0.500	779,037.58
Total	<u><u>7.382</u></u>	<u><u>\$ 11,501,710.76</u></u>

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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, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 58,311.00	\$ 58,311.00	\$ 70,347.35	\$ 12,036.35
Federal Through State and Local	184,210.00			
State	25,840,056.00	26,288,176.98	26,263,516.22	(24,660.76)
Local:				
Property Taxes	10,232,509.00	10,481,486.00	10,491,127.04	9,641.04
Miscellaneous	1,707,587.00	1,776,073.83	1,793,691.51	17,617.68
Total Local Revenues	11,940,096.00	12,257,559.83	12,284,818.55	27,258.72
Total Revenues	38,022,673.00	38,604,047.81	38,618,682.12	14,634.31
Expenditures				
Current - Education:				
Instruction	22,359,405.92	22,775,211.09	22,240,327.51	534,883.58
Student Personnel Services	1,797,172.70	1,934,840.16	1,875,136.94	59,703.22
Instructional Media Services	575,681.05	610,546.93	588,147.68	22,399.25
Instruction and Curriculum Development Services	291,704.00	296,556.27	290,925.83	5,630.44
Instructional Staff Training Services	457,286.52	528,989.02	489,585.18	39,403.84
Instruction Related Technology	1,080,809.00	904,432.67	846,944.31	57,488.36
School Board	344,402.00	342,790.00	314,778.30	28,011.70
General Administration	284,736.00	314,657.00	305,276.42	9,380.58
School Administration	1,938,046.00	2,110,095.53	2,096,399.05	13,696.48
Facilities Acquisition and Construction	503,280.00	154,165.25	616.20	153,549.05
Fiscal Services	429,625.00	465,465.00	451,441.59	14,023.41
Food Services		7,872.34	830.47	7,041.87
Central Services	153,924.00	172,773.00	169,358.26	3,414.74
Student Transportation Services	2,115,437.00	2,226,776.00	2,209,605.52	17,170.48
Operation of Plant	3,719,756.00	3,783,122.33	3,691,820.32	91,302.01
Maintenance of Plant	1,809,405.73	1,982,117.76	1,724,368.78	257,748.98
Administrative Technology Services	277,759.00	308,512.70	292,930.06	15,582.64
Community Services	186,798.00	189,723.46	181,865.72	7,857.74
Fixed Capital Outlay:				
Facilities Acquisition and Construction		242,960.75	242,960.75	
Other Capital Outlay		275,194.12	275,194.12	
Total Expenditures	38,325,227.92	39,626,801.38	38,288,513.01	1,338,288.37
Excess (Deficiency) of Revenues Over Expenditures	(302,554.92)	(1,022,753.57)	330,169.11	1,352,922.68
Other Financing Sources				
Proceeds from Sale of Capital Assets	15,246.00	15,246.00	14,544.91	(701.09)
Insurance Loss Recoveries	400.00	17,812.00	17,793.76	(18.24)
Total Other Financing Sources	15,646.00	33,058.00	32,338.67	(719.33)
Net Change in Fund Balances	(286,908.92)	(989,695.57)	362,507.78	1,352,203.35
Fund Balances, Beginning	8,808,988.02	8,808,988.02	8,808,988.02	
Fund Balances, Ending	\$ 8,522,079.10	\$ 7,819,292.45	\$ 9,171,495.80	\$ 1,352,203.35

