REPORT NO. 2010-057
DECEMBER 2009

HARDEE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Hardee County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	District No.
Joe H. Jones	1
Tanya B. Royal to 11-17-08, Chair	2
Mildred C. Smith from 11-18-08	2
Gina Neuhofer to 11-17-08	3
Teresa M. Crawford from 11-18-08	3
Janice M. Platt, Vice Chair from 11-18-08	4
Wendell Cotton, Vice Chair to 11-17-08, Chair from 11-18-08	5

Dennis G. Jones, Superintendent to 11-17-08
David Durastanti, Superintendent from 11-18-08

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 Gregory J. Lemieux, CPA, and the audit was supervised by David A. Blanton, CPA. 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 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.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTER:

Finding No. 1: Improvements are needed to adequately monitor the efficiency of the food service program operation.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Title I 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 internal control and compliance findings as summarized below.

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

Federal Awards Finding No. 2: Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database.

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:

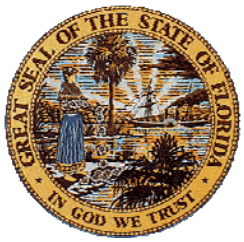
- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or 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. 2009-098.**

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, 2009. 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*.



AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S
REPORT ON 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, 2009, 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 24 percent of the assets and 72 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, 2009, 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 13) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 46 through 48) 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
December 1, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

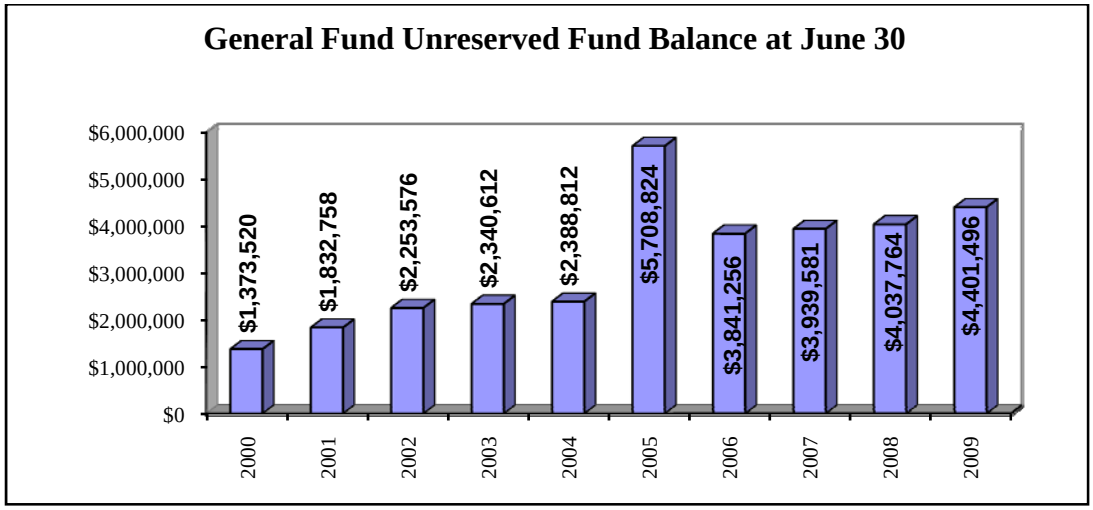
The management of the Hardee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 14 through 45.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- At June 30, 2009, the District's assets totaled $84,464,467, liabilities totaled $9,676,649, and net assets totaled $74,787,818. The District's net assets increased by $2,208,414, or 3 percent. The increase was primarily due to a reduction in a liability for deferred revenues in the 2008-09 fiscal year after the District received encumbrance authorizations for State allocations from the 2007-08 fiscal year – Classrooms for Kids ($1,884,896) and Public Education Capital Outlay Construction ($790,590).
- During the 2008-09 fiscal year, General Fund expenditures exceeded revenues by $1,033,192. When other financing sources (transfers in, sale of capital assets, and loss recoveries) totaling $1,573,629 are considered, the General Fund balance increased by $540,437 to $6,003,470.

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



OVERVIEW OF 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. Financial information for the component unit is reported separately from the financial information presented for the primary government.

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 entitywide 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.

The governmental funds 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, Special Revenue – ARRA Economic Stimulus Fund, Capital Projects – Special Act Bonds 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

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 $74,787,818 at June 30, 2009.

By far, the largest portion of the District's net assets (85.2 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, 2009, compared to net assets as of June 30, 2008:

Net Assets, End of Year

	Governmental Activities		Increase/
	6-30-09	6-30-08	(Decrease)
Current and Other Assets	$ 16,822,523	$ 14,394,198	$ 2,428,325
Capital Assets	67,641,944	67,789,309	(147,365)
Total Assets	84,464,467	82,183,507	2,280,960
Long-Term Liabilities	6,878,931	4,313,172	2,565,759
Other Liabilities	2,797,718	5,290,931	(2,493,213)
Total Liabilities	9,676,649	9,604,103	72,546
Net Assets:			
Invested in Capital Assets - Net of Related Debt	63,706,944	66,289,309	(2,582,365)
Restricted	9,360,194	4,845,870	4,514,324
Unrestricted	1,720,680	1,444,225	276,455
Total Net Assets	$ 74,787,818	$ 72,579,404	$ 2,208,414

The restricted portion of the District's net assets (12.5 percent) represents resources that are subject to external restrictions on how they may be used. Net assets are restricted for State categorical programs roll-forward, capital outlay, etc. The remaining balance of $1,720,680 is unrestricted net assets (2.3 percent).

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

- Current and other assets increased because most of the bond proceeds received in May 2009 from Refunding and Revenue Bonds, Series 2009, were not spent by June 30, 2009, on designated projects.
- Long-term liabilities increased and invested in capital assets – net of related debt decreased due to the issuance of Refunding and Revenue Bonds, Series 2009. The bonds were issued to finance a school bus and to replace a chiller and reroof certain buildings at the Senior High. The bonds have a par value of $2,700,000.
- Other liabilities decreased because the District received encumbrance authorizations in the 2008-09 fiscal year for State allocations from the 2007-08 fiscal year, including Classrooms for Kids ($1,884,896) and Public Education Capital Outlay Construction ($790,590). As a result, deferred revenues decreased.
- Restricted net assets increased because Refunding and Revenue Bonds, Series 2009, proceeds were not yet spent on reroofing Senior High buildings, the 2008-09 fiscal year property taxes levied and received for capital outlay purposes were not designated or spent, and Classrooms for Kids capital outlay funds were not yet spent on the Bowling Green Elementary classroom addition by June 30, 2009.

