

**HARDEE COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

Hardee County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District</i>
	<u>No.</u>
<i>Joe H. Jones</i>	<i>1</i>
<i>Tanya B. Royal, Vice-Chair to 11-19-07, Chair from 11-20-07</i>	<i>2</i>
<i>Gina Neuhofer</i>	<i>3</i>
<i>Janice M. Platt, Chair to 11-19-07</i>	<i>4</i>
<i>Wendell Cotton, Vice-Chair from 11-20-07</i>	<i>5</i>
 <i>Dennis G. Jones, Superintendent</i>	

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 David A. Blanton, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS.....	13
Exhibit – A Statement of Net Assets	13
Exhibit – B Statement of Activities.....	14
Exhibit – C Balance Sheet – Governmental Funds	16
Exhibit – D Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Exhibit – E Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Exhibit – F Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Exhibit – G Statement of Fiduciary Net Assets – Fiduciary Funds	23
Exhibit – H Statement of Changes in Fiduciary Net Assets – Fiduciary Funds....	24
Exhibit – I Notes to Financial Statements	25
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	42
Exhibit – J Budgetary Comparison Schedule – General and Major Special Revenue Funds	42
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	44

HARDEE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	45
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	50
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	55
EXHIBIT – K MANAGEMENT’S RESPONSE	56

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*; however, we noted certain additional matters as summarized below.

ADDITIONAL MATTERS

Finding No. 1: The District lacked written policies and procedures for certain information technology (IT) security and configuration management functions.

Finding No. 2: The District's management of IT access privileges needed improvement.

Finding No. 3: Certain security controls related to the District's IT administrative system needed improvement, in addition to the matters discussed in Finding Nos. 1 and 2.

Finding No. 4: Improvements are needed to adequately monitor the efficiency of the food service program operations.

Finding No. 5: The District did not provide employees a written statement to specify the purpose for collection of social security numbers (SSNs) or timely certify compliance with the new SSN requirements to the Legislature, contrary to Section 119.071(5)(a), Florida Statutes.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster and Migrant Education programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance and internal control finding that is summarized below.

Federal Awards Finding No. 1: The District could enhance its controls over Federal expenditures and related inventories for the food service program.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2008-137.

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, 2008. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534
Fax: 850/488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 41 percent of the assets and 89 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Hardee County Education Foundation, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of the other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely

presented component unit, each major fund, and the aggregate remaining fund information for the Hardee County District School Board as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Hardee County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 12) and the **BUDGETARY COMPARISON SCHEDULE** (shown as exhibit J) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA

January 9, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management of the Hardee County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District’s financial activities, (c) identify changes in the District’s financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

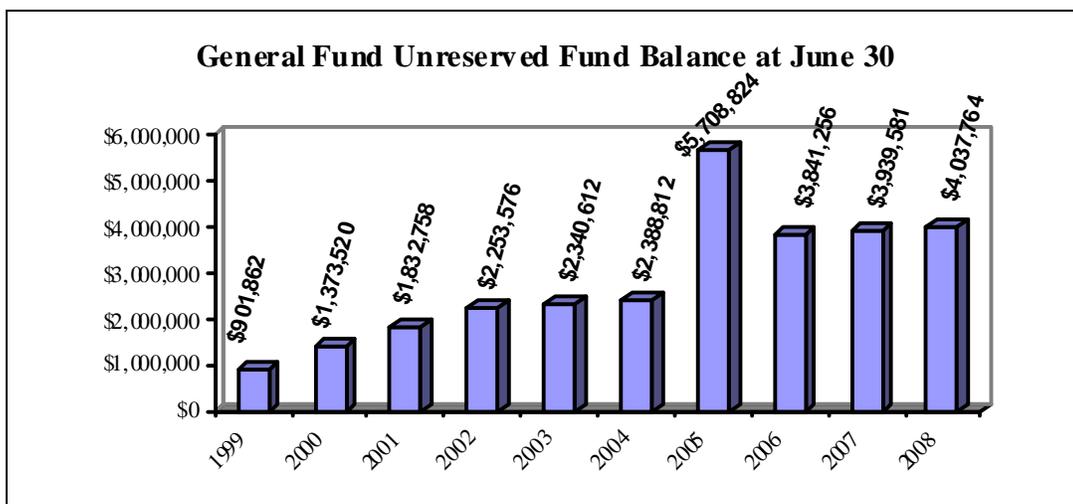
Because the information contained in the Management’s Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions it should be considered in conjunction with the District’s financial statements and notes to financial statements found on pages 13 through 41.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- At June 30, 2008, the District’s assets total \$82,183,507, liabilities total \$9,604,103, and net assets total \$72,579,404. The District’s net assets decreased by \$776,150 or 1 percent. The decrease is primarily due to depreciation on buildings.
- During the 2007-08 fiscal year, General Fund expenditures exceeded revenues by \$1,734,976. When other financing sources (transfers in and loss recoveries) totaling \$1,538,889 are considered, the General Fund’s fund balance decreased by \$196,088 to \$5,463,033.
- In October 2007, the State reduced all school districts’ funding by 1.40 percent and in March 2008, the State reduced all school districts’ funding by another 1.18 percent. Hardee School District’s funding was reduced by \$498,915 and \$414,654, respectively. As a result, the District implemented a hiring freeze in March 2008, adjusted air conditioning settings, rebid agreements and services, restructured the property/casualty insurance program, and asked schools and departments to be frugal.
- The District used \$4,763,957 in State Class Size Reduction Operating Funds to further reduce class size averages. The averages by school ranged from 15.71 to 19.37 for prekindergarten – grade 3; 15.00 to 19.97 for grades 4-8; and 21.70 for grades 9-12.

The following chart shows the General Fund’s Unreserved Fund Balance for the past ten years:



OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents the Hardee County Education Foundation, Inc., a separate legal entity, in this report. The component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

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 entity-wide perspective contained in the government-wide statements.

All of the District's funds may be classified within one of two broad categories as discussed below:

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in

the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$72,579,404 at June 30, 2008.

By far, the largest portion of the District's net assets (91.3 percent) reflects its investment in capital assets (e.g., land, buildings, construction in progress, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to educate the students of Hardee County, Florida; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the District’s net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

	Net Assets, End of Year		
	Governmental Activities		Increase
	6-30-08	6-30-07	(Decrease)
Current and Other Assets	\$ 14,394,198	\$ 9,753,772	\$ 4,640,426
Capital Assets	67,789,309	71,210,928	(3,421,619)
Total Assets	82,183,507	80,964,700	1,218,807
Long-Term Liabilities	4,313,172	4,343,835	(30,663)
Other Liabilities	5,290,931	3,265,312	2,025,619
Total Liabilities	9,604,103	7,609,147	1,994,956
Net Assets:			
Invested in Capital Assets -			
Net of Related Debt	66,289,309	69,460,928	(3,171,619)
Restricted	4,845,870	2,292,321	2,553,549
Unrestricted	1,444,225	1,602,304	(158,079)
Total Net Assets	\$ 72,579,404	\$ 73,355,553	\$ (776,149)

The District’s restricted net assets represent resources that are subject to external restrictions on how they may be used. Net assets are restricted for State categorical program roll-forward, debt service, capital outlay, etc. The remaining balance of \$1,444,225 is unrestricted net assets.

The key elements of the changes in the District’s net assets for the fiscal year ended June 30, 2008, are as follows:

- Current and other assets increased mainly because due from other agencies included amounts due for May and June 2008 free and reduced-price meals (\$249,863), Public Education Capital Outlay (PECO) new construction (\$790,590), and the net increase in Class Size Reduction and Classrooms for Kids funding (\$1,602,107). Cash and investments also increased, in part, for property taxes levied for capital projects collected but not spent (\$1,468,343).
- Capital assets decreased because accumulated depreciation on buildings was increased by \$4,701,761, an amount significantly greater than capital asset additions during the fiscal year ended June 30, 2008.
- Other liabilities increased because benefits payable increased by \$947,907, mainly due to the Board’s share of contributions and employee payroll deductions for health insurance in excess of premiums for the fully-insured group medical insurance plan. In addition, the District received State allocations for PECO new construction and Classrooms for Kids but did not request encumbrance authorizations; thus, deferred revenues increased by \$790,590 and \$295,852, respectively.
- Restricted net assets increased mainly because net assets restricted for capital projects increased.

