

HENDRY COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Dwayne E. Brown	1
Dr. Sally Berg	2
Patrick B. Langford, Vice Chair to 11-18-13, Chair from 11-19-13	3
John Perry, Vice Chair from 11-19-13	4
Ray Clinard to 4-5-14 (1), Chair to 11-18-13	5

Paul K. Puletti, Superintendent

Note: (1) Deceased 4-5-14, position remained vacant to 6-30-14.

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 Camesha N. Brown, and the audit was supervised by Deirdre F. Waigand, 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.

HENDRY COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District needed to enhance its procedures to require verification of eligibility of dependents covered by the District's health insurance plan.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

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: Some inappropriate information technology (IT) access privileges existed.

Finding No. 6: The District had not developed a comprehensive, written IT risk assessment.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Improving Teacher Quality, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

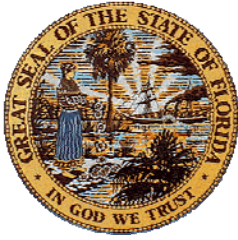
Our audit objectives were to determine whether the Hendry County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- 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. 2014-113.

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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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, each major fund, and the aggregate remaining fund information of the Hendry 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 17 percent of the assets and 92 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the Hendry Public Schools Foundation, Inc. (Foundation), which represents less than 1 percent of the assets, liabilities, revenues, and expenditures of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the Foundation is 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, each major fund, and the aggregate remaining fund information for the Hendry County District School Board as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows 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
March 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hendry 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:

- As of June 30, 2014, assets exceed liabilities and deferred inflows of resources by \$60,096,277. Of this amount, \$4,976,796 represents unrestricted net position, which may be used to meet the District's ongoing obligations to citizens and creditors.
- In total, net position decreased \$820,241, which represents a 1.3 percent decrease from June 30, 2013.
- Total liabilities decreased by \$418,953, or 3.5 percent, mainly due to the repayment of a capital lease obligation and an installment purchase payable, as well as scheduled bond payments.
- General revenues total \$59,433,718, or 92.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,657,006, or 7.3 percent of all revenues.
- Expenses total \$64,910,965. Only \$4,657,006 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$11,363,624, which is \$585,634 less than the prior fiscal year's balance. The General Fund total assigned and unassigned fund balances was \$10,867,175, or 22.2 percent, of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

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

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Blended component units – The District presents two separate legal entities in this report, which are the Hendry Public Schools Foundation, Inc. (Foundation), and the Hendry County School Board Leasing Corporation (Leasing Corporation). The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes. The Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District. Based on generally accepted accounting principles, as discussed in the notes to financial statements, these two entities have been included as an integral part of 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, Special Revenue – Federal Economic Stimulus Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services, and the District maintains an internal service fund, which is one type of proprietary fund. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service fund to account for self-insurance activity for dental and disability employee benefits. Revenue is generated by insurance premiums contributed by the Board and program participants.

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 a private-purpose trust fund to account for the activities of the Foundation, which is a separate not-for-profit corporation organized to receive, hold, invest, and administer property and to make expenditures to or for the benefit of public prekindergarten through postsecondary education.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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	
	6-30-14	6-30-13
Current and Other Assets	\$ 18,914,679	\$ 19,481,347
Capital Assets	52,894,390	53,564,666
Total Assets	71,809,069	73,046,013
Deferred Outflows of Resources		2,250
Long-Term Liabilities	11,316,398	11,723,377
Other Liabilities	396,394	408,368
Total Liabilities	11,712,792	12,131,745
Net Position:		
Net Investment in Capital Assets	48,854,309	49,093,914
Restricted	6,265,172	6,587,531
Unrestricted	4,976,796	5,235,073
Total Net Position	\$ 60,096,277	\$ 60,916,518

The largest portion of the District’s net position (81.3 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (10.4 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (8.3 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

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

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2014, and June 30, 2013 are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 838,645	\$ 710,783
Operating Grants and Contributions	3,540,793	3,410,850
Capital Grants and Contributions	277,568	279,885
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,443,092	10,528,192
Property Taxes, Levied for Capital Projects	2,685,960	2,551,698
Grants and Contributions Not Restricted to Specific Programs	45,701,156	43,353,012
Unrestricted Investment Earnings	68,060	90,394
Miscellaneous	535,450	640,591
Total Revenues	64,090,724	61,565,405
Functions/Program Expenses:		
Instruction	35,186,526	34,125,069
Student Personnel Services	2,215,892	2,363,329
Instructional Media Services	770,364	732,016
Instruction and Curriculum Development Services	1,292,438	1,446,097
Instructional Staff Training Services	897,412	938,843
Instruction Related Technology	119,782	86,099
School Board	794,878	562,724
General Administration	965,610	909,825
School Administration	3,724,959	3,189,867
Facilities Acquisition and Construction	1,697,061	2,319,264
Fiscal Services	700,589	635,153
Food Services	3,686,767	3,396,839
Central Services	337,052	342,133
Student Transportation Services	2,873,858	2,806,808
Operation of Plant	4,333,469	4,149,412
Maintenance of Plant	1,483,580	1,302,219
Administrative Technology Services	1,054,454	866,407
Unallocated Interest on Long-Term Debt	59,392	163,780
Unallocated Depreciation Expense	2,709,743	2,854,643
Loss on Disposal	7,139	42,662
Total Functions/Program Expenses	64,910,965	63,233,189
Change in Net Position	(820,241)	(1,667,784)
Net Position - Beginning	60,916,518	62,584,302
Net Position - Ending	\$ 60,096,277	\$ 60,916,518

The largest revenue source is the State of Florida (59.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs increased by \$2,348,144, or 5.4 percent, primarily due to an increase in Federal awards and State FEFP revenues.

Program revenues increased by \$255,488, or 5.8 percent, primarily from an increase in operating grants and charges for services related to the District's food service program.

Instruction expenses represent 54.2 percent of total governmental expenses for the 2013-14 fiscal year. Instruction expenses increased by \$1,061,457, or 3.1 percent, from the previous fiscal year, due mainly to cost of living salary increases for all employees and increased instructional staff.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds decreased by \$761,281 during the fiscal year to \$17,298,411 at June 30, 2014. Approximately 60.7 percent of this amount is unassigned fund balance (\$10,503,290), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$179,691), 2) restricted for particular purposes (\$6,251,545), or 3) assigned for particular purposes (\$363,885).