The following is a summary of the District's operating results for the fiscal year ended June 30, 2009, compared to operating results for the fiscal year ended June 30, 2008:

	Governmental Activities		Increase/
	6-30-09	6-30-08	(Decrease)
Program Revenues:			
Charges for Services	$ 495,980	$ 548,768	$ (52,788)
Operating Grants and Contributions	3,727,764	3,798,128	(70,364)
Capital Grants and Contributions	2,890,147	1,807,826	1,082,321
General Revenues:			
Property Taxes, Levied for Operational Purposes	10,101,716	9,395,302	706,414
Property Taxes, Levied for Capital Projects	2,947,082	3,373,740	(426,658)
Florida Education Finance Program	16,857,690	18,527,179	(1,669,489)
Other Federal Sources	5,235,950	5,069,533	166,417
Other State Sources	6,789,155	6,572,910	216,245
Unrestricted Investment Earnings	87,379	248,287	(160,908)
Miscellaneous	584,675	872,677	(288,002)
Total Revenues	49,717,538	50,214,350	(496,812)
Functions/Program Expenses:			
Instruction	24,834,637	25,936,829	(1,102,192)
Pupil Personnel Services	2,776,020	2,785,659	(9,639)
Instructional Media Services	1,041,417	1,237,238	(195,821)
Instruction and Curriculum Development Services	702,791	814,181	(111,390)
Instructional Staff Training Services	948,581	986,045	(37,464)
Instruction Related Technology	576,109	615,259	(39,150)
Board of Education	549,899	245,894	304,005
General Administration	771,526	586,443	185,083
School Administration	2,078,046	2,161,289	(83,243)
Facilities Acquisition and Construction	217,371	157,193	60,178
Fiscal Services	466,010	505,197	(39,187)
Food Services	2,777,030	2,975,501	(198,471)
Central Services	260,236	292,023	(31,787)
Pupil Transportation Services	2,004,760	2,234,220	(229,460)
Operation of Plant	3,658,756	3,930,169	(271,413)
Maintenance of Plant	1,687,514	1,949,993	(262,479)
Administrative Technology Services	234,964	272,608	(37,644)
Community Services	164,258	84,472	79,786
Interest on Long-Term Debt	175,230	70,049	105,181
Unallocated Depreciation Expense	1,583,969	3,150,237	(1,566,268)
Total Functions/Program Expenses	47,509,124	50,990,499	(3,481,375.00)
Increase (Decrease) in Net Assets	2,208,414	(776,149)	2,984,563
Net Assets - Beginning	72,579,404	73,355,553	(776,149)
Net Assets - Ending	$ 74,787,818	$ 72,579,404	$ 2,208,414

The District's net assets increased by $2,208,414 during the 2008-09 fiscal year. Key elements of the increase are as follows:

- Capital grants and contributions increased because the District recognized Classrooms for Kids ($1,884,896) and Public Education Capital Outlay Construction ($790,590) revenues in the 2008-09 fiscal year.
- Florida Education Finance Program (FEFP) revenues decreased even though the District's student population increased in the 2008-09 fiscal year, because the State reduced every student's base funding by $194 and reduced the guaranteed allocation for exceptional student education. In addition, the State reduced FEFP revenues by approximately $147,572 to account for Vandolah Power paying local property taxes in fiscal year 2008-09 that had been disputed and not paid in three prior fiscal years. The District's required local effort tax millage rate (as set by the State) increased by 0.477 mills or $386,103.
- Because District equity increased at North East Florida Educational Consortium (NEFEC) for dental, vision, life insurance, short-term disability, long-term disability, and a medical flexible spending account, and such equity increases are recorded as reductions of instruction expense, instruction expense decreased in the 2008-09 fiscal year. In contrast, in the prior fiscal year, District equity at NEFEC decreased, resulting in higher instruction expense.

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's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. 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, 2009, the District's governmental funds reported combined ending fund balances of $14,200,035, an increase of $5,026,720 in comparison with the prior year. Of the total ending fund balance, $9,847,438 (or 69.3 percent) constitutes unreserved fund balances, which are available for spending at the government'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 ($2,756,433), carryover of State categorical programs ($601,527), carryover of other restricted programs ($493,382), net assets held by the health insurance fiscal agent ($412,157).

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 Govermental Funds:				
General	$ 4,401,496	$ 1,601,973	$ 6,003,469	$ 540,437
Special Revenue- Other	8,045		8,045	(422)
Special Revenue- ARRA Economic Stimulus				
Capital Projects- Special Act Bonds	1,349,607	512,752	1,862,359	1,734,040
Capital Projects- Local Capital Improvement	2,573,430	35,491	2,608,921	989,429
Capital Projects- Other	405,439	2,100,912	2,506,351	963,339
Other Nonmajor Governmental Funds	1,109,421	101,469	1,210,890	799,897
	$ 9,847,438	$ 4,352,597	$ 14,200,035	$ 5,026,720
	69%	31%	100%	

The Capital Projects – Special Act Bonds Fund increased because the Refunding and Revenue Bonds, Series 2009, proceeds were received but not spent by June 30, 2009. The District intends to use these proceeds for a school bus ($103,206) and a replacement chiller ($87,838), and reroofing certain buildings at the Senior High ($1,677,828).

The Capital Projects - Local Capital Improvement Fund increased because 2008-09 fiscal year taxes for capital outlay in the amount of $1,503,475 were received but were not designated for any expenditure or project. Taxes from the 2007-08 fiscal year that were originally designated for reroofing the Senior High were moved to "not designated" after the Revenue and Refunding Bonds, Series 2009, proceeds were received.

The Capital Projects – Other Fund increased because the District recognized revenues totaling $1,026,222, for Classroom for Kids construction funds in late June 2009.

The nonmajor governmental funds increased because the District recognized revenues and encumbrance authorizations totaling $790,590 in the Capital Outlay – Public Education Capital Outlay funds.

BUDGETARY HIGHLIGHTS

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

- Final budgeted State revenues in the General Fund were lower than the original budget because in February 2009, the State reduced every district's funding by 2 percent in response to the State's economic condition. Hardee County District School Board's 2 percent reduction amounted to $693,916.
- The actual amount of instructional expenditures in the General Fund was lower than budgeted due, in part, to the following areas, which had significant positive budget variances: teacher pay ($115,898); teacher extra duty pay ($80,376); professional services ($89,295); other purchased services ($46,742); supplies ($255,022); textbooks and text-related ($221,800); and substitutes ($50,153). These budget variances were due, in part, to increased employee leave without pay; unused extra duty funds for the District's Voluntary Prekindergarten Program; lower than expected other services purchases for teen parent child care and Bowling Green Youth Academy, which closed in the 2008-09 fiscal year; unliquidated purchase orders for supplies, especially for maintenance and workforce development functions; and unused Instructional Materials categorical funds.
- Final budgeted School Board expenditures in the General Fund were higher than the original budget for certain categories mostly because of higher than expected payments during the year to the following: School Board attorney ($31,915) and outside attorneys ($20,000) for legal advice on the Daggett case and Petroleum Traders settlement; Hardee County Supervisor of Elections ($24,421) for holding a special "funding

flexibility" election in March 2009; a former employee ($40,000) in settlement for noneconomic damages; the former employee's attorney ($55,000) per the settlement; and Petroleum Traders ($195,000) in settlement for gas and diesel.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for the governmental activities as of June 30, 2009, amounts to $67,641,944 (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.