The following is a summary of the District’s operating results for the fiscal year ended June 30, 2008, compared to operating results for the fiscal year ended June 30, 2007:

	Operating Results for the Year		
	Governmental		Increase (Decrease)
	Activities		
	6-30-08	6-30-07	
Program Revenues:			
Charges for Services	\$ 548,768	\$ 473,589	\$ 75,179
Operating Grants and Contributions	3,798,128	3,630,976	167,152
Capital Grants and Contributions	1,807,826	7,043,131	(5,235,305)
General Revenues:			
Property Taxes, Levied for Operational Purposes	9,395,302	8,203,207	1,192,095
Property Taxes, Levied for Capital Projects	3,373,740	2,895,916	477,824
Florida Education Finance Program	18,527,179	19,172,953	(645,774)
Other Federal Sources	5,069,533	5,046,781	22,752
Other State Sources	6,572,910	5,626,889	946,021
Unrestricted Investment Earnings	248,287	429,303	(181,016)
Miscellaneous	872,677	467,610	405,067
Extraordinary Items		2,000,009	(2,000,009)
Total Revenues	50,214,350	54,990,364	(4,776,014)
Functions/Program Expenses:			
Instruction	25,936,829	24,775,706	1,161,123
Pupil Personnel Services	2,785,659	2,862,267	(76,608)
Instructional Media Services	1,237,238	969,659	267,579
Instruction and Curriculum Development Services	814,181	756,947	57,234
Instructional Staff Training Services	986,045	1,001,823	(15,778)
Instruction Related Technology	615,259	600,157	15,102
Board of Education	245,894	386,690	(140,796)
General Administration	586,443	598,474	(12,031)
School Administration	2,161,289	2,114,052	47,237
Facilities Acquisition and Construction	157,193	253,009	(95,816)
Fiscal Services	505,197	474,460	30,737
Food Services	2,975,501	2,846,439	129,062
Central Services	292,023	356,349	(64,326)
Pupil Transportation Services	2,234,220	2,685,875	(451,655)
Operation of Plant	3,930,169	4,125,279	(195,110)
Maintenance of Plant	1,949,993	2,034,586	(84,593)
Administrative Technology Services	272,608	218,585	54,023
Community Services	84,472	76,367	8,105
Interest on Long-Term Debt	70,049	103,276	(33,227)
Unallocated Depreciation Expenses	3,150,237	1,207,887	1,942,350
Total Functions/Program Expenses	50,990,499	48,447,887	2,542,612
Increase (Decrease) in Net Assets	(776,149)	6,542,477	(7,318,626)
Net Assets, Beginning	73,355,553	66,813,076	6,542,477
Net Assets, Ending	\$ 72,579,404	\$ 73,355,553	\$ (776,149)

The District’s net assets decreased by \$776,149 during the 2007-08 fiscal year. Key elements of the decrease are as follows:

- Capital grants and contributions decreased because the District received PECO Special Facilities Construction Account funds in the 2006-07 fiscal year to complete the Hilltop Elementary/Hardee Jr. High Schools, and similar funding was not received in the 2007-08 fiscal year.
- Property taxes increased because Hardee County’s taxable value increased by \$244,026,503 in the 2007-08 fiscal year and the total millage rate decreased by only 0.099 mills.
- Other State sources increased because Class Size Reduction funding increased by \$908,119 to \$4,763,957.

- Extraordinary items in the 2006-07 fiscal year included insurance recoveries of \$2,000,000 relating to Hurricane Charley, and similar recoveries were not received in the 2007-08 fiscal year.
- Unallocated depreciation expense increased because depreciation expense for buildings significantly increased in the 2007-08 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

MAJOR GOVERNMENTAL FUNDS

The focus of the District 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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the District's governmental funds reported combined ending fund balances of \$9,173,315, an increase of \$2,600,511 in comparison with the prior year. Of the total ending fund balance, \$6,506,420 (or 71 percent) constitutes unreserved fund balances, which are available for spending at the District's discretion. The remaining fund balances are reserved to indicate that they are not available for new spending because they have already been committed to the following: outstanding purchase orders (\$1,085,860), carryover of State categorical programs (\$654,917), carryover of other restricted programs (\$376,254), reserved for other debt service requirements (\$285,680), and net assets held by the health insurance fiscal agent (\$264,184).

The following schedule summarizes fund balances for individual fund types:

Fund Balances				
	Unreserved Fund Balance	Reserved Fund Balance	Total Fund Balance	Change in Total Fund Balance
Major Governmental Funds:				
General	\$ 4,037,764	\$ 1,425,268	\$ 5,463,032	\$ (196,088)
Special Revenue - Other	8,467		8,467	(2,880)
Capital Projects - PECO				
Capital Projects - Capital Improvement	909,638	709,854	1,619,492	1,151,375
Capital Projects - Other	1,296,919	246,093	1,543,012	1,543,012
Other Non-Maior Governmental Funds	<u>253,632</u>	<u>285,680</u>	<u>539,312</u>	<u>105,092</u>
	<u>\$ 6,506,420</u>	<u>\$ 2,666,895</u>	<u>\$ 9,173,315</u>	<u>\$ 2,600,511</u>
	71%	29%	100%	

- The Capital Projects - Local Capital Improvement Fund increased mainly because taxes for capital outlay were received but not spent on buses (\$267,400), Senior High reroofing (\$518,561), Senior High gigabit technology upgrade (\$276,450) or Bowling Green Elementary remodeling/renovation (\$80,000).
- The Capital Projects - Other Fund increased because, in part, encumbrance authorizations for Classrooms for Kids (\$102,756) and Class Size Reduction Construction (\$1,506,255) were received during the 2007-08 fiscal year, while related expenditures were minor.

BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund and Major Special Revenue Fund lists original budget, final budget, and actual amounts. The following explains significant budget variances:

- The actual amount of instructional expenditures in the General Fund was lower than budgeted due to the following areas which had significant positive budget variances: teacher pay (\$61,682), teacher extra duty pay (\$99,379), tutor pay (\$50,682), health insurance (\$161,591), retirement contributions (\$87,463), supplies (\$247,531), and textbooks (\$339,131).
- Operation of Plant expenditures in the General Fund were lower than budgeted because electricity expenditures were lower than the 2006-07 fiscal year and were \$156,039 less than budgeted. Water/sewer/garbage expenditures were \$36,029 less than budgeted.
- The actual amount of Federal through State revenues and various expenditures in the Special Revenue - Other Fund are lower than budgeted because the following Federal projects spent significantly less than their award allocations: Title I (\$512,518), Migrant (\$179,157), Individuals with Disabilities (\$99,020), and Title II (\$69,583).

CAPITAL ASSETS AND LONG-TERM DEBT

CAPITAL ASSETS

The District’s investment in capital assets for its governmental activities as of June 30, 2008, amounted to \$67,789,309 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; computer software; and construction in progress. The total decrease in the District’s investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$3,421,619, or 5 percent.