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 \$10,503,290, while the total fund balance is \$11,363,624. 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 22.2 percent of the total General Fund revenues.

Total fund balance decreased by \$585,634 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Decreases in the local property tax rates resulted in decreased tax revenues for operational purposes of \$85,100.
- Total expenditures increased by \$4,492,732, or 9.9 percent, due mainly to an increase in employee salaries and benefits due to pay raises and an increase in the number of instructional staff.
- The property tax decrease and expenditures increase were partially offset by an increase in FEFP revenues of \$3,253,819.

The Special Revenue - Other Fund has total revenues and expenditures of \$7,340,657 and \$7,341,787, respectively, and the Special Revenue - Federal Economic Stimulus Funds has total revenues and expenditures of \$449,226 each and funding was mainly used for instruction and instructional staff training. Because grant revenues attributed to the grants accounted for in these fund are not recognized until expenditures are incurred, these funds generally do not accumulate a fund balance. Activity in the Special Revenue - Other Fund was substantially unchanged while activity in the Special Revenue - Federal Economic Stimulus Fund increased substantially due to an increase of Federal Stimulus program funding expenditures as the project neared closeout.

The Capital Projects - Local Capital Improvement (LCI) Fund has total fund balance of \$2,332,734. This fund is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the

current fiscal year primarily due to classroom renovations and vehicle purchases. It should be noted that \$727,163 of the total fund balance has been encumbered for specific projects.

Proprietary Funds

The District's proprietary funds provide information reported on the same accrual basis as the government-wide financial statements, but in more detail. Unrestricted net position of the Internal Service Fund increased by \$289,115 during the 2013-14 fiscal year to \$1,219,874 at June 30, 2014. This increase occurred primarily because of increases in premium revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$1,437,276, or 3 percent. At the same time, final appropriations are more than the original budgeted amounts by \$733,810. Budget revisions occurred primarily from changes in estimated State funding levels and property tax collections and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$1,820,219, or 3.5 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,822,077.

CAPITAL ASSETS AND LONG-TERM DEBT

The District's investment in capital assets for its governmental activities as of June 30, 2014, is \$52,894,390 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software. The total decrease in capital assets for the current fiscal year was approximately 1.3 percent.

During the current fiscal year, the District purchased modular classrooms.

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

At June 30, 2014, the District has total long-term debt outstanding of \$4,096,119, comprised of \$1,027,919 of bonds payable and \$3,068,200 of certificates of participation payable. During the current fiscal year, retirement of debt was \$376,883.

State school bonds outstanding at June 30, 2014, totaling \$610,000, 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. Revenue bonds of \$390,000 are secured by pari-mutuel tax proceeds. The District's certificates of participation are not secured by specified revenue sources.

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

OTHER MATTERS OF SIGNIFICANCE

The latest enrollment projections for the District indicate a slight decrease of approximately 90 students during the 2014-15 fiscal year, which will decrease State revenue to some extent.

Employer contributions to the Florida Retirement System increased for regular employees from 6.95 to 7.37 percent of payroll for the 2014-15 fiscal year.

Taxable property values are expected to increase for the 2014-15 fiscal year.

Contract settlements with all of the District's unions resulted in a salary increase of 4.3 to 8.48 percent for instructional, 6.49 percent for non-instructional, and 3 percent for all others for the 2014-15 fiscal year.

Approximately 76.8 percent of the total General Fund revenues are from the State of Florida; therefore, economic conditions, which affect the economy both nationally and at the State level, will affect the general operating funds and activities of the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment may affect the State revenue streams, which, in turn, will affect District revenue streams.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the funds that it receives. If you have questions about this report or need further financial information, please contact the Superintendent's Office at 25 East Hickpoochee Avenue, LaBelle, Florida 33935.

BASIC FINANCIAL STATEMENTS

**HENDRY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014**

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	17,143,283
Investments		43,253
Accounts Receivable		815
Due from Other Agencies		133,262
Inventories		179,691
Restricted Cash and Cash Equivalents		19,431
Restricted Investments		1,394,944
Capital Assets:		
Nondepreciable Capital Assets		1,278,483
Depreciable Capital Assets, Net		51,615,907
TOTAL ASSETS		71,809,069
LIABILITIES		
Accounts Payable		324,106
Estimated Insurance Claims Payable		72,288
Long-Term Liabilities:		
Portion Due Within One Year		809,841
Portion Due After One Year		10,506,557
TOTAL LIABILITIES		11,712,792
NET POSITION		
Net Investment in Capital Assets		48,854,309
Restricted for:		
State Required Carryover Programs		330,385
Debt Service		1,850,174
Capital Projects		2,383,824
Federal Programs		1,340
Food Service		1,699,449
Unrestricted		4,976,796
TOTAL NET POSITION	\$	60,096,277

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 35,186,526	\$ 78,511	\$	\$	\$ (35,108,015)
Student Personnel Services	2,215,892				(2,215,892)
Instructional Media Services	770,364				(770,364)
Instruction and Curriculum Development Services	1,292,438				(1,292,438)
Instructional Staff Training Services	897,412				(897,412)
Instruction Related Technology	119,782				(119,782)
School Board	794,878				(794,878)
General Administration	965,610				(965,610)
School Administration	3,724,959				(3,724,959)
Facilities Acquisition and Construction	1,697,061			41,960	(1,655,101)
Fiscal Services	700,589				(700,589)
Food Services	3,686,767	642,607	3,540,793		496,633
Central Services	337,052				(337,052)
Student Transportation Services	2,873,858	117,527			(2,756,331)
Operation of Plant	4,333,469				(4,333,469)
Maintenance of Plant	1,483,580				(1,483,580)
Administrative Technology Services	1,054,454				(1,054,454)
Unallocated Interest on Long-Term Debt	59,392				(59,392)
Unallocated Depreciation Expense	2,709,743			235,608	(2,474,135)
Loss on Disposal of Capital Assets	7,139				(7,139)
Total Governmental Activities	\$ 64,910,965	\$ 838,645	\$ 3,540,793	\$ 277,568	(60,253,959)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes 10,443,092					
Property Taxes, Levied for Capital Projects 2,685,960					
Grants and Contributions Not Restricted to Specific Programs 45,701,156					
Unrestricted Investment Earnings 68,060					
Miscellaneous 535,450					
Total General Revenues 59,433,718					
Change in Net Position (820,241)					
Net Position - Beginning 60,916,518					
Net Position - Ending \$ 60,096,277					