Capital Assets, Net of Depreciation

	Balance 6-30-2009	Balance 6-30-2008	Increase (Decrease)
Land	$ 2,046,222	$ 2,046,222	$
Improvements Other Than Buildings	3,039,048	3,285,196	(246,148)
Construction in Progress	1,832,182	600,784	1,231,398
Buildings and Fixed Equipment	57,446,422	58,742,047	(1,295,625)
Furniture, Fixtures, and Equipment	2,144,709	2,404,886	(260,177)
Motor Vehicles	832,769	565,197	267,572
Computer Software	300,592	144,977	155,615
	$ 67,641,944	$ 67,789,309	$ (147,365)

Construction in progress increased due to the classroom addition project at Bowling Green Elementary. Buildings and fixed equipment decreased due to depreciation exceeding the additions to buildings after the completion of the Senior High reroofing of buildings 800-900 (phase 1). Additional information on the District's capital assets can be found in Notes 4 and 14 to the Financial Statements.

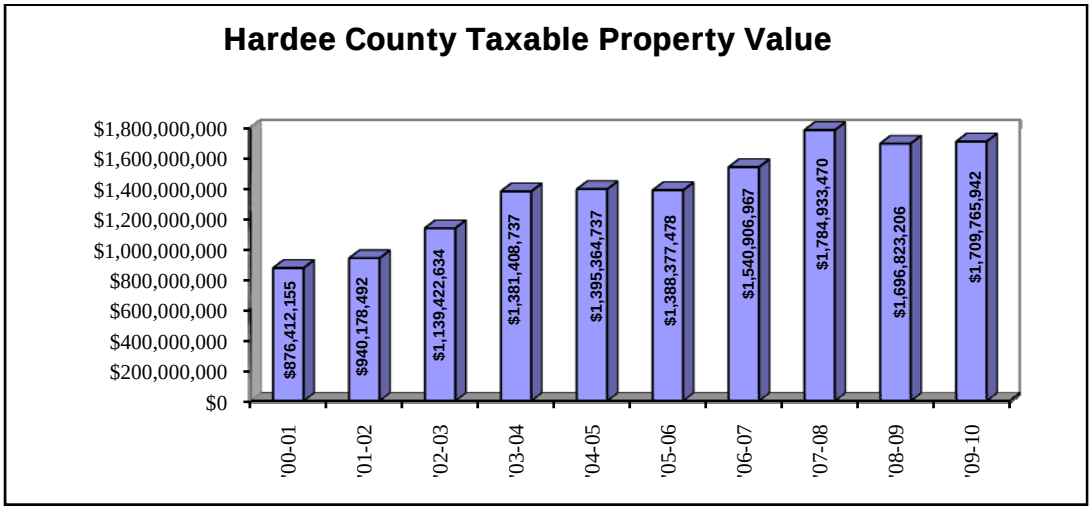
Long-Term Debt

Bonds payable are the only long-term debt related to capital assets. At June 30, 2009, the District had total bonded debt outstanding of $3,935,000. Of this amount, $2,700,000 relates to School Board of Hardee County, Florida, Refunding and Revenue Bonds, Series 2009, that will mature in November 2035 and $1,235,000 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 the notes to the financial statements.

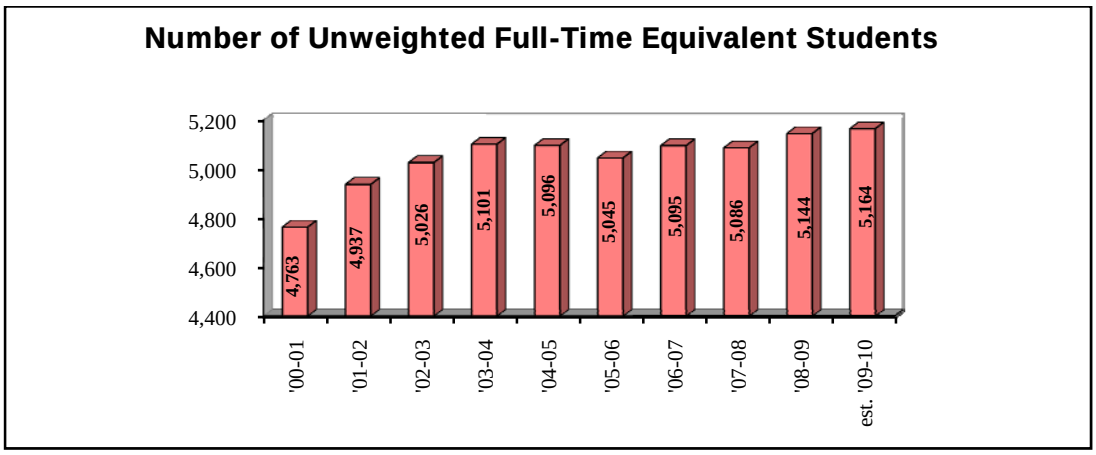
OTHER MATTERS OF SIGNIFICANCE

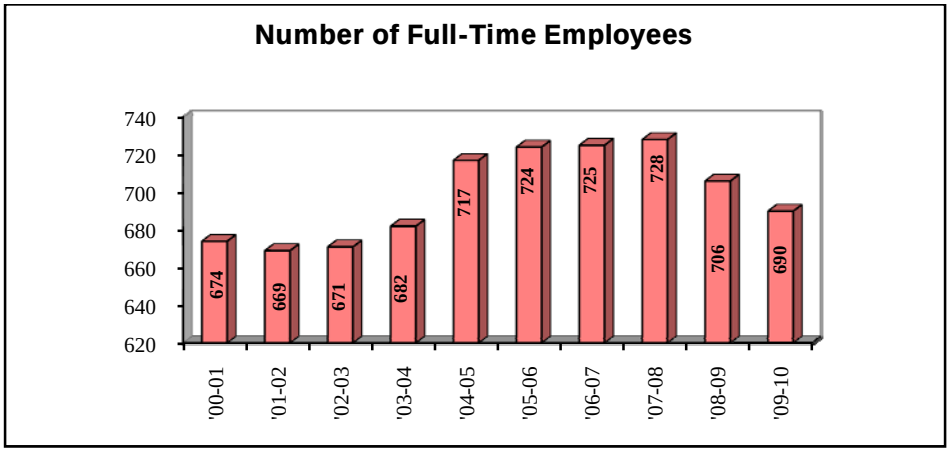
Hardee County had a population of 28,888 in 2008 with 8.6 percent of the population under age 5 and 27 percent of the population under age 18. Between 2000 and 2008, Hardee County's population increased by 7.2 percent. Because funding is largely based on the number of enrolled students, an increase in population, particularly of school-aged children, may increase District enrollment and related funding.