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)
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 6,564,291.50	\$ 6,840,752.90	\$ 5,209,333.07	\$ (1,631,419.83)	\$ 622,107.79	\$ 618,697.21	\$ 544,458.11	\$ (74,239.10)
	2,947.00	2,861.00	(86.00)				
	<u>2,947.00</u>	<u>2,861.00</u>	<u>(86.00)</u>				
<u>6,564,291.50</u>	<u>6,843,699.90</u>	<u>5,212,194.07</u>	<u>(1,631,505.83)</u>	<u>622,107.79</u>	<u>618,697.21</u>	<u>544,458.11</u>	<u>(74,239.10)</u>
3,674,460.94	3,714,261.52	2,705,334.59	1,008,926.93	426,932.48	290,610.27	256,314.02	34,296.25
1,362,034.49	1,349,321.71	1,103,582.82	245,738.89				
379,491.66	392,412.80	351,563.61	40,849.19	5,000.00			
788,382.20	871,658.33	617,083.67	254,574.66	112,692.39	94,541.09	64,842.37	29,698.72
64,677.00	44,958.00	44,468.08	489.92				
228,403.21	223,701.36	173,877.13	49,824.23	11,525.92	7,578.15	5,246.51	2,331.64
				9,657.00	8,168.88	8,168.88	
				32,500.00	1,000.00		1,000.00
5,000.00	10,837.19	4,810.18	6,027.01	23,800.00	27,796.34	20,883.85	6,912.49
61,842.00	48,097.13	23,022.06	25,075.07				
	188,451.86	188,451.86			35,741.04	35,741.04	
					153,261.44	153,261.44	
<u>6,564,291.50</u>	<u>6,843,699.90</u>	<u>5,212,194.00</u>	<u>1,631,505.90</u>	<u>622,107.79</u>	<u>618,697.21</u>	<u>544,458.11</u>	<u>74,239.10</u>
		0.07	0.07				
		0.07	0.07				
<u>5,567.51</u>	<u>5,567.51</u>	<u>5,567.51</u>					
<u>\$ 5,567.51</u>	<u>\$ 5,567.51</u>	<u>\$ 5,567.58</u>	<u>\$ 0.07</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
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, 2014**

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, student 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 obtain 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 (FRS) 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, 2014**

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	13002	\$ 472,083.46
National School Lunch Program	10.555 (2)	13001, 13003	2,105,575.51
Summer Food Service Program for Children	10.559	13006, 13007	20,630.66
Total United States Department of Agriculture			2,598,289.63
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	1,352,630.76
Special Education - Preschool Grants	84.173 (4)	267	30,490.00
Polk County District School Board:			
Special Education - Grants to States	84.027 (3)	None	35,000.00
Special Education - Preschool Grants	84.173 (4)	None	40,000.00
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	1,990.39
Total Special Education Cluster			1,460,111.15
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	29,913.98
ARRA - School Improvement Grants, Recovery Act	84.388	126	221,536.98
Total School Improvement Grants Cluster			251,450.96
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	123,226.06
Title I Grants to Local Educational Agencies	84.010	212, 226	2,176,881.13
Migrant Education - State Grant Program	84.011	217	873,011.52
Career and Technical Education - Basic Grants to States	84.048	161	78,309.88
Rural Education	84.358	110	106,891.70
English Language Acquisition State Grants	84.365	102	46,172.75
Improving Teacher Quality State Grants	84.367	224	257,507.07
ARRA - State Fiscal Stabilization Fund (SFSF)- Race-to-the-Top Incentive Grants - Recovery Act	84.395 (5)	RL111, RG311, RD211	322,921.13
Florida Gulf Coast University:			
Special Education - State Personnel Development	84.323	None	6,664.47
Highlands County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Race-to-the-Top Incentive Grants - Recovery Act	84.395 (5)	None	814.97
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Race-to-the-Top Incentive Grants - Recovery Act	84.395 (5)	None	2,000.00
Advancement Via Individual Determination:			
Investing in Innovation (i3) Fund	84.411	None	46,418.57
Total United States Department of Education			5,752,381.36
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	70,347.35
Total Expenditures of Federal Awards			\$ 8,421,018.34

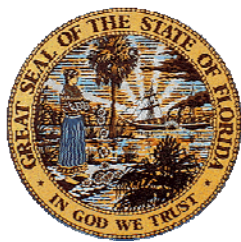
Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement 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 \$213,520.89 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$1,389,621.15.

(4) Special Education - Preschool Grants. Total CFDA No. 84.173 expenditures: \$70,490.00.

(5) ARRA-State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$325,736.10.



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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 5, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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:
84.027 and 84.173	Special Education Cluster
84.011	Migrant Education
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, 2014**

ADDITIONAL MATTERS

Finding No. 1: Background Screenings

Sections 1012.56(10) and 1012.465(2), Florida Statutes, require that instructional personnel, and noninstructional personnel that have direct contact with students, undergo required background rescreenings every five years following the initial screening upon employment.