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 11,407,263	\$ 3,472	\$
Investments	10,217		
Accounts Receivable	815		
Due from Other Funds	14,642		
Due from Other Agencies	11,907	41,926	
Inventories	166,064		
Restricted Cash and Cash Equivalents			
Restricted Investments			
	\$ 11,610,908	\$ 45,398	\$ 0
TOTAL ASSETS			
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 247,284	\$ 32,489	\$
Due to Other Funds		11,569	
	247,284	44,058	
Total Liabilities			
Fund Balances:			
Nonspendable:			
Inventories	166,064		
Restricted for:			
State Required Carryover Programs	330,385		
Debt Service			
Capital Projects			
Federal Programs		1,340	
Food Service			
Total Restricted Fund Balance	330,385	1,340	
Assigned for:			
Purchases on Order	363,885		
Total Assigned Fund Balance	363,885		
Unassigned Fund Balance	10,503,290		
	11,363,624	1,340	
Total Fund Balances			
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,610,908	\$ 45,398	\$ 0

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,348,322	\$ 2,092,064	\$ 15,851,121
16,063	16,973	43,253
		815
		14,642
	79,429	133,262
	13,627	179,691
	19,431	19,431
	1,394,944	1,394,944
<u>\$ 2,364,385</u>	<u>\$ 3,616,468</u>	<u>\$ 17,637,159</u>
\$ 31,651	\$ 12,682	\$ 324,106
	3,073	14,642
<u>31,651</u>	<u>15,755</u>	<u>338,748</u>
	13,627	179,691
		330,385
	1,850,174	1,850,174
2,332,734	51,090	2,383,824
		1,340
	1,685,822	1,685,822
<u>2,332,734</u>	<u>3,587,086</u>	<u>6,251,545</u>
		363,885
		363,885
		10,503,290
<u>2,332,734</u>	<u>3,600,713</u>	<u>17,298,411</u>
<u>\$ 2,364,385</u>	<u>\$ 3,616,468</u>	<u>\$ 17,637,159</u>

**HENDRY 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	\$	17,298,411
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.		52,894,390
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		1,219,874
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	\$	1,027,919
Certificates of Participation Payable		3,068,200
Compensated Absences Payable		5,135,142
Other Postemployment Benefits Payable		2,085,137
		(11,316,398)
Net Position - Governmental Activities	\$	60,096,277

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

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**HENDRY 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 Through State and Local State	\$ 202,614	\$ 7,340,657	\$ 449,226
Local:			
Property Taxes	10,443,092		
Charges for Services - Food Service			
Miscellaneous	690,171		
Total Local Revenues	<u>11,133,263</u>		
Total Revenues	<u>48,901,236</u>	<u>7,340,657</u>	<u>449,226</u>
Expenditures			
Current - Education:			
Instruction	30,505,198	4,691,620	242,854
Student Personnel Services	1,627,215	586,702	
Instructional Media Services	692,621	76,937	
Instruction and Curriculum Development Services	484,781	807,089	
Instructional Staff Training Services	76,163	781,983	39,194
Instruction Related Technology	119,782		
School Board	794,648		
General Administration	692,374	159,513	113,046
School Administration	3,720,338		
Facilities Acquisition and Construction		457	
Fiscal Services	699,821		
Food Services			
Central Services	336,728		
Student Transportation Services	2,791,905	79,633	
Operation of Plant	4,329,368	2,099	
Maintenance of Plant	1,482,123		
Administrative Technology Services	1,053,812		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	29,998		
Other Capital Outlay	430,464	155,754	54,132
Debt Service:			
Principal	13,233		
Interest and Fiscal Charges	2,404		
Total Expenditures	<u>49,882,976</u>	<u>7,341,787</u>	<u>449,226</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(981,740)</u>	<u>(1,130)</u>	
Other Financing Sources (Uses)			
Transfers In	340,382		
Insurance Loss Recoveries	55,724		
Transfers Out			
Total Other Financing Sources (Uses)	<u>396,106</u>		
Net Change in Fund Balances	(585,634)	(1,130)	
Fund Balances, Beginning	<u>11,949,258</u>	<u>2,470</u>	
Fund Balances, Ending	<u>\$ 11,363,624</u>	<u>\$ 1,340</u>	<u>\$ 0</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 3,481,913	\$ 11,474,410
	479,748	38,045,107
2,685,960		13,129,052
	642,607	642,607
7,826	38,688	736,685
<u>2,693,786</u>	<u>681,295</u>	<u>14,508,344</u>
2,693,786	4,642,956	64,027,861
		35,439,672
		2,213,917
		769,558
		1,291,870
		897,340
		119,782
		794,648
		964,933
		3,720,338
1,721,432		1,721,889
		699,821
	3,686,767	3,686,767
		336,728
		2,871,538
		4,331,467
		1,482,123
		1,053,812
779,322		809,320
	557,831	1,198,181
64,304	290,000	367,537
1,738	69,483	73,625
<u>2,566,796</u>	<u>4,604,081</u>	<u>64,844,866</u>
126,990	38,875	(817,005)
	270,461	610,843
(501,215)	(109,628)	55,724
		(610,843)
(501,215)	160,833	55,724
(374,225)	199,708	(761,281)
<u>2,706,959</u>	<u>3,401,005</u>	<u>18,059,692</u>
\$ 2,332,734	\$ 3,600,713	\$ 17,298,411

**HENDRY 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 \$ (761,281)

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. (677,415)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. 7,139

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 period.