Taxable value for Hardee County increased by $12,942,736 (0.76 percent) to $1,709,765,942 for the 2009-10 fiscal year. Taxable value in Hardee County is comprised of real property (52 percent) and tangible property (48 percent). The biggest components of real property are agricultural, single family residential, and improved commercial/industrial. Tangible property includes power generation, utilities, and other tangible property. The following chart represents Hardee County taxable property values:



The Hardee County District School Board is comprised of five elementary schools, a junior high school, a senior high school, an adult education program, various preschool programs, and an alternative school. The District's number of unweighted full-time equivalent students (UFTE) in 2008-09 increased by 58 students to 5,144. The District projects to serve 5,164 unweighted full-time equivalent students in the 2009-10 fiscal year. The following charts show the changes in the number of unweighted full-time equivalent students and full-time employees:





On July 27, 2009, the Board adopted the proposed millages, the tentative budget for the 2009-10 fiscal year, and the projects to be funded with capital outlay taxes. The following schedule compares total fund balances at June 30, 2009 and tentative fund balances at June 30, 2010:

Fund Balance Comparison

	Projected Fund Balance 6-30-2010	Actual Fund Balance 6-30-2009	Projected Change in Fund Balance FY 2009-10
Major Govermental Funds:			
General	$ 7,503,683	$ 6,003,469	$ 1,500,214
Special Revenue- Other	8,045	8,045	
Special Revenue- ARRA Economic Stimulus			
Capital Projects- Special Act		1,862,359	(1,862,359)
Capital Projects- Local Capital Improvement	1,806,237	2,608,921	(802,684)
Capital Projects- Other		2,506,351	(2,506,351)
Other Nonmajor Governmental Funds	631,624	1,210,890	(579,266)
	$ 9,949,589	$ 14,200,035	$ (4,250,446)

The fund balance in the General Fund is budgeted to increase because Hardee County voters approved an additional 1.00 mill for operations, effective for the 2009-10 through 2012-13 fiscal years. The 1.00 additional mill is expected to generate $1,624,278 in the 2009-10 fiscal year. The tentative budget for 2009-10 does not consider any negotiated salary increases or State funding holdbacks.

The fund balance in the funds listed below are budgeted to decrease –

- Capital Projects - Special Act Bonds - Funds designated for a bus ($103,206), the Senior High cooling tower ($87,838), and reroofing of Senior High buildings 400, 600, and 700 ($1,678,726) are expected to be spent in the 2009-10 fiscal year.
- Capital Projects - Local Capital Improvement - Funds set aside for computers and equipment ($335,819), a bus ($103,206), and the Senior High's gigabit infrastructure upgrade ($339,085) will be spent in the 2009-10 fiscal year.
- Capital Projects - Other - All funds are expected to be spent on the Bowling Green Elementary classroom addition in the 2009-10 fiscal year.
- Other Nonmajor Governmental - All Public Education Capital Outlay funds ($790,625) are expected to be spent on the Bowling Green Elementary classroom addition in the 2009-10 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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 9,189,781.84	$ 169,141.00
Investments	4,060,442.86	43,904.00
Accounts Receivable	8,732.59	2,000.00
Due from Other Agencies	2,817,073.53	
Inventories	289,890.47	
Restricted Assets:		
Cash with Fiscal Agent	456,601.32	
Capital Assets:		
Nondepreciable Capital Assets	3,996,745.63	
Depreciable Capital Assets, Net	63,645,198.73	
TOTAL ASSETS	$ 84,464,466.97	$ 215,045.00
LIABILITIES		
Salaries and Benefits Payable	$ 667,003.96	$
Accounts Payable	506,482.30	19,500.00
Construction Contracts Payable	662,131.21	
Construction Contracts Payable - Retainage	57,023.12	
Accrued Interest Payable	175,230.53	
Due to Other Agencies	528,183.26	
Deferred Revenue	154,483.92	
Estimated Insurance Claims Payable	44,443.55	
Matured Interest Payable	2,736.25	
Long-Term Liabilities:		
Portion Due Within One Year	470,266.00	
Portion Due After One Year	6,408,665.29	
Total Liabilities	9,676,649.39	19,500.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	63,706,944.36	
Restricted for:		
State Categorical Programs	601,527.22	
Capital Projects	7,853,127.08	
Other Purposes	905,538.97	108,245.00
Unrestricted	1,720,679.95	87,300.00
Total Net Assets	74,787,817.58	195,545.00
TOTAL LIABILITIES AND NET ASSETS	$ 84,464,466.97	$ 215,045.00

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

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HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 24,834,636.81	$ 32,968.00	$	$
Pupil Personnel Services	2,776,019.58			
Instructional Media Services	1,041,416.83			
Instruction and Curriculum Development Services	702,791.24			
Instructional Staff Training Services	948,581.51			
Instruction Related Technology	576,108.59			
Board of Education	549,898.86			
General Administration	771,525.99			
School Administration	2,078,046.47			
Facilities Acquisition and Construction	217,371.03			2,890,146.47
Fiscal Services	466,010.31			
Food Services	2,777,029.69	435,721.88	2,179,726.23	
Central Services	260,236.11			
Pupil Transportation Services	2,004,760.20	27,290.06	1,177,193.00	
Operation of Plant	3,658,755.60			
Maintenance of Plant	1,687,513.85		370,845.00	
Administrative Technology Services	234,963.99			
Community Services	164,257.92			
Interest on Long-Term Debt	175,230.53			
Unallocated Depreciation Expense	1,583,968.93			
Total Primary Government	$ 47,509,124.04	$ 495,979.94	$ 3,727,764.23	$ 2,890,146.47
Component Unit				
The Hardee County Education Foundation, Inc.	$ 149,655.00	$ 0.00	$ 107,361.00	$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	
$ (24,801,668.81)	$
(2,776,019.58)	
(1,041,416.83)	
(702,791.24)	
(948,581.51)	
(576,108.59)	
(549,898.86)	
(771,525.99)	
(2,078,046.47)	
2,672,775.44	
(466,010.31)	
(161,581.58)	
(260,236.11)	
(800,277.14)	
(3,658,755.60)	
(1,316,668.85)	
(234,963.99)	
(164,257.92)	
(175,230.53)	
(1,583,968.93)	
(40,395,233.40)	
	(42,294.00)
10,101,715.91	
2,947,081.88	
28,882,795.09	
87,379.47	(4,027.00)
584,674.95	
42,603,647.30	(4,027.00)
2,208,413.90	(46,321.00)
72,579,403.68	241,866.00
$ 74,787,817.58	$ 195,545.00

HARDEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 2,547,745.37	$ 235,323.98	$
Investments	4,027,974.29		
Accounts Receivable	8,395.17		
Due from Other Funds	123,636.56		
Due from Other Agencies	104,670.58	75,338.75	42,714.65
Inventories	235,657.74		
Cash with Fiscal Agent	456,601.32		
TOTAL ASSETS	$ 7,504,681.03	$ 310,662.73	$ 42,714.65
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 667,003.96	$	$
Accounts Payable	334,606.48	112,678.18	42,058.77
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		111,083.88	655.88
Due to Other Agencies	455,157.44	73,025.82	
Matured Interest Payable			
Deferred Revenue		5,829.92	
Estimated Insurance Claims Payable	44,443.55		
Total Liabilities	1,501,211.43	302,617.80	42,714.65
Fund Balances:			
Reserved for State Categorical Programs	601,527.22		
Reserved for Encumbrances	94,907.06		
Reserved for Debt Service			
Reserved for Other Purposes	905,538.97		
Unreserved, Reported in:			
General Fund	4,401,496.35		
Special Revenue Funds		8,044.93	
Capital Projects Funds			
Total Fund Balances	6,003,469.60	8,044.93	
TOTAL LIABILITIES AND FUND BALANCES	$ 7,504,681.03	$ 310,662.73	$ 42,714.65