Capital Assets, Net of Depreciation			
	Balance <u>6/30/2008</u>	Balance <u>6/30/2007</u>	Increase <u>(Decrease)</u>
Land	\$ 2,046,222	\$ 2,046,222	\$
Improvements Other Than Buildings	3,285,196	3,476,589	(191,393)
Construction in Progress	600,784	40,878	559,906
Buildings and Fixed Equipment	58,742,047	63,168,228	(4,426,181)
Furniture, Fixtures, and Equipment	2,404,886	2,175,933	228,953
Motor Vehicles	565,197	294,324	270,873
Computer Software	144,977	8,754	136,223
	<u>\$ 67,789,309</u>	<u>\$ 71,210,928</u>	<u>\$ (3,421,619)</u>

Construction in Progress increased due to the reroofing project at the Senior High. Additional information on the District’s capital assets can be found in Notes 4 and 12.

LONG-TERM DEBT

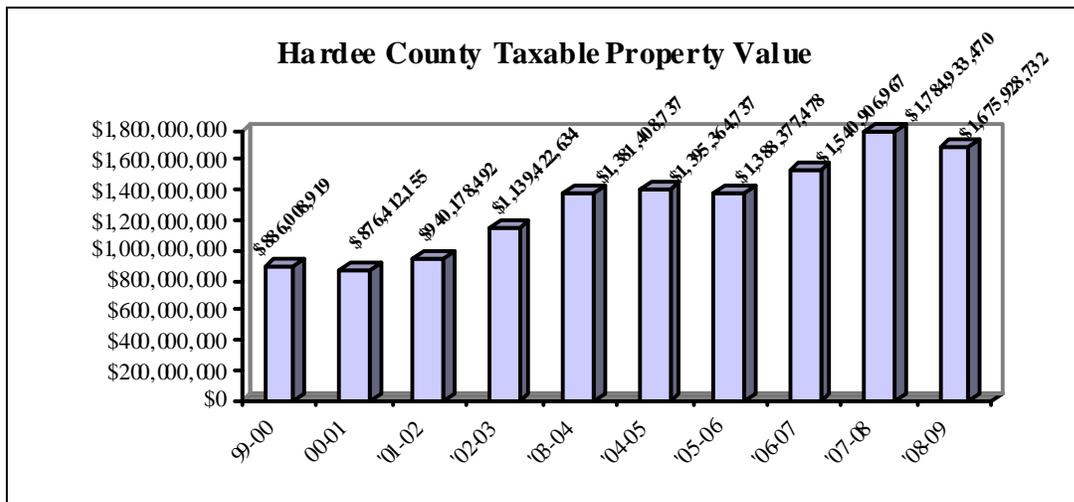
Bonds payable are the only long-term debt related to capital assets. At June 30, 2008, the District had total bonded debt outstanding of \$1,500,000. Of this amount, \$175,000 relates to District Revenue Bonds that will mature in November 2008, and \$1,325,000 relates to three series of State School Bonds that mature in 2017, 2018, and 2021. Additional information on the District’s long-term debt can be found in Notes 5 and 6.

OTHER MATTERS OF SIGNIFICANCE

HARDEE COUNTY

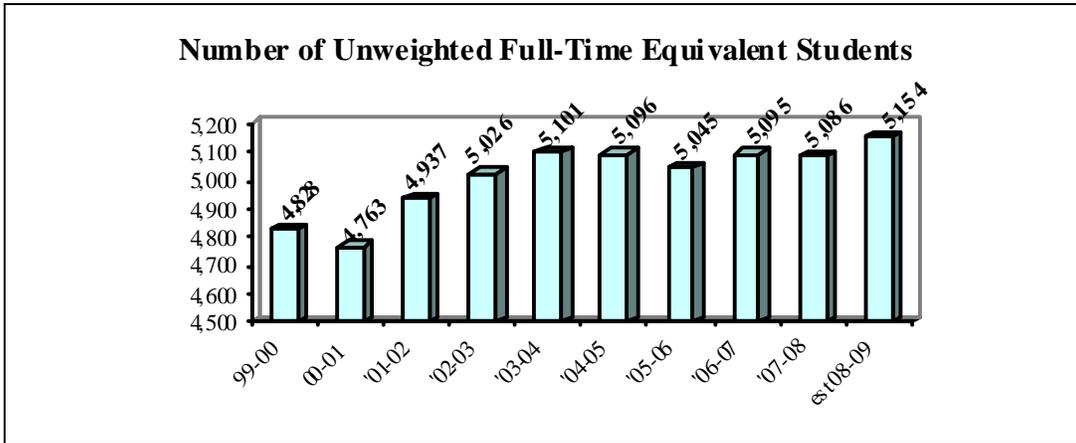
Hardee County is comprised of 637 square miles in central Florida; the County’s largest cities are Wauchula, Bowling Green, and Zolfo Springs. Hardee County had a labor force of 12,301 and an unemployment rate of 7.7 percent in July 2008. Agriculture, forestry, fishing and hunting are the largest industry sectors and the County’s per capita income is \$19,545. Hardee County has a population of 28,621, with 8.6 percent of the population under age 5 and 27.5 percent of the population under age 18. Between 2000 and 2006, Hardee County’s population increased by 6.2 percent.

Taxable property value for the County decreased by \$109,004,738 (6.1 percent) to \$1,675,928,732 for the 2008-09 fiscal year. The following chart represents Hardee County taxable property values:



HARDEE COUNTY SCHOOL BOARD

The District is comprised of five elementary schools, a junior high school, a senior high school, an adult education program, various preschool programs, an alternative school, and a Florida Department of Juvenile Justice school. The District’s number of unweighted full-time equivalent students (UFTE) decreased by 9 students to 5,086. The following chart shows the changes in the number of unweighted full-time equivalent students:



The District projects that it will serve 5,154 unweighted full-time equivalent students in the 2008-09 fiscal year. On July 28, 2008, the Board adopted the proposed millages, the tentative budget for the 2008-09 fiscal year, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2008, and tentative fund balances at June 30, 2009:

	Projected Fund Balance <u>6/30/2009</u>	Actual Fund Balance <u>6/30/2008</u>	Projected Change in Fund Balance <u>FY 2008-09</u>
Major Governmental Funds:			
General	\$ 3,871,508	\$ 5,463,032	\$ (1,591,524)
Special Revenue - Other	8,467	8,467	
Capital Projects - PECO			
Capital Projects - Capital Improvement	402,099	1,619,492	(1,217,393)
Capital Projects - Other		1,543,012	(1,543,012)
Other Non-Major Governmental Funds	<u>545,187</u>	<u>539,312</u>	<u>5,875</u>
	<u>\$ 4,827,261</u>	<u>\$ 9,173,315</u>	<u>\$ (4,346,054)</u>

The fund balance in the General Fund is budgeted to decrease because reserved fund balance amounts at June 30, 2008, for State categorical roll-forward, other restricted roll-forward, and open purchase orders are assumed to be expended in the 2008-09 fiscal year. In addition, the budget for revenues and other financing sources in the 2008-09 fiscal year is \$962,298 lower than actual revenues and other financing sources from the 2007-08 fiscal year. The budget for 2008-09 does not consider any negotiated salary increases or State funding holdbacks.

The fund balance in the Capital Projects - Local Capital Improvement Fund is budgeted to decrease because funds designated for buses, Senior High reroofing, Senior High gigabit technology upgrade, Bowling Green Elementary classroom remodeling/renovation, and other capital outlay purchases are expected to be spent in the 2008-09 fiscal year.