Bonds Payments	\$	299,346	
Installment-Purchases Payments		38,245	
Capital Lease Payments		39,292	376,883

Deferred amounts associated with refunded debt are reported in the statement of activities, but are not a current financial resource and, therefore, are not reported in the governmental funds. This is the net increase in deferred amounts during the current fiscal year. (2,250)

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. 230,678

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. (283,110)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenues of the internal service fund is reported with governmental activities. 289,115

Change in Net Position - Governmental Activities **\$ (820,241)**

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

**HENDRY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2014**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,292,162
LIABILITIES	
Current Liabilities:	
Estimated Insurance Claims Payable	72,288
NET POSITION	
Unrestricted	\$ 1,219,874

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

**HENDRY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues from Board and Participants' Funds	\$ 782,307
OPERATING EXPENSES	
Insurance Claims	419,921
Other	73,271
Total Operating Expenses	493,192
Change in Net Position	289,115
Total Net Position - Beginning	930,759
Total Net Position - Ending	\$ 1,219,874

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

**HENDRY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014**

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board and Participant's Funds	\$ 782,307
Cash Payments for Insurance Claims	(430,161)
Cash Payments for Purchased Services and Other	<u>(73,271)</u>
Net Cash Provided by Operating Activities	<u>278,875</u>
Net Increase in Cash and Cash Equivalents	278,875
Cash and Cash Equivalents, Beginning	<u>1,013,287</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,292,162</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 289,115</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Change in Liabilities:	
Estimated Insurance Claims Payable	<u>(10,240)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 278,875</u></u>

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

**HENDRY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2014**

	Private-Purpose Trust Fund <hr style="border: 0.5px solid black;"/>
ADDITIONS	
Contributions:	
Gifts, Grants, Endowments, and Bequests	\$ <u>17,076</u>
Investment Earnings:	
Interest, Dividends, and Other	<u>44</u>
Total Additions	<u>17,120</u>
DEDUCTIONS	
Program Services - Mini-grants for School Programs	17,838
Program Services - Other	7,387
Administrative Expenses	<u>1,386</u>
Total Deductions	<u>26,611</u>
Change in Net Position	(9,491)
Net Position - Beginning	<u>21,118</u>
Net Position - Ending	<u>\$ 11,627</u>

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

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

B. Reporting Entity

The Hendry 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 Hendry 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 these criteria, the following blended component units are included within the District's reporting entity:

- The Hendry County School Board Leasing Corp. (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note II.H. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- The Hendry Public Schools Foundation, Inc., (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of public prekindergarten through postsecondary education in the State in the form of money and other forms of property and services to the Board. Since the Foundation's governing body is substantively the same as Board, the financial

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

activities of the Foundation are included in the accompanying basic financial statements. An annual postaudit of the Foundation's financial statements is conducted by an independent certified public accountant and is filed in the District's administrative office.

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 and an internal service fund. Separate financial statements are provided for governmental funds, proprietary 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 except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, 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).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases and installment-purchases.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's employee dental benefit program.
- Private-Purpose Trust Fund – to account for resources of the Foundation.
- 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

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

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

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. 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 proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds include trust funds and agency funds. All trust funds use the economic resources measurement focus and accrual basis of accounting. Agency funds are unlike all other types of funds and report only assets and liabilities. So, the agency funds do not have a measurement focus, but do use an accrual basis of accounting to recognize assets and liabilities.

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission (SEC) 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.

Investments made locally consist of a United States Treasury Bill held by a trustee under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangement (see note II.H). 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. Central warehouse, maintenance, and transportation inventories are stated at cost on a moving-average basis. Purchased food and cafeteria supplies are stated at actual cost. 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,

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

Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

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 \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	10 and 20 years
Buildings and Fixed Equipment Excluding Relocatables	20 and 50 years
Furniture, Fixtures, and Equipment	5 and 10 years
Motor Vehicles	4 and 10 years
Computer Software	3 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. Debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest methods. Bonds payable are reported net of the applicable premiums.

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

6. Net Position Flow Assumption

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

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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 may include 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 has by resolution authorized the finance director 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.

On July 9, 2013, the Board adopted Board Policy No. 548, which established a stabilization arrangement. The stabilization arrangement reserves 7 percent of General Fund annual revenues to be used for economic stabilization. The policy further subdivides the 7 percent amount into a 6 percent strategic reserve and a 1 percent contingency reserve. The policy grants the Superintendent authority to utilize the 1 percent contingency reserve and requires the Superintendent to advise the Board in the next subsequent meeting in the event of such utilization. At June 30, 2014, unassigned General Fund balance includes \$3,420,878 set aside for economic stabilization, consisting of a \$2,932,181 strategic reserve and a \$488,697 contingency reserve.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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 Hendry County Property Appraiser, and property taxes are collected by the Hendry County Tax Collector.

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The Board adopted the 2013 tax levy on September 3, 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.

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 Hendry 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.

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are Board contributions for dental and disability insurance premiums. Operating expenses include insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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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:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	40 Day Average	\$ 9,962,419
Fund B	2.86 Year Average	26,960
Debt Service Accounts	6 Months	16,293
United States Treasury Bill (2)	September 18,2014	1,394,944
Total Investments		\$ 11,400,616

- Notes: (1) This investment is reported as a cash equivalent for financial statement reporting purposes and includes \$13,120 held by a trustee as described in footnote (2).
 (2) This investment is held by a trustee under a paying agent agreement in connection with the QZABs financing arrangement (see note II.H).

➤ **Interest Rate Risk**

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

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 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. At June 30, 2014, based on expected future cash flows, the WAL of Fund B is estimated at 2.86 years.

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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; 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.