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

Capital Projects - Special Act Bonds Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 2,239,271.64	$ 2,587,262.32	$ 970,078.00	$ 610,100.53	$ 9,189,781.84
			32,468.57	4,060,442.86
			337.42	8,732.59
				123,636.56
	26,526.42	1,884,896.00	682,927.13	2,817,073.53
			54,232.73	289,890.47
				456,601.32
$ 2,239,271.64	$ 2,613,788.74	$ 2,854,974.00	$ 1,380,066.38	$ 16,946,159.17
$	$	$	$	$ 667,003.96
1,580.20	4,868.00	4,801.31	5,889.36	506,482.30
357,279.23		304,851.98		662,131.21
18,053.46		38,969.66		57,023.12
			11,896.80	123,636.56
				528,183.26
			2,736.25	2,736.25
			148,654.00	154,483.92
				44,443.55
376,912.89	4,868.00	348,622.95	169,176.41	2,746,124.13
				601,527.22
512,751.66	35,491.08	2,100,912.16	12,371.52	2,756,433.48
			89,097.56	89,097.56
				905,538.97
				4,401,496.35
			233,924.35	241,969.28
1,349,607.09	2,573,429.66	405,438.89	875,496.54	5,203,972.18
1,862,358.75	2,608,920.74	2,506,351.05	1,210,889.97	14,200,035.04
$ 2,239,271.64	$ 2,613,788.74	$ 2,854,974.00	$ 1,380,066.38	$ 16,946,159.17

HARDEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		$ 14,200,035.04
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.		67,641,944.36
Interest on bonds payable is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(175,230.53)
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	$ 3,935,000.00	
Compensated Absences Payable	2,807,770.29	
Postemployment Healthcare Benefits Payable	136,161.00	(6,878,931.29)
Total Net Assets - Governmental Activities		$ 74,787,817.58

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

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HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 51,310.70	$	$
Federal Through State and Local		4,985,923.72	42,714.48
State	24,639,201.05		
Local:			
Property Taxes	10,101,715.91		
Miscellaneous	826,007.78		
Total Revenues	35,618,235.44	4,985,923.72	42,714.48
Expenditures			
Current - Education:			
Instruction	21,453,602.17	2,435,492.67	42,714.48
Pupil Personnel Services	1,633,406.13	1,103,454.77	
Instructional Media Services	755,695.42	808.14	
Instruction and Curriculum Development Services	336,408.91	396,300.26	
Instructional Staff Training Services	305,788.85	632,074.27	
Instruction Related Technology	573,536.94		
Board of Education	703,996.86		
General Administration	394,704.39	140,614.42	
School Administration	2,040,423.42	28,561.00	
Facilities Acquisition and Construction	4,944.15		
Fiscal Services	459,631.25		
Food Services	10,455.67		
Central Services	233,057.39	4,020.44	
Pupil Transportation Services	1,974,356.46		
Operation of Plant	3,623,690.16		
Maintenance of Plant	1,615,276.35		
Administrative Technology Services	233,757.50		
Community Services	169,904.12	946.31	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	128,790.81	244,073.47	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	36,651,426.95	4,986,345.75	42,714.48
Excess (Deficiency) of Revenues Over Expenditures	(1,033,191.51)	(422.03)	
Other Financing Sources (Uses)			
Transfers In	1,342,027.00		
District Revenue Bonds Issued			
Discount on District Revenue Bonds			
Proceeds from Sale of Capital Assets	4,415.76		
Insurance Loss Recoveries	227,185.80		
Transfers Out			
Total Other Financing Sources (Uses)	1,573,628.56		
Net Change in Fund Balances	540,437.05	(422.03)	
Fund Balances, Beginning	5,463,032.55	8,466.96	
Fund Balances, Ending	$ 6,003,469.60	$ 8,044.93	$ 0.00

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

Capital Projects - Special Act Bonds Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$	$ 51,310.70
			2,128,265.23	7,156,903.43
		1,904,863.00	1,592,426.61	28,136,490.66
	2,947,081.88			13,048,797.79
9,113.61	35,184.47	2,621.52	442,523.91	1,315,451.29
9,113.61	2,982,266.35	1,907,484.52	4,163,215.75	49,708,953.87
				23,931,809.32
				2,736,860.90
				756,503.56
				732,709.17
				937,863.12
				573,536.94
				703,996.86
				535,318.81
				2,068,984.42
				4,944.15
				459,631.25
			2,447,726.43	2,458,182.10
				237,077.83
				1,974,356.46
				3,623,690.16
				1,615,276.35
				233,757.50
				170,850.43
925,572.92	1,021,655.67	944,145.27		2,891,373.86
			6,888.75	379,753.03
			265,000.00	265,000.00
175,286.09			112,440.55	287,726.64
1,100,859.01	1,021,655.67	944,145.27	2,832,055.73	47,579,202.86
(1,091,745.40)	1,960,610.68	963,339.25	1,331,160.02	2,129,751.01
160,418.57				1,502,445.57
2,700,000.00				2,700,000.00
(34,632.85)				(34,632.85)
				4,415.76
				227,185.80
	(971,182.00)		(531,263.57)	(1,502,445.57)
2,825,785.72	(971,182.00)		(531,263.57)	2,896,968.71
1,734,040.32	989,428.68	963,339.25	799,896.45	5,026,719.72
128,318.43	1,619,492.06	1,543,011.80	410,993.52	9,173,315.32
$ 1,862,358.75	$ 2,608,920.74	$ 2,506,351.05	$ 1,210,889.97	$ 14,200,035.04

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, 2009

Net Change in Fund Balances - Governmental Funds	$	5,026,719.72
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.		(147,364.52)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 by which proceeds exceeded repayments in the current period.		(2,435,000.00)
Postemployment healthcare benefits cost are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current period.		(136,161.00)
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 amount of compensated absences paid in excess of the amount earned in the current period.		5,401.48
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.		(105,181.78)
Change in Net Assets - Governmental Activities	$	2,208,413.90

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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 13,594.35	$ 326,763.15
Investments		104,038.54
TOTAL ASSETS	$ 13,594.35	$ 430,801.69
LIABILITIES		
Internal Accounts Payable	$	$ 430,801.69
NET ASSETS		
Assets Held in Trust for Scholarships and Other Purposes	13,594.35	
TOTAL LIABILITIES AND NET ASSETS	$ 13,594.35	