Our test of 25 employees disclosed 4 instructional and 16 noninstructional personnel who were not rescreened within five years, contrary to law. As of the time of our review in April 2014, the background rescreenings for the employees were from 5 to 9 years late. These employees included teachers, food service workers, and bus drivers. Although employees are fingerprinted upon initial employment, the District did not have adequate procedures to ensure that required rescreenings of instructional and noninstructional employees were performed. Given our test results, District personnel reviewed records and identified 378 instructional and 339 noninstructional personnel who had not been rescreened within five years. District personnel indicated that they were unaware of the requirement to rescreen employees every five years. Subsequent to our inquiry, in November 2014, the District completed background rescreenings for all of the 717 employees that had not been rescreened.

Absent timely background rescreenings, there is an increased risk that instructional and noninstructional employees with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should continue its efforts to ensure that required background screenings are timely performed for all employees.

Finding No. 2: Health Insurance Plan - Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to contribute \$8,088 toward the health insurance of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District's health insurance plan during open enrollment periods and make changes to their coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 540 employees who contributed a total of \$1,021,000 and 56 retirees who contributed a total of \$364,000 to participate in the District's health insurance plan, and the District contributed \$5.3 million toward the plan. Also, 411 dependents participated in the District's health insurance plan.

District personnel reconciled health insurance billings to current payroll records to ensure that insurance premiums were only for eligible employees. However, the District did not require documentation, such as birth certificates,

evidencing the eligibility of dependents of employees purchasing health insurance for their dependents. Without verifying the eligibility of dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of dependents covered by the District's health insurance plan.

Finding No. 3: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

FDOE procedures provide that students enrolled in adult education programs must be reported under the applicable program number and the standard high school course number from the Course Code Directory published by the FDOE. FDOE procedures also stated that fundable instructional contract hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last day of attendance. In addition, FDOE procedures for reporting instructional hours stated that a student must have at least 12 hours of instructional activity in a program before the enrollment hours for the student can be reported.

For the 2013-14 fiscal year, the District reported to the FDOE 30,019 instructional contact hours for 135 students enrolled in 16 adult general education classes. Our review disclosed that the District's newly implemented attendance software could not generate enrollment data to support the information reported to the FDOE. District personnel indicated that the attendance data input by teachers could not be accurately reproduced due to programming issues with the new software, and that this was due, in part, to the District's programming to convert attendance recorded by the District at the program level to new reporting standards by the FDOE that require such reporting at the course level. Given the lack of supporting documentation, the extent of class hours misreported, if any, was not readily determinable.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly and maintains adequate documentation of enrollment and attendance data.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE and maintain documentation to support enrollment data reported. The District should also determine the extent of reported adult general education hours that are unsupported by attendance records and contact the FDOE for proper resolution.

Finding No. 4: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts and provide timely written parental notification of VIP options.

The District contracted with the North East Florida Consortium (NEFEC) to administer certain aspects of the VIP. During the 2013-14 fiscal year, 4 students were enrolled full-time in VIP courses, and 285 students were enrolled in one or two VIP courses to supplement their school academic activity. While the District generally administered the VIP in accordance with applicable State requirements, the District had not established comprehensive, written VIP policies and procedures. Written policies and procedures would promote compliance with VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely written notifications of open enrollment periods for their VIPs. The District's and NEFEC's Web sites have links with information about the District's VIP, and District personnel indicated that parental notifications were included in the annual Parental Guide provided to students. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP for the 2013-14 school year, District records did not evidence that written notifications were provided directly to parents of students, include open enrollment period dates, or notify parents that the VIP was offered on a part-time basis. Without such direct notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.
- Our review of the District's contract with NEFEC disclosed that the contract did not require NEFEC to comply with all requirements of Section 1002.45, Florida Statutes. As this law contains specific program requirements, such as student eligibility and compulsory attendance requirements, excluding such requirements from the contract may limit the District's ability to ensure compliance with these requirements in the event of a dispute. In addition, the contract included no provisions for data quality requirements. NEFEC maintains significant amounts of educational data used to support the administration of the VIP and to meet District reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by NEFEC on behalf of the District be available in a timely manner. Inclusion of data quality requirements in contracts would help ensure that the District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider. Additionally, the contract did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive education data.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure that timely, written notification is provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates, and that necessary provisions are included in contracts with FDOE-approved VIP providers.

Finding No. 5: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, District Request for Proposal forms prohibit contracting with employees and immediate family members of employees. The Superintendent, Board members, and Director of Finance were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. However, these statements of financial interest were not provided to Finance Department personnel, who were assigned oversight responsibility for District procurements and expenditures, for their review.