➤ **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

Restricted investments of \$1,408,064 in a United States Treasury Bill and Florida Prime are held by the trustee for the QZABs in the District's name.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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	\$ 1,278,483	\$	\$	\$ 1,278,483
Total Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,734,524	127,639	2,075	3,860,088
Buildings and Fixed Equipment	83,925,388		117,637	83,807,751
Furniture, Fixtures and Equipment	8,589,290	1,140,097	1,017,823	8,711,564
Motor Vehicles	5,422,545	764,592	127,215	6,059,922
Computer Software	884,917		266,675	618,242
Total Capital Assets Being Depreciated	102,556,664	2,032,328	1,531,425	103,057,567
Less Accumulated Depreciation for:				
Improvement Other Than Buildings	3,356,655	106,952	1,989	3,461,618
Buildings and Fixed Equipment	35,171,700	1,708,764	100,532	36,779,932
Furniture, Fixtures and Equipment (1)	6,469,694	524,554	1,033,563	5,960,685
Motor Vehicles (1)	4,404,439	365,626	136,504	4,633,561
Computer Software	867,993	3,847	265,976	605,864
Total Accumulated Depreciation	50,270,481	2,709,743	1,538,564	51,441,660
Total Capital Assets Being Depreciated, Net	52,286,183	(677,415)	(7,139)	51,615,907
Governmental Activities Capital Assets, Net	<u>\$ 53,564,666</u>	<u>\$ (677,415)</u>	<u>\$ (7,139)</u>	<u>\$ 52,894,390</u>

Note: (1) Furniture, Fixtures, and Equipment, and Motor Vehicles deletions include adjustments totaling \$56,096 to correct errors in accumulated depreciation for certain assets.

The District’s capital assets serve multiple functions; however, depreciation expense is not allocated to the various functions on the Statement of Activities, but is shown as unallocated depreciation expense.

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,

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, 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, Senior Management Service	3.00	18.31
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

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employee contributions, for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$1,966,594, \$2,177,573, and \$2,997,610, respectively, which were equal to the required contributions for each fiscal year.

There were 162 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$611,452, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, 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 four health hospitalization plans as well as its self-insured dental plan. 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. Additionally, certain retirees received insurance coverage at a lower (explicitly subsidized) premium rate than active employees prior to January 1, 2011. Effective January 1, 2011, the District ceased all explicit subsidies for retirees, but allows retirees to retain health benefits at actual cost as quoted by the insurance vendor.

In addition, the Board contributes \$40 per month for dental insurance premiums. Retirees are required 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 42 retirees received postemployment care benefits. The District provided required contributions of

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\$279,148 toward the annual OPEB cost, net of retiree contributions totaling \$369,658, which represents 1.2 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	\$ 295,099
Amortization of Unfunded Actuarial Accrued Liability	341,814
Annual Required Contribution	636,913
Interest on Net OPEB Obligation	54,061
Adjustment to Annual Required Contribution	(128,716)
Annual OPEB Cost (Expense)	562,258
Contribution Toward the OPEB Cost	(279,148)
Change in Net OPEB Obligation	283,110
Net OPEB Obligation, Beginning of Year	1,802,027
Net OPEB Obligation, End of Year	\$ 2,085,137

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 years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 421,220	71.9%	\$ 1,668,867
2012-13	440,286	69.8%	1,802,027
2013-14	562,258	49.6%	2,085,137

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Funded Status and Funding Progress. As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$4,715,203 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,715,203 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$31,121,488 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.2 percent.

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

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

The District's OPEB actuarial valuation as of January 1, 2014, 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 3 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.5 percent initially beginning in January 2014, reduced by 0.5 percent per year until January 2017 and then increasing to an ultimate rate of 5.56 in January 2022. The investment rate of return and payroll growth rate include a general price inflation rate of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 14 years

F. 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.

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The following is a schedule of encumbrances at June 30, 2014:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Government al Funds	Total Governmental Funds
\$ 363,885	\$ 199,805	\$ 727,163	\$ 49,000	\$ 1,339,853

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 property damage; and natural disasters. The Hendry County District School Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a public entity risk sharing pool for property, general liability, automobile liability, workers' compensation, governmental crime, and other coverage deemed necessary by the members of SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchases insurance coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents and finance directors or an authorized representative of all participating districts. 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 wind/hail/flood). The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence. The deductible for all other wind event is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. SCERMP's purchased excess property loss limit during the 2013-14 fiscal year was \$75 million.

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. Employer's liability is included subject to \$2,000,000 per occurrence.

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

The District provides dental and disability coverage on a self-insurance basis for eligible employees. Based on records, maintained by the fiscal agent, of premiums received for and claims (and other expenses) paid on behalf of Board employees and their dependents, the District reports this activity in an internal service fund, including an estimated incurred, but not reported, insurance claims payable at June 30, 2014.

The following schedule represents the changes in claims liability for the past two fiscal years for the District’s self-insurance program:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012-13	\$ 82,528	\$ 424,939	\$ (424,939)	\$ 82,528
2013-14	82,528	419,921	(430,161)	72,288

Health and hospitalization coverage is being provided by purchased commercial insurance through a minimum premium plan. The minimum premiums to be earned for all types of coverage are set forth in the contract. Premiums are payable monthly based on the total number of eligible employees. When earned premiums are greater than the sum of the incurred claims and a specified retention, the loss shall be paid to the plan up to the maximum due as set forth in the contract. Life insurance is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds rather than the internal service fund.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in the past three fiscal years.

H. Long-Term Liabilities

1. Certificates of Participation

On December 15, 2005, the District issued Certificates of Participation, Series 2005-QZAB, under a special program whereby the certificates will mature in full on December 15, 2021, for the original issue of \$3,068,200. There is no interest cost for borrowing moneys under this program. The financing proceeds were used to acquire improvements at several designated schools, which are leased by the District from the Leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$158,133 for 16 consecutive years began December 16, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with the accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement in the event of cancellation or default.

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

The schools designated for technology-related equipment and improvements under the Series 2005-QZAB certificates include: Eastside Elementary School, Westside Elementary School, Central Elementary School and LaBelle High School.