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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Private-Purpose Trust Funds
ADDITIONS	
Investment Earnings:	
Interest, Dividends, and Other	$ 176.64
DEDUCTIONS	
Scholarship Payments	4,200.00
Change in Net Assets	(4,023.36)
Net Assets - Beginning	17,617.71
Net Assets - Ending	$ 13,594.35

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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 government-wide financial statements include the financial data of The Hardee County Education Foundation, Inc. (Foundation), a separate not-for-profit corporation organized and operated as a direct support organization under Section 1001.453, Florida Statutes, to receive, hold, and administer property and to make expenditures 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, 2009. 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 that can be associated with a specific program or activity is allocated to the related function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Special Act Bonds Fund – to account for the financial resources of the District Revenue Bonds Series 1978, the Refunding and Revenue Bond Anticipation Notes Series 2008 Construction Fund, and the Refunding and Revenue Bond Series 2009 Construction Fund.
- 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 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 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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, postemployment healthcare benefits, 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**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

Investments consist of amounts placed in the SBA Debt Service accounts for investment of debt service moneys, amounts placed with SBA for participation in the Fund B Surplus Funds Trust Fund (Fund B) investment pool created by Section 218.417, Florida Statutes, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

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Investments made locally consist of certificates of deposit 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 straight-line method over the following estimated useful lives:

Description	Estimated Lives
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.

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- **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. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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 an allocation under the Classrooms for Kids Program. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- **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 2008 tax levy on September 11, 2008. 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.
- 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.

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

3. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1)	46 Day Average	$ 3,648.64
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	98,791.86
Debt Service Accounts	6 Months	32,468.57
Certificates of Deposit	July 23, 2009	2,525,963.31
Certificates of Deposit	October 17, 2009	752,075.12
Certificates of Deposit	October 17, 2009	752,182.54
Certificates of Deposit	January 6, 2010	3,000.00
Total Investments		$ 4,168,130.04

Note 1: Investments reported as cash equivalents.

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.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to SBA LGIP, 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 registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- The District's investments in the SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investments in certificates of deposit are in qualified public depositories.

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
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	600,783.54	2,143,686.62	912,288.44	1,832,181.72
Total Capital Assets Not Being Depreciated	2,765,347.45	2,143,686.62	912,288.44	3,996,745.63
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,492,415.95	8,660.88		4,501,076.83
Buildings and Fixed Equipment	77,164,762.86	951,120.65	343,390.14	77,772,493.37
Furniture, Fixtures, and Equipment	6,025,308.58	423,291.93	463,483.89	5,985,116.62
Motor Vehicles	4,040,007.98	267,572.00	212,095.27	4,095,484.71
Computer Software	801,875.03	180,356.37	90,960.27	891,271.13
Total Capital Assets Being Depreciated	92,524,370.40	1,831,001.83	1,109,929.57	93,245,442.66
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,325,561.88	254,808.68		1,580,370.56
Buildings and Fixed Equipment	18,422,716.24	2,246,744.77	343,390.14	20,326,070.87
Furniture, Fixtures, and Equipment	3,620,422.28	683,469.64	463,483.89	3,840,408.03
Motor Vehicles	3,474,811.01		212,095.27	3,262,715.74
Computer Software	656,897.56	24,741.44	90,960.27	590,678.73
Total Accumulated Depreciation	27,500,408.97	3,209,764.53	1,109,929.57	29,600,243.93
Total Capital Assets Being Depreciated, Net	65,023,961.43	(1,378,762.70)		63,645,198.73
Governmental Activities Capital Assets, Net	$ 67,789,308.88	$ 764,923.92	$ 912,288.44	$ 67,641,944.36

HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 777,798.67
Pupil Personnel Services	37,478.21
Instructional Media Services	266,097.40
Instructional Staff Training Services	4,180.86
General Administration	3,494.58
School Administration	31,393.81
Fiscal Services	2,297.86
Food Services	302,957.38
Central Services	26,012.51
Pupil Transportation Services	65,665.79
Operation of Plant	23,410.89
Maintenance of Plant	85,007.64
Unallocated	1,583,968.93
Total Depreciation Expense - Governmental Activities	$ 3,209,764.53

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Bond Anticipation Notes	$	$ 2,000,000	$ 2,000,000	$

Proceeds from the School Board of Hardee County, Florida, Revenue Bond Anticipation Notes were used to finance the cost of reroofing certain buildings at Hardee Senior High School and to pay costs associated with the issuances of the notes. The bond anticipation notes were issued on an interim basis until market conditions improved and the Board was able to issue School Board of Hardee County, Florida, Refunding and Revenue Bonds, Series 2009.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

6. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2001A	$ 730,000	6.0	2021
Series 2005A, Refunding	390,000	5.0	2017
Series 2005B, Refunding	115,000	5.0	2018
District Revenue Bonds:			
Series 2009	2,700,000	2.0 - 5.4	2035
Total Bonds Payable	$ 3,935,000		

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.

- **District Revenue Bonds**

  These bonds are authorized by Chapter 78-517, Laws of Florida, which provides that the bonds be secured by a sum of $187,375 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 annual distribution is remitted by the Florida Department of Financial Services to the District.

HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Prinicpal	Interest
State School Bonds:			
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	161,293.75	120,000.00	41,293.75
2015-2019	660,681.25	545,000.00	115,681.25
2020-2021	177,500.00	165,000.00	12,500.00
Total State School Bonds	1,619,500.00	1,235,000.00	384,500.00
District Revenue Bonds:			
2010	114,743.03		114,743.03
2011	184,780.00	65,000.00	119,780.00
2012	183,480.00	65,000.00	118,480.00
2013	182,017.50	65,000.00	117,017.50
2014	185,330.00	70,000.00	115,330.00
2015-2019	918,380.00	375,000.00	543,380.00
2020-2024	920,321.25	455,000.00	465,321.25
2025-2029	901,450.00	550,000.00	351,450.00
2030-2034	906,316.25	715,000.00	191,316.25
2035-2036	358,630.00	340,000.00	18,630.00
Total District Revenue Bonds	4,855,448.03	2,700,000.00	2,155,448.03
Total	$ 6,474,948.03	$ 3,935,000.00	$ 2,539,948.03

7. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 1,500,000.00	$ 2,700,000.00	$ 265,000.00	$ 3,935,000.00	$ 90,000.00
Compensated Absences Payable	2,813,171.77	408,296.58	413,698.06	2,807,770.29	380,266.00
Postemployment Healthcare Benefits Payable		416,330.00	280,169.00	136,161.00	
Total Governmental Activities	$ 4,313,171.77	$ 3,524,626.58	$ 958,867.06	$ 6,878,931.29	$ 470,266.00

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 123,636.56	$
Special Revenue:		
Other		111,083.88
ARRA Economic Stimulus		655.88
Nonmajor Governmental		11,896.80
Total	$ 123,636.56	$ 123,636.56

Interfund receivables in the General Fund represent amounts for retirement contributions in the Special Revenue funds. All interfund balances will be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 1,342,027.00	$
Capital Projects:		
Special Act Bonds	160,418.57	
Local Capital Improvement		971,182.00
Nonmajor Governmental		531,263.57
Total	$ 1,502,445.57	$ 1,502,445.57

Interfund transfers consisted of transfers 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.