The fund balance in the Capital Projects - Other Fund is budgeted to decrease because all funds are expected to be spent on the Bowling Green Elementary classroom addition in the 2008-09 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

BASIC FINANCIAL STATEMENTS

EXHIBIT - A
HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government Governmental Activities	Component Unit
ASSETS		
Current Assets:		
Cash	\$ 8,514,147.63	\$ 191,107.00
Investments - Other	286,737.41	60,759.00
Cash with Fiscal Agent	291,941.50	
Accounts Receivable	341,434.00	2,000.00
Due from Other Agencies	4,491,002.53	
Inventories	252,308.99	
Total Current Assets	14,177,572.06	253,866.00
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund	216,625.88	
Capital Assets:		
Nondepreciable Capital Assets	2,765,347.45	
Depreciable Capital Assets, Net	65,023,961.43	
Total Noncurrent Assets	68,005,934.76	
TOTAL ASSETS	\$ 82,183,506.82	\$ 253,866.00
LIABILITIES		
Current Liabilities:		
Salaries and Benefits Payable	\$ 1,237,952.95	\$ 12,000.00
Accounts Payable	371,615.95	
Construction Contracts Payable	389,663.14	
Due to Other Agencies	489,148.55	
Matured Interest Payable	3,505.00	
Accrued Interest Payable	70,048.75	
Deferred Revenue	2,702,008.25	
Estimated Insurance Claims Payable	26,988.78	
Long-Term Liabilities -- Portion Due Within One Year:		
Bonds Payable	265,000.00	
Compensated Absences Payable	329,461.00	
Total Current Liabilities	5,885,392.37	12,000.00
Noncurrent Liabilities:		
Long-Term Liabilities -- Portion Due After One Year:		
Bonds Payable	1,235,000.00	
Compensated Absences Payable	2,483,710.77	
Total Noncurrent Liabilities	3,718,710.77	
Total Liabilities	9,604,103.14	12,000.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	66,289,308.88	
Restricted for:		
State Categorical Programs	654,917.21	
Debt Service	215,631.08	
Capital Projects	3,334,883.00	
Other Purposes	640,438.20	130,221.00
Unrestricted	1,444,225.31	111,645.00
Total Net Assets	72,579,403.68	241,866.00
TOTAL LIABILITIES AND NET ASSETS	\$ 82,183,506.82	\$ 253,866.00

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

**EXHIBIT - B
HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 25,936,829.14	\$ 27,518.00	\$	
Pupil Personnel Services	2,785,658.68			
Instructional Media Services	1,237,238.01			
Instruction and Curriculum Development Services	814,181.19			
Instructional Staff Training Services	986,045.53			
Instruction Related Technology	615,259.00			
Board of Education	245,894.45			
General Administration	586,443.28			
School Administration	2,161,288.71			
Facilities Acquisition and Construction	157,192.57		1,807,825.97	
Fiscal Services	505,197.07			
Food Services	2,975,500.78	481,184.30	1,961,151.40	
Central Services	292,022.57			
Pupil Transportation Services	2,234,219.93	40,065.63	1,197,307.00	
Operation of Plant	3,930,169.22			
Maintenance of Plant	1,949,992.83		639,670.00	
Administrative Technology Services	272,607.69			
Community Services	84,472.42			
Interest on Long-Term Debt	70,048.75			
Unallocated Depreciation Expense	3,150,237.51			
Total Primary Government	\$ 50,990,499.33	\$ 548,767.93	\$ 3,798,128.40	\$ 1,807,825.97
Component Unit				
Hardee County Education Foundation, Inc.	\$ 158,768.00	\$	\$ 136,000.00	\$

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2007

Net Assets - June 30, 2008

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (25,909,311.14)	\$
(2,785,658.68)	
(1,237,238.01)	
(814,181.19)	
(986,045.53)	
(615,259.00)	
(245,894.45)	
(586,443.28)	
(2,161,288.71)	
1,650,633.40	
(505,197.07)	
(533,165.08)	
(292,022.57)	
(996,847.30)	
(3,930,169.22)	
(1,310,322.83)	
(272,607.69)	
(84,472.42)	
(70,048.75)	
<u>(3,150,237.51)</u>	
<u>(44,835,777.03)</u>	
	<u>(22,768.00)</u>
9,395,301.48	
3,373,740.02	
30,169,622.54	
248,286.90	(5,193.00)
<u>872,676.52</u>	<u>1,035.00</u>
<u>44,059,627.46</u>	<u>(4,158.00)</u>
(776,149.57)	(26,926.00)
<u>73,355,553.25</u>	<u>268,792.00</u>
<u>\$ 72,579,403.68</u>	<u>\$ 241,866.00</u>

**EXHIBIT - C
HARDEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS**

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash	\$ 6,206,634.57	\$ 98,550.78	\$
Investments - Other	1,011.46		
Cash with Fiscal Agent	291,172.75		
Accounts Receivable	340,638.33		
Due from Other Funds	80,967.00		
Due from Other Agencies	100,788.29	117,298.05	790,590.00
Inventories	205,510.38		
Investments in SBA Fund B Surplus Funds Trust Fund	188,872.45	2,841.20	
	<u>\$ 7,415,595.23</u>	<u>\$ 218,690.03</u>	<u>\$ 790,590.00</u>
TOTAL ASSETS	<u>\$ 7,415,595.23</u>	<u>\$ 218,690.03</u>	<u>\$ 790,590.00</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,237,952.95	\$	\$
Accounts Payable	215,238.84	146,398.76	
Matured Interest Payable			
Construction Contracts Payable			
Due to Other Funds		40,502.62	
Due to Other Agencies	472,382.11	16,766.44	
Deferred Revenue		6,555.25	790,590.00
Estimated Insurance Claims Payable	26,988.78		
	<u>1,952,562.68</u>	<u>210,223.07</u>	<u>790,590.00</u>
Total Liabilities	<u>1,952,562.68</u>	<u>210,223.07</u>	<u>790,590.00</u>
Fund Balances:			
Reserved for State Categorical Programs	654,917.21		
Reserved for Encumbrances	129,913.08		
Reserved for Debt Service			
Reserved for Other Purposes	640,438.20		
Unreserved:			
Undesignated, Reported in:			
General Fund	4,037,764.06		
Special Revenue Funds		8,466.96	
Capital Projects Funds			
	<u>5,463,032.55</u>	<u>8,466.96</u>	<u></u>
Total Fund Balances	<u>5,463,032.55</u>	<u>8,466.96</u>	<u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,415,595.23</u>	<u>\$ 218,690.03</u>	<u>\$ 790,590.00</u>

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

EXHIBIT - C

<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,928,153.99	\$ 280,808.29	\$	\$ 8,514,147.63
		285,725.95	286,737.41
		768.75	291,941.50
		795.67	341,434.00
16,925.50	3,211,118.00	254,282.69	80,967.00
24,729.53		46,798.61	4,491,002.53
		182.70	252,308.99
<u>1,969,809.02</u>	<u>3,491,926.29</u>	<u>588,554.37</u>	<u>216,625.88</u>
<u>\$ 1,969,809.02</u>	<u>\$ 3,491,926.29</u>	<u>\$ 588,554.37</u>	<u>\$ 14,475,164.94</u>
\$ 4,705.31	\$	\$ 5,273.04	\$ 1,237,952.95
345,611.65	44,051.49	3,505.00	371,615.95
		40,464.38	3,505.00
	1,904,863.00		389,663.14
			80,967.00
			489,148.55
			2,702,008.25
			26,988.78
<u>350,316.96</u>	<u>1,948,914.49</u>	<u>49,242.42</u>	<u>5,301,849.62</u>
709,853.87	246,093.28	285,679.83	654,917.21
			1,085,860.23
			285,679.83
			640,438.20
			4,037,764.06
		81,252.98	89,719.94
909,638.19	1,296,918.52	172,379.14	2,378,935.85
<u>1,619,492.06</u>	<u>1,543,011.80</u>	<u>539,311.95</u>	<u>9,173,315.32</u>
<u>\$ 1,969,809.02</u>	<u>\$ 3,491,926.29</u>	<u>\$ 588,554.37</u>	<u>\$ 14,475,164.94</u>

**EXHIBIT - D
HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ 9,173,315.32

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 67,789,308.88

Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (70,048.75)

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

Bonds Payable	\$ 1,500,000.00	
Compensated Absences Payable	2,813,171.77	(4,313,171.77)