The following is a schedule by years of future minimum lease payments for the Series 2005-QZAB certificates with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	<u>\$ 3,068,200</u>	<u>\$ 3,068,200</u>	<u>\$ 0</u>

2. Bonds Payable

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005A	\$ 390,000	5	2016
Series 2005B, Refunding	220,000	5	2020
District Revenue Bonds:			
Series 1997	<u>390,000</u>	5.2	2017
Total Minimum Bonds Payments	1,000,000		
Plus: Unamortized Premiums	<u>27,919</u>		
Total Bonds Payable	<u>\$ 1,027,919</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 69-1094, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Hendry County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2013)). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond

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

resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$431,860 of pari-mutuel tax revenues in connection with the District Revenue Bonds of 1997, described above. During the 2013-14 fiscal year, the District recognized in pari-mutuel tax revenues totaling \$143,300 and expended \$112,620 (78.6 percent) of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on November 2017. Assuming a normal growth rate of 0 percent in the collection of pari-mutuel tax funds, approximately 75.3 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	\$ 240,500	\$ 210,000	\$ 30,500
2016	245,000	225,000	20,000
2017	48,750	40,000	8,750
2018	51,750	45,000	6,750
2019	49,500	45,000	4,500
2020	47,250	45,000	2,250
Total State School Bonds	682,750	610,000	72,750
District Revenue Bonds:			
2015	107,940	90,000	17,940
2016	108,130	95,000	13,130
2017	108,060	100,000	8,060
2018	107,730	105,000	2,730
Total District Revenue Bonds	431,860	390,000	41,860
Total	\$ 1,114,610	\$ 1,000,000	\$ 114,610

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

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 1,327,265	\$	\$ 299,346	\$ 1,027,919	\$ 300,000
Certificates of Participation Payable	3,068,200			3,068,200	
Installment-Purchases Payable	38,245		38,245		
Obligation Under Capital Lease	39,292		39,292		
Compensated Absences Payable	5,365,820	279,163	509,841	5,135,142	509,841
Other Postemployment Benefits Payable	1,802,027	562,258	279,148	2,085,137	
Total Governmental Activities	\$ 11,640,849	\$ 841,421	\$ 1,165,872	\$ 11,316,398	\$ 809,841

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

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.

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

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	\$ 14,642	\$
Special Revenue:		
Other		11,569
Nonmajor Governmental		3,073
Total	<u>\$ 14,642</u>	<u>\$ 14,642</u>

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within 12 months.

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:

Source	Amount
Florida Education Finance Program:	
Transportation	\$ 1,363,889
Instructional Materials	542,175
Florida Teachers Lead	115,328
Other	26,965,330
Categorical Educational Program - Class Size Reduction	7,486,102
Workforce Development Program	298,457
Motor Vehicle License Tax (Capital Outlay and Debt Service)	281,774
Technology Transformation Grant for Rural School District	259,736
Voluntary Prekindergarten Program	257,401
School Recognition	86,132
Food Service Supplement	58,880
Mobile Home License Tax	34,455
Miscellaneous	295,448
Total	<u>\$ 38,045,107</u>

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

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.960	\$ 9,065,791
Basic Discretionary Local Effort	0.748	1,367,168
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,741,647
 Total	 7.208	 \$ 13,174,606

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 340,382	\$
Capital Projects:		
Local Capital Improvement		501,215
Nonmajor Governmental	270,461	109,628
 Total	 \$ 610,843	 \$ 610,843

Capital outlay ad valorem tax moneys were transferred from the Capital Projects – Local Capital Improvement Fund to the nonmajor Debt Service – QZAB Fund for debt service sinking fund deposits, and to the General Fund for maintenance expenditures.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**HENDRY 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			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 250,000	\$ 202,614	\$ 202,614	\$
Local:	36,933,256	37,565,359	37,565,359	
Property Taxes	9,786,346	10,443,092	10,443,092	
Miscellaneous	492,500	688,313	690,171	1,858
Total Local Revenues	<u>10,278,846</u>	<u>11,131,405</u>	<u>11,133,263</u>	<u>1,858</u>
Total Revenues	<u>47,462,102</u>	<u>48,899,378</u>	<u>48,901,236</u>	<u>1,858</u>
Expenditures				
Current - Education:				
Instruction	32,448,689	31,241,903	30,505,198	736,705
Student Personnel Services	1,583,741	1,659,235	1,627,215	32,020
Instructional Media Services	647,878	696,656	692,621	4,035
Instruction and Curriculum Development Services	371,448	488,244	484,781	3,463
Instructional Staff Training Services	50,400	108,927	76,163	32,764
Instruction Related Technology	140,000	120,707	119,782	925
School Board	903,884	847,669	794,648	53,021
General Administration	820,455	804,033	692,374	111,659
School Administration	3,124,740	3,727,738	3,720,338	7,400
Facilities Acquisition and Construction				
Fiscal Services	716,233	744,433	699,821	44,612
Central Services	306,225	366,266	336,728	29,538
Student Transportation Services	2,936,341	3,140,197	2,791,905	348,292
Operation of Plant	4,574,890	4,620,758	4,329,368	291,390
Maintenance of Plant	1,327,369	1,511,920	1,482,123	29,797
Administrative Technology Services	1,015,607	1,148,410	1,053,812	94,598
Fixed Capital Outlay:				
Facilities Acquisition and Construction		29,998	29,998	
Other Capital Outlay		430,464	430,464	
Debt Service:				
Principal		13,233	13,233	
Interest and Fiscal Charges	1,485	2,404	2,404	
Total Expenditures	<u>50,969,385</u>	<u>51,703,195</u>	<u>49,882,976</u>	<u>1,820,219</u>
Deficiency of Revenues Over Expenditures	<u>(3,507,283)</u>	<u>(2,803,817)</u>	<u>(981,740)</u>	<u>1,822,077</u>
Other Financing Sources				
Transfers In		340,382	340,382	
Insurance Loss Recoveries		55,724	55,724	
Total Other Financing Sources		<u>396,106</u>	<u>396,106</u>	
Net Change in Fund Balances	<u>(3,507,283)</u>	<u>(2,407,711)</u>	<u>(585,634)</u>	<u>1,822,077</u>
Fund Balances, Beginning	11,949,258	11,949,258	11,949,258	
Fund Balances, Ending	<u>\$ 8,441,975</u>	<u>\$ 9,541,547</u>	<u>\$ 11,363,624</u>	<u>\$ 1,822,077</u>