Subsequent to our inquiry in November 2014, Finance Department personnel reviewed the most recent required statements of financial interests of the Superintendent, Board members, and Director of Finance, and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interest by the Finance Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: **The District should provide for routine review of required statements of financial interests by the Finance Department for consideration in making procurement decisions.**

Finding No. 6: Information Technology – Disaster Recovery Plan

An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and provide a step by step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District had not established a comprehensive, written disaster recovery plan, including assigning responsibilities for recovery activities to key employees and backup personnel, prioritizing critical operations and data, and detailing the specific processes and procedures to be followed at the District to affect the recovery and restoration of financial, payroll, student records, and other critical applications. District personnel indicated they implemented new backup procedures necessitating development of a revised disaster recovery plan, but had not completed the plan as of November 2014. Without a detailed plan for the District's disaster recovery and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

Recommendation: **The District should continue its efforts to develop a comprehensive, written disaster recovery plan and test the plan annually.**

Finding No. 7: Information Technology – Risk Assessment

Management of 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, 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 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 personnel resources, the District had not developed a comprehensive, written IT risk assessment. The absence of a comprehensive, written 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. 2013-165 and 2014-154.

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

Finding No. 8: Information Technology – Security Controls – Data Loss Prevention

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 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, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2013-165 and 2014-154.

Recommendation: The District should improve IT security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-154, except as shown in the following table:

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
7	Audit Report No. 2014-154, Finding No. 4	Audit Report No. 2013-165, Finding No. 4
8	Audit Report No. 2014-154, Finding No. 5	Audit Report No. 2013-165, Finding No. 5

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, 2014*

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
2014-154		There were no prior Federal findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF HARDEE COUNTY

ADMINISTRATIVE OFFICES
1009 NORTH 6TH AVENUE
WAUCHULA, FLORIDA 33873

P.O. BOX 1678
WAUCHULA, FLORIDA 33873

BOARD MEMBERS

Mildred Smith
Thomas Trevino
Paul Samuels
Garry McWhorter
Teresa Crawford

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

(863) 773-9058
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January 23, 2015

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, 2014:

No. 1: Background Screenings. In November 2014, Personnel Department staff completed the past-due background rescreenings. In December 2015, Personnel Dept. staff will rescreen active employees who were originally fingerprinted in calendar 2011.

No. 2: Health Insurance Plan - Participant Eligibility. In January 2015, Finance Dept. staff requested that our insurance agent start requiring documentation such as birth certificates, marriage record, etc. before a dependent can be added to our medical insurance. The insurance agent will also send a copy of such documentation to the Finance Dept.

No. 3: Adult General Education Classes. In October 2014, Adult Education and Information Technology staffs revised the procedure and format for recording attendance in our student data software to reflect accurate recording of instructional hours for adult students during fiscal year 2014-15. Additional interim reports are being used to monitor data accuracy prior to State reporting dates.

No. 4: Virtual Instruction. The Deputy Superintendent and Curriculum Dept. staff will create and maintain comprehensive, written virtual instruction program (VIP) policies and procedures and will send proper timely written notification to parents outlining open enrollment. In addition, the VIP contract with North East Florida Educational Consortium for fiscal year 2015-16 will include necessary provisions.

Affirmative Action/Equal Opportunity Employer

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

David W. Martin, Auditor General
January 23, 2015
Page 2

No. 5: Purchasing Procedures. In July 2015, Finance Dept. staff will again review statements of financial interests filed in June or July 2015, noting any businesses on the statements, comparing the businesses against vendor names in our accounts payable software program and noting any apparent conflicts of interest.

No. 6: Information Technology – Disaster Recovery Plan. In January 2015, the Deputy Superintendent developed a comprehensive, written disaster recovery plan.

No. 7: Information Technology – Risk Assessment. In January 2015, the Deputy Superintendent developed a comprehensive, written information technology risk assessment plan.

No. 8: Information Technology – Security Controls – Data Loss Prevention. In December 2014, the Deputy Superintendent strengthened District information technology security controls related to data loss prevention.

We appreciate your Lakeland staff's examination of our records and procedures. They made us aware of areas where Hardee District School can improve and gave us practical recommendations that have been or will be implemented.

Sincerely,



David Durastanti
Superintendent of Schools