Total Net Assets - Governmental Activities \$ 72,579,403.68

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**EXHIBIT - E
HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 38,556.90	\$	\$
Federal Through State	90,832.53	4,839,658.54	
Federal Through Local	2,906.55	97,578.77	
State	26,112,241.30		639,670.00
Local:			
Taxes	9,395,301.48		
Miscellaneous	1,134,731.88		
Total Revenues	<u>36,774,570.64</u>	<u>4,937,237.31</u>	<u>639,670.00</u>
Expenditures			
Current - Education:			
Instruction	22,458,410.75	2,475,659.93	
Pupil Personnel Services	1,596,373.52	1,164,857.71	
Instructional Media Services	773,866.01	8,188.57	
Instruction and Curriculum Development Services	346,046.60	461,923.96	
Instructional Staff Training Services	445,208.22	545,612.38	
Instruction Related Technology	610,388.88	967.79	
Board of Education	245,894.45		
General Administration	453,392.95	137,228.01	
School Administration	2,127,468.83	29,678.27	
Fiscal Services	496,448.66	595.90	
Food Services	14,041.15		
Central Services	288,046.39	462.59	
Pupil Transportation Services	2,171,895.32		
Operation of Plant	3,914,732.01		
Maintenance of Plant	1,844,768.13		
Administrative Technology Services	270,822.98		
Community Services	82,531.75	8,202.53	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	369,210.29	106,739.40	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>38,509,546.89</u>	<u>4,940,117.04</u>	<u></u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,734,976.25)</u>	<u>(2,879.73)</u>	<u>639,670.00</u>
Other Financing Sources (Uses)			
Transfers In	1,485,570.00		
Insurance Loss Recoveries	53,318.60		
Transfers Out			(639,670.00)
Total Other Financing Sources (Uses)	<u>1,538,888.60</u>		<u>(639,670.00)</u>
Net Change in Fund Balances	(196,087.65)	(2,879.73)	
Fund Balances, July 1, 2007	5,659,120.20	11,346.69	
Fund Balances, June 30, 2008	<u>\$ 5,463,032.55</u>	<u>\$ 8,466.96</u>	<u>\$</u>

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		1,909,331.40	38,556.90
	1,609,011.00	435,789.92	6,839,822.47
			100,485.32
			28,796,712.22
3,373,740.02			12,769,041.50
27,073.18	1,552.29	491,194.74	1,654,552.09
<u>3,400,813.20</u>	<u>1,610,563.29</u>	<u>2,836,316.06</u>	<u>50,199,170.50</u>
			24,934,070.68
			2,761,231.23
			782,054.58
			807,970.56
			990,820.60
			611,356.67
			245,894.45
			590,620.96
			2,157,147.10
			497,044.56
		2,395,754.97	2,409,796.12
			288,508.98
			2,171,895.32
			3,914,732.01
			1,844,768.13
			270,822.98
			90,734.28
1,403,538.34	67,551.49		1,471,089.83
			475,949.69
		250,000.00	250,000.00
		85,468.91	85,468.91
<u>1,403,538.34</u>	<u>67,551.49</u>	<u>2,731,223.88</u>	<u>47,651,977.64</u>
<u>1,997,274.86</u>	<u>1,543,011.80</u>	<u>105,092.18</u>	<u>2,547,192.86</u>
		128,180.58	1,613,750.58
(845,900.00)		(128,180.58)	53,318.60
(845,900.00)			(1,613,750.58)
			53,318.60
1,151,374.86	1,543,011.80	105,092.18	2,600,511.46
468,117.20		434,219.77	6,572,803.86
<u>\$ 1,619,492.06</u>	<u>\$ 1,543,011.80</u>	<u>\$ 539,311.95</u>	<u>\$ 9,173,315.32</u>

**EXHIBIT - F
HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Governmental Funds \$ 2,600,511.46

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 period. (3,421,618.90)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 250,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (219,337.13)

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. 14,295.00

Change in Net Assets - Governmental Activities \$ (776,149.57)

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

**EXHIBIT - G
HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2008**

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 16,770.51	\$ 413,625.02
Investments in SBA Fund B Surplus Funds Trust Fund	847.20	5,106.96
TOTAL ASSETS	\$ 17,617.71	\$ 418,731.98
LIABILITIES		
Internal Accounts Payable	\$	\$ 418,731.98
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	17,617.71	
TOTAL LIABILITIES AND NET ASSETS	\$ 17,617.71	

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

EXHIBIT - H
HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2008

	Private-Purpose Trust Funds
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	\$ 611.99
DEDUCTIONS	
Scholarship Payments	2,350.00
Change in Net Assets	(1,738.01)
Net Assets, July 1, 2007	19,355.72
Net Assets, June 30, 2008	\$ 17,617.71

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

EXHIBIT – I
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Hardee County School District is considered part of the Florida system of public education. The governing body of the school district is the Hardee County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Hardee County.

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

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

- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Hardee County Education Foundation, Inc., a separate not-for-profit corporation organized and operated as a direct support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures for the benefit of the District. The Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District. The financial data reported in the accompanying basic financial statements was derived from the audited financial information from the organization for the fiscal year ending June 30, 2008. The financial information is on file in the District's Administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component unit.

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

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

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

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by gross receipts taxes to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by miscellaneous capital outlay funding sources including Class Size Reduction Construction funds and Classrooms for Kids funds.

Additionally, the District reports the following fiduciary fund types:

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

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recognized when earned and expenses are

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 21 days of the end of the current fiscal year, with the exception of Public Assistance Grants and insurance recoveries which have a collection period of six months. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The Hardee County Education Foundation, Inc., shown as a discretely presented component unit, uses the accrual basis of accounting and financial reporting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund 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. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund. The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, 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 the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

The costs of inventories are recorded as expenditures at the time inventory items are purchased and are adjusted to reflect year-end physical inventories. For surplus commodities, fiscal year-end adjustments are made to the expenditures and corresponding inventory accounts to record physical inventories on hand.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000, with the exception of Improvements Other Than Buildings which are those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Land acquired prior to 1973 and most buildings acquired or constructed prior to 1979, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$92,804 of stated land values and \$5,702,595 of stated building values are based on these estimates.

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

Capital assets are depreciated using the weighted-average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	17.63 years
Buildings and Fixed Equipment	49.23 years
Furniture, Fixtures, and Equipment	6.66 years
Motor Vehicles	9.29 years
Computer Software	5.00 years

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

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **Long-Term Liabilities**

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from 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 nine 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 categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms for Kids and Class Size Reduction Construction Programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay and Classrooms for Kids Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **District Property Taxes**

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

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

The School Board adopted the 2007 tax levy on September 6, 2007. 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 Hardee County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School 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.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2008, the District has the following investments and maturities:

Investment	Maturities	Fair Value
Mutual Funds - Fidelity Treasury Funds (1)	60 Day Average	\$ 250,000.00
State Board of Administration:		
Local Government Surplus Funds Trust Fund Investment Pool	20.22 Day Average	1,011.46
Fund B Surplus Funds Trust Fund	9.22 Year Average	222,580.04
Debt Service Accounts	6 Months	<u>35,725.95</u>
Total Investments		<u>\$ 509,317.45</u>

Note: (1) The mutual funds normally invest at least 80 percent of assets in United States Treasury securities and repurchase agreements for those securities.