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)
\$ 9,707,876	\$ 9,931,727	\$ 7,340,657	\$ (2,591,070)	\$ 512,122	\$ 524,803	\$ 449,226	\$ (75,577)
<u>9,707,876</u>	<u>9,931,727</u>	<u>7,340,657</u>	<u>(2,591,070)</u>	<u>512,122</u>	<u>524,803</u>	<u>449,226</u>	<u>(75,577)</u>
6,173,933	6,207,437	4,691,620	1,515,817	297,054	272,655	242,854	29,801
790,761	777,140	586,702	190,438	11,300	1,300		1,300
72,909	91,028	76,937	14,091	75	75		75
945,951	887,341	807,089	80,252	3,091	3,091		3,091
1,352,285	1,423,069	781,983	641,086	82,183	75,588	39,194	36,394
1,930							
253,469	245,268	159,513	85,755	118,419	117,962	113,046	4,916
5,000	457	457					
105,313	139,718	79,633	60,085				
5,728	3,918	2,099	1,819				
597	597		597				
	155,754	155,754			54,132	54,132	
<u>9,707,876</u>	<u>9,931,727</u>	<u>7,341,787</u>	<u>2,589,940</u>	<u>512,122</u>	<u>524,803</u>	<u>449,226</u>	<u>75,577</u>
		<u>(1,130)</u>	<u>(1,130)</u>				
		(1,130)	(1,130)				
		2,470					
<u>2,470</u>	<u>2,470</u>	<u>2,470</u>					
<u>\$ 2,470</u>	<u>\$ 2,470</u>	<u>\$ 1,340</u>	<u>\$ (1,130)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
January 1, 2009	\$ 0	\$ 9,717,244	\$ 9,717,244	0.0%	\$ 31,639,539	30.7%
January 1, 2012	0	4,134,396	4,134,396	0.0%	26,473,426	15.6%
January 1, 2014	0	4,715,203	4,715,203	0.0%	31,121,488	15.2%

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

**HENDRY 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 January 1, 2014, unfunded actuarial accrued liability of \$4,715,203 was higher than the January 1, 2012, liability of \$4,134,396 as a result of benefit changes and other changes in liabilities and costs as discussed below:

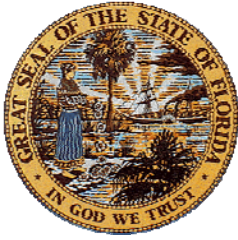
- The total cost of coverage per employee on January 1, 2014, was much lower than projected, decreasing cost and liability.
- The number of retirees receiving postemployment healthcare benefits decreased from 59 to 42, decreasing the cost and liability.
- Retirees electing to continue coverage migrated from more generous plan options to less expensive options. These changes decreased cost and liability.
- The ability amortization period was shortened from 16 years to 14 years. The change has no impact on the liability, but increases the annual OPEB cost as the expense recognition is spread over fewer years.
- The provisions of the Affordable Care Act, specifically the Excise Tax on High-Cost Employer Health Plans, will be effective in calendar year 2018 resulting in increased cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**HENDRY 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	\$ 652,776
National School Lunch Program	10.555 (2)	13001, 13003	2,667,091
Summer Food Service Program for Children	10.559	323, 325, 13006, 13007	139,014
Total United States Department of Agriculture			3,458,881
United States Department of Justice:			
Indirect:			
Hendry County Board of County Commissioners:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-JAGC-HEND-2-B2-254	36,256
Total United States Department of Justice			36,256
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	1,804,521
Special Education - Preschool Grants	84.173 (4)	267	74,565
Highlands County District School Board:			
Special Education - Grants to States	84.027 (3)	None	168,861
Special Education - Preschool Grants	84.173 (4)	None	18,523
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	36
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	3,311
Total Special Education Cluster			2,069,817
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	53,004
ARRA - School Improvement Grants, Recovery Act	84.388	126	48,465
Total School Improvement Grants Cluster			101,469
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	164,517
Title I Grants to Local Educational Entities	84.010	212, 226	2,818,124
Migrant Education - State Grant Program	84.011	217	1,397,892
Career and Technical Education - Basic Grants to States	84.048	161	158,947
Rehabilitative Services - Vocational Rehabilitation Grants to States	84.126	07-139-VH397	19,046
Education for Homeless Children and Youth	84.196	127	6,205
Rural Education	84.358	110	117,211
English Language Acquisition Grants	84.365	102	145,517
Improving Teacher Quality State Grants	84.367	224	384,009
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	RD211, RG311, RG411, RL111, RS611	400,762
Florida Gulf Coast University:			
Special Education - State Personnel Development	84.323	None	27,745
Highlands County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	None	2,840
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	None	4,800
Total United States Department of Education			7,818,901
Total Expenditures of Federal Awards			\$ 11,314,038

- 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 \$239,751 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 - Grant to States. Total expenditures for CFDA No. 84.027: \$1,976,729.
- (4) Special Education - Preschool Grants. Total expenditures for CFDA No. 84.173: \$93,088.
- (5) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total expenditures for CFDA No. 84.395: \$408,402.



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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hendry 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 March 11, 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 Hendry Public Schools Foundation, Inc., 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.

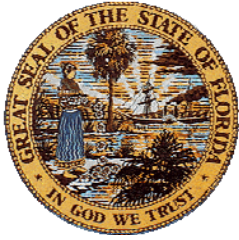
Purpose of this Report

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
March 11, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on Compliance for Each Major Federal Program

We have audited the Hendry 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
March 11, 2015

**HENDRY 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:
84.010	Title I Grants to Local Educational Entities
84.367	Improving Teacher Quality State Grants
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) - Race-To-The-Top Incentive Grants, Recovery Act.
Dollar threshold used to distinguish between Type A and Type B programs:	\$339,421
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-approved salary schedules required the District to contribute \$9,000 toward certain health insurance coverage for full-time employees. Also, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District’s health insurance plan at their own expense. District personnel were responsible for deducting the insurance premium costs from employee pay, collecting premiums from retirees, and submitting payments to the insurance carrier. Employees may enroll in the District’s health insurance plan upon employment, 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. For the 2013-14 fiscal year, 860 employees contributed \$7.2 million and 42 retirees contributed \$370,000 to participate in the District’s health insurance plan, and the District contributed \$5.6 million toward the plan. Also, 189 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums and related claims payments were only for eligible employees and retirees. However, the District did not require documentation evidencing the dependent’s eligibility. 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. 2: Purchasing Procedures

Board-adopted polices prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, Board members voluntarily disclose relationships and abstain from voting in situations that may cause a conflict of interest.