9. 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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – Other and the Special Revenue – ARRA Economic Stimulus Funds are not recognized until expenditures are incurred, these grant funds generally do

HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 and the Special Revenue – ARRA Economic Stimulus Funds total $82,486.91, and $23,382.07, respectively, at June 30, 2009.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	$ 16,857,690.00
Categorical Educational Programs:	
Class Size Reduction	5,141,397.00
Transportation	1,177,193.00
Instructional Materials	517,721.00
School Recognition	171,893.00
Voluntary Prekindergarten	127,010.63
Florida Teachers Lead	72,296.00
Classrooms for Kids	1,904,863.00
Gross Receipts Tax (Public Education Capital Outlay)	1,161,435.00
Workforce Development Program	282,914.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	191,772.46
Discretionary Lottery Funds	121,609.00
Food Service Supplement	51,461.00
Adults with Disabilities	46,808.67
Miscellaneous	310,426.90
Total	$ 28,136,490.66

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

HARDEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.281	$ 8,960,923.35
Basic Discretionary Local Effort	0.498	845,017.96
Supplemental Discretionary Local Effort	0.250	424,205.80
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.750	2,969,440.61
Total	7.779	$ 13,199,587.72

12. 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 Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 70 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled $239,051.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	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 PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $2,320,785, $2,411,257, and $2,333,348, 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.

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

13. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of $4,418,739 at the July 1, 2008, date of transition amortized over 20 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District, and their eligible dependents, are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverages.

The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. The Plan does not require Medicare-eligible members to enroll in the Federal Medicare program for their primary coverage, although most elect to do so. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 51 retirees received postemployment healthcare benefits, and another 80 retirees received only life insurance benefits. The District provided required contributions of $280,169 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling $310,690, which represents 1.3 percent of covered payroll.

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

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Description	Amount
Normal Cost (service cost for one year)	$ 170,976
Amortization of Unfunded Actuarial Accrued Liability	236,291
Interest on Normal Cost and Amortization	9,063
Annual Required Contribution	416,330
Contribution Toward the OPEB Cost	(280,169)
Increase in Net OPEB Obligation	136,161
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	$ 136,161

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance 7/1/08	$ 0	$ 0	0 %	$ 0
2008-09	416,330	280,169	67.3 %	136,161

Funded Status and Funding Progress. As of January 1, 2008, the most recent valuation date,the actuarial accrued liability for benefits was $4,418,739, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,418,739 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $24,528,149 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.0 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's initial OPEB actuarial valuation as of January 1, 2008, used the individual entry age actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 20.0 percent initially for the 2008-09 fiscal year, reduced to 10.0 percent in the fiscal year 2010, and then further reduced by 0.5 percent per year, to an ultimate rate of 5.0 percent in 2020. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 19 years.

14. 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, Phase 2:	$	$	$
Consultant	54,393.00	49,341.00	5,052.00
Contractor	559,786.50	180,534.63	379,251.87
Bowling Green Elementary School Classroom Additions:			
Architect	345,469.58	288,202.46	57,267.12
Construction Manager	4,071,008.20	701,043.31	3,369,964.89
Total	$ 5,030,657.28	$ 1,219,121.40	$ 3,811,535.88

15. 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 Program 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.

HARDEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The property and casualty group under SCERMP is a public entity risk pool that was organized to develop, implement, and administer a multidistrict 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 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 participates in employee group health, dental, vision, life, and disability insurance programs 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 $44,443 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2009. 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
2007-08	$ 478,787.46	$ 515,500.84	$ (967,299.52)	$ 26,988.78
2008-09	26,988.78	468,590.41	(451,135.64)	44,443.55

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

HARDEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 39,000.00	$ 47,000.00	$ 51,310.70	$ 4,310.70
Federal Through State and Local	60,000.00	156,001.00		(156,001.00)
State	25,503,730.00	24,611,086.67	24,639,201.05	28,114.38
Local:				
Property Taxes	9,598,966.00	10,011,452.00	10,101,715.91	90,263.91
Miscellaneous	952,191.11	798,941.92	826,007.78	27,065.86
Total Revenues	36,153,887.11	35,624,481.59	35,618,235.44	(6,246.15)
Expenditures				
Current - Education:				
Instruction	22,754,020.37	22,406,997.32	21,453,602.17	953,395.15
Pupil Personnel Services	1,599,975.09	1,676,395.73	1,633,406.13	42,989.60
Instructional Media Services	778,803.85	777,505.23	755,695.42	21,809.81
Instruction and Curriculum Development Services	327,685.00	355,819.00	336,408.91	19,410.09
Instructional Staff Training Services	382,539.88	364,111.00	305,788.85	58,322.15
Instruction Related Technology	643,928.04	654,566.26	573,536.94	81,029.32
Board of Education	282,427.00	733,998.93	703,996.86	30,002.07
General Administration	451,377.42	420,738.49	394,704.39	26,034.10
School Administration	2,079,606.00	2,070,272.63	2,040,423.42	29,849.21
Facilities Acquisition and Construction		4,945.00	4,944.15	0.85
Fiscal Services	462,833.00	478,738.00	459,631.25	19,106.75
Food Services		10,455.67	10,455.67	
Central Services	276,467.00	247,600.00	233,057.39	14,542.61
Pupil Transportation Services	2,318,334.00	2,067,394.19	1,974,356.46	93,037.73
Operation of Plant	4,192,247.94	3,802,976.07	3,623,690.16	179,285.91
Maintenance of Plant	1,917,087.74	1,831,536.90	1,615,276.35	216,260.55
Administrative Technology Services	310,160.95	286,241.73	233,757.50	52,484.23
Community Services	188,274.00	185,718.68	169,904.12	15,814.56
Fixed Capital Outlay:				
Other Capital Outlay		128,791.00	128,790.81	0.19
Total Expenditures	38,965,767.28	38,504,801.83	36,651,426.95	1,853,374.88
Deficiency of Revenues Over Expenditures	(2,811,880.17)	(2,880,320.24)	(1,033,191.51)	1,847,128.73
Other Financing Sources				
Transfers In	1,197,845.00	1,345,971.00	1,342,027.00	(3,944.00)
Proceeds from Sale of Capital Assets	500.00	4,416.00	4,415.76	(0.24)
Insurance Loss Recoveries	1,000.00	224,669.00	227,185.80	2,516.80
Total Other Financing Sources	1,199,345.00	1,575,056.00	1,573,628.56	(1,427.44)
Net Change in Fund Balances	(1,612,535.17)	(1,305,264.24)	540,437.05	1,845,701.29
Fund Balances, Beginning	5,463,032.55	5,463,032.55	5,463,032.55	
Fund Balances, Ending	$ 3,850,497.38	$ 4,157,768.31	$ 6,003,469.60	$ 1,845,701.29