Interest Rate Risk

- 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.
- The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool is based on the weighted average days to maturity (WAM). 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. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; investments in interest-bearing time deposits to 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 State Board of Administration Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

- As of June 30, 2008, the District's investment in the Local Government Surplus Funds Trust Fund Investment Pool is rated AAAM by Standard & Poor's. The Fund B Surplus Funds Trust Fund is unrated.
- The District's investment in Fidelity Treasury Funds is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,046,221.85	\$	\$	\$ 2,046,221.85
Land Improvements - Nondepreciable	118,342.06			118,342.06
Construction in Progress	40,877.79	694,212.30	134,306.55	600,783.54
Total Capital Assets Not Being Depreciated	2,205,441.70	694,212.30	134,306.55	2,765,347.45
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,390,073.18	102,342.77		4,492,415.95
Buildings and Fixed Equipment	76,958,235.50	275,579.05	69,051.69	77,164,762.86
Furniture, Fixtures, and Equipment	6,160,552.38	390,192.19	525,435.99	6,025,308.58
Motor Vehicles	3,736,459.98	303,548.00		4,040,007.98
Computer Software	992,870.45	170,279.19	361,274.61	801,875.03
Total Capital Assets Being Depreciated	92,238,191.49	1,241,941.20	955,762.29	92,524,370.40
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,031,826.46	293,735.42		1,325,561.88
Buildings and Fixed Equipment	13,790,007.35	4,701,760.58	69,051.69	18,422,716.24
Furniture, Fixtures, and Equipment	3,984,618.96	161,239.31	525,435.99	3,620,422.28
Motor Vehicles	3,442,136.31	32,674.70		3,474,811.01
Computer Software	984,116.33	34,055.84	361,274.61	656,897.56
Total Accumulated Depreciation	23,232,705.41	5,223,465.85	955,762.29	27,500,408.97
Total Capital Assets Being Depreciated, Net	69,005,486.08	(3,981,524.65)		65,023,961.43
Governmental Activities Capital Assets, Net	\$ 71,210,927.78	\$ (3,287,312.35)	\$ 134,306.55	\$ 67,789,308.88

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 818,170.37
Pupil Personnel Services	9,027.74
Instructional Media Services	449,418.78
Instructional Staff Training Services	1,065.13
General Administration	824.42
School Administration	7,406.21
Fiscal Services	3,162.94
Food Services	550,113.80
Central Services	6,324.65
Pupil Transportation Services	94,239.64
Operation of Plant	5,629.45
Maintenance of Plant	127,845.21
Unallocated	<u>3,150,237.51</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 5,223,465.85</u></u>

5. BONDS PAYABLE

Bonds payable at June 30, 2008, 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 2001A	\$ 770,000	6.0	2021
Series 2005A, Refunding	430,000	5.0	2017
Series 2005B, Refunding	125,000	5.0	2018
District Revenue Bonds:			
Series 1978	<u>175,000</u>	6.15	2009
Total Bonds Payable	<u><u>\$ 1,500,000</u></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 State Board of Education 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 State Board of Education and the State Board of Administration.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

➤ **District Revenue Bonds**

These bonds are generally referred to as “School Revenue Bonds, Series 1978” and are authorized by Chapter 78-517, Laws of Florida, which provides that the bonds be secured by a sum of \$187,375 from the pari-mutuel tax proceeds distributed annually to Hardee 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). The \$187,375 annual distribution is remitted by Hardee County to the District. As required by the bond 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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 154,667.50	\$ 90,000.00	\$ 64,667.50
2010	150,487.50	90,000.00	60,487.50
2011	156,325.00	100,000.00	56,325.00
2012	156,606.25	105,000.00	51,606.25
2013	156,606.25	110,000.00	46,606.25
2014-2018	734,975.00	590,000.00	144,975.00
2019-2021	264,500.00	240,000.00	24,500.00
Total State School Bonds	1,774,167.50	1,325,000.00	449,167.50
District Revenue Bonds:			
2009	180,381.25	175,000.00	5,381.25
Total District Revenue Bonds	180,381.25	175,000.00	5,381.25
Total	\$1,954,548.75	\$ 1,500,000.00	\$ 454,548.75

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 1,750,000.00	\$	\$250,000.00	\$ 1,500,000.00	\$ 265,000.00
Compensated Absences Payable	<u>2,593,834.64</u>	<u>395,944.72</u>	<u>176,607.59</u>	<u>2,813,171.77</u>	<u>329,461.00</u>
Total Governmental Activities	<u>\$ 4,343,834.64</u>	<u>\$395,944.72</u>	<u>\$426,607.59</u>	<u>\$ 4,313,171.77</u>	<u>\$ 594,461.00</u>

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

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 80,967.00	\$
Special Revenue- Other		40,502.62
Nonmajor Governmental		<u>40,464.38</u>
Total	<u>\$ 80,967.00</u>	<u>\$ 80,967.00</u>

Interfund receivables in the General Fund represent amounts for retirement contributions and temporary cash and investment shortages in the Special Revenue – Food Service and debt service funds. All interfund balances will be repaid within one year.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,485,570.00	\$
Capital Projects:		
Public Education Capital Outlay		639,670.00
Local Capital Improvement		845,900.00
Nonmajor Governmental	<u>128,180.58</u>	<u>128,180.58</u>
Total	<u>\$ 1,613,750.58</u>	<u>\$1,613,750.58</u>

Interfund transfers consisted of Public Education Capital Outlay and Local Capital Improvement Funds to the General Fund to assist in funding maintenance operations of the District and transfers of excess bond debt service funds to the related construction fund.

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$86,534.24 at June 30, 2008.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$18,527,179.00
Categorical Educational Programs:	
Class Size Reduction	4,763,957.00
Transportation	1,197,307.00
Instructional Materials	502,101.00
School Recognition Program	213,520.00
Florida Teachers Lead Program	93,101.00
Voluntary Prekindergarten Program	88,644.42
Excellent Teaching Program	60,122.53
Class Size Reduction - Construction	1,506,255.00
Gross Receipts Tax (Public Education Capital Outlay)	639,670.00
Workforce Development Program	293,453.00
Discretionary Lottery Funds	233,605.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	198,814.97
Classrooms for Kids	102,756.00
Adults with Disabilities	55,219.00
Food Service Supplement	51,820.00
Miscellaneous	<u>269,187.30</u>
 Total	 <u><u>\$28,796,712.22</u></u>

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

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.804	\$ 8,574,820.39
Basic Discretionary Local Effort	0.510	910,316.07
Supplemental Discretionary Local Effort	0.250	446,233.37
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>3,569,866.94</u>
Total	<u><u>7.564</u></u>	<u><u>\$ 13,501,236.77</u></u>

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

11. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Division of Retirement, Department of Management Services and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Benefits in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. 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, and 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 PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 71 District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$221,272.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan 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 for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$1,834,462, \$2,320,785, and \$2,411,257, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on 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.

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

12. CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Hardee Senior High School:			
Roofing Renovations	\$ 810,170.21	\$ 410,147.96	\$ 400,022.25
Bowling Green Elementary School Classroom Additions:			
Architect	<u>376,584.40</u>	<u>44,051.49</u>	<u>332,532.91</u>
Total	<u>\$ 1,186,754.61</u>	<u>\$ 454,199.45</u>	<u>\$ 732,555.16</u>

13. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hardee County District School Board is a member of the South Central Educational Risk Management Consortium (SCERMP) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employers Mutual, Inc., serves as fiscal agent for SCERMP.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The member school boards make annual contributions to the group for its property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provides that the group will be self-sustaining through member contributions. However, member school boards are 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 addition, it is the property and casualty group's policy to reinsure through a commercial insurance carrier for workers' compensation claims and property loss claims in excess of \$1,000,000 and \$100,000, respectively. Special hazard flood areas are \$500,000 per building and \$500,000 per contents. Except for

EXHIBIT - I (Continued)
HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

one claim related to errors and omissions that resulted in a payout of \$122,500, settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The District also participated in an employee group health insurance program administered through the North East Florida Educational Consortium under which several district school boards have established a combined limited self-insurance program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district, with shared administrative costs and a pooling of plan assets for working capital. The Consortium is governed by a Board of Directors composed of the superintendents of the participating school districts. The Consortium offices are located in Putnam County and the Putnam County District School Board is the fiscal agent.