The Superintendent, Board members, and Chief Financial Officer were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes, although the Chief Financial Officer inadvertently did not file the required statement. However, the filed statements of financial interest were not provided to the Procurement Services Department for review. Providing for routine review of required statements of financial interests by the

Procurement Services Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations

Recommendation: **Recommendation: The District should strengthen its procedures to ensure that employees file statements of financial interests as required and provide for routine review of the statements by its Procurement Services Department for consideration in making procurement decisions.**

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 stated that fundable instructional contact 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 shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2013-14 fiscal year, the District reported to the FDOE 13,465 instructional contact hours for 138 students enrolled in 20 adult general education classes. We randomly selected a representative sample of 2,386 contact hours reported for 30 students enrolled in 13 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed that the District over-reported 548 hours for 13 students enrolled in 7 classes and under-reported 127 hours for 10 students enrolled in 8 classes, or 421 net hours over-reported. District personnel indicated that the misreported hours occurred mainly because they did not adjust the hours reported for actual attendance. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the District reports data correctly.

Recommendation: **The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult education hours misreported 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; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2013-14 fiscal year, District records indicated no enrollment of full-time or part-time VIP students. The District had written procedures addressing student eligibility, student progression requirements, and other procedures related to VIPs; however, the procedures could be enhanced to include additional guidance for District personnel charged with administering the VIP regarding matters such as parental notification of VIP options, provider contracts, instructional materials, computing resources, and monitoring VIP teacher qualifications and certifications. Such guidance 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. Additionally, the lack of such guidance may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(1)(b), Florida Statutes, requires the District, because it is located in a sparsely-populated county eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, to provide students the option of participating in a part-time and full-time VIP. Although the District provided all students the opportunity to participate in full-time virtual instruction through the Florida Virtual School (FLVS), the District did not provide students in grades kindergarten through 12 the opportunity to participate in part-time virtual instruction. District personnel indicated that direct enrollment by students through the FLVS was the District's method of meeting this requirement. However, the District had neither a franchise agreement nor a contract with the FLVS to provide part-time option for the 2013-14 school year, and had not otherwise evidenced that it had provided the required part-time virtual instruction option. Without providing the required option, the District limited student access to the part-time virtual instruction types, contrary to Section 1002.45, Florida Statutes.
- Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires the District to provide parents with timely, written notification of the open enrollment periods for the VIP. District personnel indicated that there were several communication methods used to provide information about the District's VIP to parents and students. Such communication included providing VIP enrollment information on the District's Web site and in the Student Progression Plan. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be informed of available VIP options and enrollment periods, potentially limiting student access to virtual instruction types.

Recommendations: The District should develop and maintain comprehensible, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should include appropriate action to remedy the noncompliance and control deficiencies identified above.

Finding No. 5: Information Technology - Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only the responsible end-users can originate or correct transactions and initiate changes to the data files and IT employees are restricted from performing end-user functions. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible duties.

Our tests of selected access privileges to the District's application system, including finance and human resources (HR) applications, disclosed that three Information Systems (IS) department employees had the ability to update critical finance and HR transactions by adding and updating vendor and vendor information, creating and updating journal entries, creating and approving purchase orders, creating vendor payments, adding and updating employee information, and creating employee payments. District personnel indicated that the three employees needed access to help end users; however, the access privileges granted were contrary to an appropriate separation of the IS employees' assigned responsibilities for the technical support of the District's application system and end-user responsibilities.

Additionally, three payroll personnel had the ability to add and update an employee in the system, and add and update an employee pay rate, pay grade, and job code. The ability to update critical data within the HR application, including changing employee information, is typically limited to employees assigned to the HR department.

Although the District had certain controls (e.g., supervisory monitoring of employee activities and expenditures) that compensated, in part, for the above deficiencies, the existence of these inappropriate access privileges indicated a need for an improved process for the review of assigned access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data or IT resources.

Recommendation: **The District should improve its review of employee access privileges and ensure that assigned application access privileges restrict employees to only those functions necessary for their assigned job responsibilities.**

Finding No. 6: Information Technology - Risk Assessment

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

Although the District had informally considered external and internal risks based on various tests and reviews conducted within selected departments and identified security controls such as selected configuration settings to mitigate these risks, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider, in addition to the informal risk assessments, threats and vulnerabilities at the Districtwide, system, and application levels and document the range of risks that the District systems and data may be subject to, including those posed by internal and external users. The absence of a comprehensive, written IT risk assessment may lessen 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 control.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-113.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*HENDRY 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
2014-113 (1)	ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) - Reporting	The District needed to enhance its procedures for reporting Race-to-the-Top Federal program expenditures.	Corrected.	

**EXHIBIT A
MANAGEMENT'S RESPONSE**



Hendry County School Board

Paul K. Puletti
Superintendent

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March 11, 2015

Mr. David W. Martin, Auditor General
Office of the Auditor General
G47 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45 (4) (d), Florida Statutes herewith is the submitted statement of explanation for proposed action concerning the preliminary and tentative audit findings of the Hendry County District School Board for the fiscal year ending June 30, 2014.

Health Insurance Plan – Participant Eligibility

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

Purchasing Procedures

The District will strengthen its procedures to ensure that employees file statements of financial interests as required and provide for routine review of the statements by its Procurement Services Department for consideration in making procurement decisions.

Adult General Education Classes

The District will strengthen its control to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District will also determine the extent of adult education hours misreported and contact the FDOE for proper resolution.

Virtual Instructional Program Policies and Procedures

The District will develop and maintain comprehensible, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures will include appropriate action to remedy the noncompliance and control deficiencies identified in the audit.

Information Technology – Access Privileges

The District will improve its review of employee access privileges and ensure that assigned application access privileges restrict employees to only those functions necessary for their assigned job responsibilities.

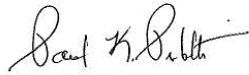
**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

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Information Technology – Risk Assessment

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

Sincerely yours,



Paul K. Puletti
Superintendent

PKP:bt