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 5,605,388.48	$ 6,190,823.58	$ 4,985,923.72	$ (1,204,899.86)	$	$ 1,128,331.00	$ 42,714.48	$ (1,085,616.52)
5,605,388.48	6,190,823.58	4,985,923.72	(1,204,899.86)		1,128,331.00	42,714.48	(1,085,616.52)
2,898,162.38	3,103,834.79	2,435,492.67	668,342.12		990,217.00	42,714.48	947,502.52
1,293,646.45	1,255,313.87	1,103,454.77	151,859.10		5,957.00		5,957.00
808.14	808.14	808.14					
482,908.68	504,801.38	396,300.26	108,501.12				
656,397.35	807,889.94	632,074.27	175,815.67		105,020.00		105,020.00
195,078.70	206,396.98	140,614.42	65,782.56		27,137.00		27,137.00
55,658.00	62,262.00	28,561.00	33,701.00				
1,196.33	4,494.78	4,020.44	474.34				
17,532.45							
4,000.00	947.25	946.31	0.94				
	244,074.45	244,073.47	0.98				
5,605,388.48	6,190,823.58	4,986,345.75	1,204,477.83		1,128,331.00	42,714.48	1,085,616.52
		(422.03)	(422.03)				
		(422.03)	(422.03)				
8,466.96	8,466.96	8,466.96					
$ 8,466.96	$ 8,466.96	$ 8,044.93	$ (422.03)	$ 0.00	$ 0.00	$ 0.00	$ 0.00

HARDEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
January 1, 2008	$ 0	$ 4,418,739	$ 4,418,739	0 %	$ 24,528,149	18.0%

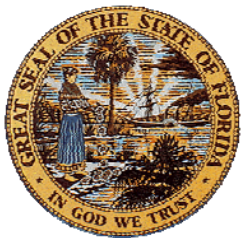
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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:			
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	$ 423,702.90
National School Lunch Program	10.555	300	1,509,314.84
Summer Food Service Program for Children	10.559	323	40,423.49
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	143,715.40
Total United States Department of Agriculture			2,117,156.63
United States Department of Justice:			
Indirect:			
City of Wauchula:			
Anti-Gang Initiative	16.744	None	799.25
United States Department of Labor:			
Indirect:			
South Florida Community College:			
WIA Pilots, Demonstrations, and Research Projects	17.261	None	430.75
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,107,385.63
Special Education - Preschool Grants	84.173	267	32,626.76
ARRA - Special Education Grants to States, Recovery Act	84.391	263	42,714.48
Florida Atlantic University:			
Special Education - Grants to States	84.027	None	526.08
Polk County District School Board:			
Special Education - Grants to States	84.027	None	22,193.99
Special Education - Preschool Grants	84.173	None	53,000.00
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	2,525.07
Total Special Education Cluster			1,260,972.01
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	2,108,329.41
Migrant Education - State Grant Program	84.011	217	876,770.53
Title I Program for Neglected and Delinquent Children	84.013	223	46,030.31
Career and Technical Education - Basic Grants to States	84.048	161	116,386.63
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	51.00
State Grants for Innovative Programs	84.298	113	808.14
Education Technology State Grants	84.318	121	12,895.27
Rural Education	84.358	110	124,636.52
English Language Acquisition Grants	84.365	102	43,898.01
Improving Teacher Quality State Grants	84.367	224	291,278.00
School Improvement Grants	84.377	126	33,568.89
Highlands County District School Board:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	None	928.00
Transition to Teaching	84.350	None	521.99
Mathematics and Science Partnerships	84.366	None	291.70
Total United States Department of Education			5,010,794.41
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	None	17,532.45
United States Department of Defense:			
Direct:			
Air Force Junior Reserve Officers Training Corps	None	N/A	51,310.70
Total Expenditures of Federal Awards			$ 7,198,024.19

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.



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

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

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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon 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 a certain additional matter that is 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 A. 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
December 1, 2009

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The President of the Senate, the Speaker of the
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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, 2009. 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, 2009. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Findings Nos. 1 and 2.

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 findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. 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
December 1, 2009

HARDEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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 *Circular A-133*?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555 and 10.559); Special Education Cluster (CFDA Nos. 84.027 84.173, and 84.391); and Title I Grants to Local Education Agencies (CFDA No. 84.010)
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, 2009

ADDITIONAL MATTER

Finding No. 1: 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 2008-09 fiscal year, 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. In response to our inquiry, District personnel indicated that the District is considering the purchase of computer software to help accumulate meal cost information by school. A similar finding was noted in our report Nos. 2008-137 and 2009-098.

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.

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 Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Program Administration. Non-Federal Finding No. 1 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: George Kelly, Director of Food Service

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Programs: ARRA: Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund – Education State Grants, Recovery Act (CFDA No. 84.394); and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA No. 84.397)
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store, and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The Florida Department of Education (FDOE) approved ARRA Federal funding for the District to administer, as shown in the table below:

Grant (CFDA Number)	Award Amount
ARRA – Title I (84.389)	$ 521,630
ARRA – Special Education (84.391)	588,181
ARRA – Special Education Preschool (84.392)	18,520
ARRA – State Fiscal Stabilization – Education (84.394)	1,639,966
ARRA – State Fiscal Stabilization – Government (84.397)	61,650

District records indicated that the award periods for these grants started on dates ranging from April 2009 through July 2009, and the grant periods ended on dates ranging from June 2010 through September 2010. Our review of District records and inquiry with District personnel disclosed that while the District had initially registered in CCR in March 2007, the registration expired in March 2008, because it had not been updated or renewed. Subsequent to our inquiries, in August 2009, District personnel renewed the District's registration with CCR and indicated that the Director of Finance would be responsible for future renewals with CCR. Without timely renewal in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should continue its efforts to ensure timely renewal in the Central Contractor Registration website on an annual basis as required.

District Contact Person: Greg Harrelson, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS,** the District had taken corrective actions for findings included in our report No. 2009-098.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

HARDEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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 (4) and 2009-098 (1)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Program Administration	The District could enhance its controls over Federal expenditures and the 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 2009-10 fiscal year to monitor the efficiency of food service program operations.

EXHIBIT A
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

November 2, 2009

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, 2009:

No. 1: Food Service Operations. The newly-appointed Food Service Director is conducting a software evaluation of programs in current use and programs available in the market place that will make it possible to accurately monitor meal costs at all school sites and provide accurate records of food service materials ordering, inventory usage and costs.

Initially it seems there is inadequate usage of the full capabilities of the current programs in use. The Nutrition and Menu software seems to have a cost analysis tool that is not used by all school sites. The Eligibility and Participation software appears to have the capability of tracking inventory by site, but it is not fully in use by all sites.

The District will obtain current documentation for programs in use and provide training to managers in inventory control and costing procedures before incurring the expense of new software.

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

Federal Awards No. 2: Reporting and Special Tests and Provisions. In June of each year, the Director of Finance will renew the District's registration with CCR.

As usual, your audit team was courteous and professional. I appreciate their efforts to improve Hardee County District Schools.

Sincerely,

David Durastanti
Superintendent of Schools

Affirmative Action/Equal Opportunity Employer