A liability in the amount of \$26,989 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2008. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2006-07	\$ 478,787.46	\$ 4,713,052.34	\$ (4,713,052.34)	\$ 478,787.46
2007-08	478,787.46	515,500.84	(967,299.52)	26,988.78

Effective July 1, 2007, the District changed to a fully-insured group medical insurance plan with a commercial insurance provider.

14. SUBSEQUENT EVENTS

On October 31, 2008, the District issued Revenue Anticipation Bond Notes, Series 2008, in the principal amount of \$2,000,000. The interest rate on the notes is 3.75 percent and the notes mature on November 1, 2009.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT - J
HARDEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 44,000.00	\$ 39,752.00	\$ 38,556.90	\$ (1,195.10)
Federal Through State	153,164.00	162,685.00	90,832.53	(71,852.47)
Federal Through Local			2,906.55	2,906.55
State	26,864,699.00	26,150,228.08	26,112,241.30	(37,986.78)
Local:				
Taxes	9,385,288.00	9,342,788.00	9,395,301.48	52,513.48
Miscellaneous	1,265,404.98	1,286,689.00	1,134,731.88	(151,957.12)
Total Revenues	<u>37,712,555.98</u>	<u>36,982,142.08</u>	<u>36,774,570.64</u>	<u>(207,571.44)</u>
Expenditures				
Current - Education:				
Instruction	23,829,319.25	23,774,058.12	22,458,410.75	1,315,647.37
Pupil Personnel Services	1,567,255.04	1,635,133.37	1,596,373.52	38,759.85
Instructional Media Services	775,334.20	794,352.49	773,866.01	20,486.48
Instruction and Curriculum Development Services	364,973.00	368,677.92	346,046.60	22,631.32
Instructional Staff Training Services	437,269.28	470,138.49	445,208.22	24,930.27
Instruction Related Technology	798,025.98	694,194.57	610,388.88	83,805.69
Board of Education	261,399.00	269,689.00	245,894.45	23,794.55
General Administration	467,149.27	461,437.47	453,392.95	8,044.52
School Administration	2,141,112.43	2,181,104.95	2,127,468.83	53,636.12
Facilities Acquisition and Construction	14,378.00	4,857.00		4,857.00
Fiscal Services	473,425.56	511,828.56	496,448.66	15,379.90
Food Services		14,041.15	14,041.15	
Central Services	310,612.00	331,508.82	288,046.39	43,462.43
Pupil Transportation Services	2,329,626.00	2,314,630.91	2,171,895.32	142,735.59
Operation of Plant	4,462,959.26	4,183,703.82	3,914,732.01	268,971.81
Maintenance of Plant	2,033,747.66	2,050,971.83	1,844,768.13	206,203.70
Administrative Technology Services	448,950.94	348,855.44	270,822.98	78,032.46
Community Services	87,918.00	83,390.00	82,531.75	858.25
Fixed Capital Outlay:				
Other Capital Outlay		369,210.29	369,210.29	
Total Expenditures	<u>40,803,454.87</u>	<u>40,861,784.20</u>	<u>38,509,546.89</u>	<u>2,352,237.31</u>
Deficiency of Revenues Under Expenditures	<u>(3,090,898.89)</u>	<u>(3,879,642.12)</u>	<u>(1,734,976.25)</u>	<u>2,144,665.87</u>
Other Financing Sources				
Transfers In	1,544,783.00	1,544,783.00	1,485,570.00	(59,213.00)
Proceeds from Sale of Capital Assets	3,000.00	1,000.00		(1,000.00)
Insurance Loss Recoveries	9,000.00	56,300.00	53,318.60	(2,981.40)
Total Other Financing Sources	<u>1,556,783.00</u>	<u>1,602,083.00</u>	<u>1,538,888.60</u>	<u>(63,194.40)</u>
Net Change in Fund Balances	<u>(1,534,115.89)</u>	<u>(2,277,559.12)</u>	<u>(196,087.65)</u>	<u>2,081,471.47</u>
Fund Balances, July 1, 2007	5,659,120.20	5,659,120.20	5,659,120.20	
Fund Balances, June 30, 2008	<u>\$ 4,125,004.31</u>	<u>\$ 3,381,561.08</u>	<u>\$ 5,463,032.55</u>	<u>\$ 2,081,471.47</u>

EXHIBIT - J

Original Budget	Special Revenue - Other Fund		Variance with Final Budget - Positive (Negative)
	Final Budget	Actual	
\$ 5,836,740.20	\$ 5,887,602.91	\$ 4,839,658.54 97,578.77	\$ (1,047,944.37) 97,578.77
<u>5,836,740.20</u>	<u>5,887,602.91</u>	<u>4,937,237.31</u>	<u>(950,365.60)</u>
3,050,459.89	3,005,506.29	2,475,659.93	529,846.36
1,234,867.60	1,280,066.91	1,164,857.71	115,209.20
7,895.35	9,745.74	8,188.57	1,557.17
603,681.07	556,025.19	461,923.96	94,101.23
686,441.00	697,922.39	545,612.38	152,310.01
967.79	967.79	967.79	
184,596.99	172,923.56	137,228.01	35,695.55
66,084.18	29,678.27	29,678.27	
	596.00	595.90	0.10
1,746.33	1,458.92	462.59	996.33
	17,532.45		17,532.45
	9,036.00	8,202.53	833.47
	<u>106,739.40</u>	<u>106,739.40</u>	
<u>5,836,740.20</u>	<u>5,888,198.91</u>	<u>4,940,117.04</u>	<u>948,081.87</u>
	<u>(596.00)</u>	<u>(2,879.73)</u>	<u>(2,283.73)</u>
	(596.00)	(2,879.73)	(2,283.73)
<u>11,346.69</u>	<u>11,346.69</u>	<u>11,346.69</u>	
\$ <u>11,346.69</u>	\$ <u>10,750.69</u>	\$ <u>8,466.96</u>	\$ <u>(2,283.73)</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

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 Education:			
School Breakfast Program	10.553	321	\$ 370,710.57
National School Lunch Program	10.555	300	1,374,523.55
Summer Food Service Program for Children	10.559	323	33,045.28
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555(2)	None	<u>130,520.27</u>
Total Child Nutrition Cluster			<u>1,908,799.67</u>
Total United States Department of Agriculture			<u>1,908,799.67</u>
United States Department of Justice:			
Indirect:			
City of Wauchula:			
Anit-Gang Initiative	16.744	None	<u>6,168.14</u>
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,112,862.99
Special Education - Preschool Grants	84.173	267	30,640.21
Alachua County District School Board:			
Special Education - Grants to States	84.027	None	543.77
Polk County District School Board:			
Special Education - Grants to States	84.027	None	26,162.19
Special Education - Preschool Grants	84.173	None	52,234.35
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	1,774.42
University of South Florida:			
Special Education - Grants to States	84.027	None	1,096.32
Washington County District School Board:			
Special Education - Grants to States	84.027	None	<u>808.82</u>
Total Special Education Cluster			<u>1,226,123.07</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	93,428.00
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,824,978.17
Migrant Education - State Grant Program	84.011	217	911,363.23
Title I Program for Neglected and Delinquent Children	84.013	223	132,492.82
Career and Technical Education - Basic Grants to States	84.048	151	116,260.65
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	31,859.25
State Grants for Innovative Programs	84.298	113	8,188.57
Education Technology State Grants	84.318	121	22,430.79
Rural Education	84.358	110	156,820.03
English Language Acquisition Grants	84.365	102	53,676.74
Improving Teacher Quality State Grants	84.367	224	345,003.06
Highlands County District School Board:			
Arts in Education	84.351	None	945.97
South Florida Community College:			
Tech-Prep Education	84.243	None	7,844.79
Washington County District School Board:			
Reading First State Grants	84.357	None	<u>2,906.55</u>
Total United States Department of Education			<u>4,934,321.69</u>
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	<u>5.99</u>
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	<u>38,556.90</u>
Total Expenditures of Federal Awards			<u>\$ 6,887,852.39</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 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) (A) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534
Fax: 850/488-6975

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Hardee County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Hardee County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

January 9, 2009



David W. Martin, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534
Fax: 850/488-6975

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Hardee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2008. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008. However, the results of our

auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is

intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 9, 2009

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) and Migrant Education – State Grant Program (CFDA No. 84.011).
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

ADDITIONAL MATTERS

Finding No. 1: Information Technology – Written Policies and Procedures

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

Our audit disclosed that, although informal procedures existed and were executed in the daily course of the Management Information Services and Finance Departments' support of the District's IT administrative system, which provides application processing for the District's administrative functions, such as finance, human resources and payroll, the District lacked written policies and procedures for the following IT security and configuration management functions:

- Requesting, prioritizing, and authorizing application system changes, including configuration changes.
- Creating, verifying use of, maintaining, changing, and reviewing user identification codes (IDs) and associated access privileges.
- Revoking access privileges of transferred employees.
- Revoking access privileges of consultants or vendors following conclusion of contract terms.
- Prohibiting administrator rights on the workstations of end users.
- Changing or deleting vendor-supplied IDs and passwords.
- Allowing guest accounts.
- Changing, communicating, and storing administrative passwords.
- Defining network and system administration responsibilities.
- Configuring and administering security devices (such as firewalls and routers).

Without written policies and procedures, the risk is increased that IT security and configuration management controls may not be followed consistently and in a manner pursuant to management's expectations.

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

Finding No. 2: Information Technology – Management of Access Privileges

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Our audit disclosed that the District's management of employee access privileges needed improvement.

Specifically, some instances existed of inappropriate or unnecessary access privileges, suggesting a need for improved District review of user access, as described below:

- Two current employees each had two active IT administrative system user IDs. In response to audit inquiry, District management indicated these additional user IDs were mistakenly set up upon installation of the IT administrative system application. District management also indicated that neither employee had used the additional user ID. The District subsequently deleted the additional user IDs. Under these conditions, the risk is increased that the access privileges could be misused by the employee or others.
- Five employees, including the Director's secretary within the Management Information Services Department, were granted access to the Active Directory domain administrator group. Domain administrator access privileges are typically limited to personnel who are responsible for performing network administration duties and who require complete access to network and server resources. The complete network access capabilities provided by the domain administrator group suggested a need for the District to review the responsibilities of each employee in the group and determine if additional access groups with more limited network access capabilities would be warranted. When complete network access privileges are unnecessarily granted, the risk is increased that unauthorized network hardware, software, or configuration changes will occur and not be timely detected as a result of the misuse of domain administrator access privileges.

Recommendation: The District should improve its review of the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access privileges as they are detected to minimize the risk that the access privileges could be used to compromise District data or IT resources.

Finding No. 3: Information Technology – Other Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to the District's IT administrative system that needed improvement, in addition to the matters discussed in Finding Nos. 1 and 2 above. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

Finding No. 4: Food Service Operations

The District operates a school food service program at each District school that provides meals to participating students and staff. The District accounts for the program in the Special Revenue – Food Service Fund, and the program generates revenues from Federal reimbursements, State supplements, and the sale of food. The financial position of the program is significantly impacted by the prices charged for meals, salaries and benefits costs, and purchased food costs.

During the 2007-08 fiscal year, the District made efforts to monitor the activities of the Special Revenue – Food Service Fund by preparing an analysis of the Fund from an overall perspective and, based on this analysis, preparing and adopting a budget in an attempt to control certain costs. However, the District did not have procedures in place to monitor meal costs for regular meals and a la carte items at the individual schools, and records were generally not adequate to track the receipt and usage of food service inventory at each school. The lack of meal cost information by school and accurate financial-related data pertaining to the receipt and usage of food service inventories limits the District's ability to adequately monitor the efficiency of the food service program operations. A similar finding was noted in our report No. 2008-137.

Recommendation: The District should continue its efforts to establish procedures to effectively monitor the costs of its school food service program. Such efforts should include procedures to evaluate meal costs and monitor inventories in order to further control program costs.

Finding No. 5: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the agency has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that, as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by that date, the District was also required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

District personnel indicated that SSNs were obtained for various purposes, such as, for employee insurance, withholding taxes, background checks, and citizenship verification; however, District records did not evidence compliance with Section 119.071(5)(a), Florida Statutes. Our review disclosed that, prior to our inquiries, the District was not fully aware of its record keeping responsibilities relating to the collection of SSNs. As a result, contrary to the above law, the District did not conduct the required review and evaluation of its collection of SSNs or prepare written statements notifying individuals of the purpose for collection of the numbers. Further, contrary to the above law, the District did not certify to the Legislature that it complied with Section 119.071(5)(a), Florida

Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5)(a), Florida Statutes. Such action should include an evaluation of the reasons the District collects social security numbers from individuals. In those instances in which the District determines that collection of the social security numbers is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA No. 10.553, 10.555, 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Program Administration. Non-Federal Finding No. 4 addresses the lack of controls to properly monitor meal costs and inventory receipt and usage at District schools. These control deficiencies impact the administration of the Federally-funded food service program.

Recommendation: The District should implement procedures necessary to provide adequate control over food service inventories and adequately monitor the operations of the food service program.

District Contact Person: Arnell Waldron, Director of Food Service

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs and in the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2008-137.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit – K.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*HARDEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008*

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
2008-137 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	The District paid a provider for services pursuant to a contract; however, it was noted that none of the invoices included attendance records as required by the provider contract.	Corrected.	
2008-137 (2)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Allowable Costs/Cost Principles	Improvements were needed to provide for required provisions in contracts funded with Federal moneys.	Corrected.	
2008-137 (3)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559) - Suspension and Debarment	The District did not have the necessary controls in place to verify that, for certain Federal transactions, vendors were not suspended or debarred.	Corrected.	
2008-137 (4)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, 10.559) - Program Administration	The District could enhance its controls over Federal expenditures and related inventories for the food service program in order to ensure the efficiency of such operations.	Not Corrected.	The District plans to establish controls in the 2008-09 fiscal year to monitor the efficiency of food service program operations.

EXHIBIT K
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF HARDEE COUNTY

P.O. BOX 1678
WAUCHULA, FLORIDA 33873

Administrative Offices
1001-1009 North 6th Avenue
Wauchula, Florida, 33873

BOARD MEMBERS

Wendell Cotton
Joe Jones
Mildred Smith
Janice Platt
Teresa Crawford

David D. Durastanti, Superintendent of Schools
Woody Caligan, Deputy Superintendent

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

December 18, 2008

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

Dear Mr. Martin:

The following explanation is in response to the preliminary and tentative audit findings and recommendations for the Hardee County District School Board for the fiscal year ended June 30, 2008:

No. 1: Information Technology- Written Policies and Procedures. District Management Information Systems (MIS) staff and Finance staff will develop and distribute written procedures, as recommended.

No. 2: Information Technology- Management of Access Privileges. In December 2008, MIS staff created a new access group that has limited network access capabilities. Two MIS employees were moved from the domain administrator group to the new access group.

No. 3: Information Technology- Other Security Controls. In November 2008, District staff upgraded security controls as recommended.

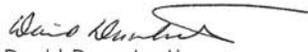
No. 4: Food Service Operations. The Food Service Director will establish procedures to monitor meal costs and track food service inventory at each school.

No. 5: Collection of Social Security Numbers. In December 2008, Finance staff reviewed the collection of employee social security numbers. Finance staff will notify employees the purposes for collecting social security numbers and will comply with the reporting requirements.

Federal No. 1: Program Administration. See Food Service Operations response above.

We appreciate your audit team's efforts to improve our School District.

Sincerely,


David Durastanti
Superintendent of Schools

Affirmative Action/Equal Opportunity Employer