

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD**

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**Financial, Operational, and Federal Single  
Audit**

For the Fiscal Year Ended  
June 30, 2012



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Joe Arnold	1
Kelly Owens, Chair	2
Gay Carlton	3
India Riedel	4
David Williams, Vice Chair	5

Mr. Ken Kenworthy, Superintendent

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

The audit team leader was Gary B. Wright, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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## EXECUTIVE SUMMARY

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### 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, with the exception of the school internal funds, which comprise a significant portion of the aggregate remaining fund information.

### Summary of Report on Internal Control and Compliance

We noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be a material weakness and significant deficiency as summarized below.

#### MATERIAL WEAKNESS

**Finding No. 1:** The District needed to enhance controls over school internal fund collections and related deposits.

#### SIGNIFICANT DEFICIENCY

**Finding No. 2:** Some inappropriate or unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of access privileges. In addition, the District had not developed written policies and procedures for the periodic review of employee access privileges.

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

#### ADDITIONAL MATTERS

**Finding No. 3:** The IT access privileges of some former District employees were not deactivated in a timely manner. In addition, the District had not developed written policies and procedures for the deactivation of employee access privileges.

**Finding No. 4:** The District's IT security incident response team had not been trained on their roles and responsibilities in responding to security incidents.

**Finding No. 5:** District IT security controls related to user authentication, data loss prevention, and logging and monitoring needed improvement

### 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, Improving Teacher Quality, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

### Audit Objectives and Scope

Our audit objectives were to determine whether the Okeechobee 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. 2012-140.

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, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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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, each major fund, and the aggregate remaining fund information of the Okeechobee County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 36 percent of the assets and 93 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

Except as discussed in the following paragraph, 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. The financial statements of school internal funds were not audited in accordance with *Government Auditing Standards*. 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 report of the other auditors provide a reasonable basis for our opinions.

Audits of the school and activity funds, commonly called the school internal funds, are performed by other auditors pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code. The auditors of the school internal accounts found material weaknesses in controls over cash collections and issued a qualified opinion on the school internal funds' financial statements.

In our opinion, based on our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had appropriate evidence of cash collection in the school internal funds been available for audit, the financial statements referred to above present fairly, in all material respects, the

financial position of the aggregate remaining fund information for the Okeechobee County District School Board as of June 30, 2012, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Okeechobee County District School Board as of June 30, 2012, and the respective changes in financial position thereof for the fiscal 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 Okeechobee 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
March 15, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Okeechobee 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, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- In total, net assets decreased by \$4,592,930.95, which represents a 6 percent decrease from the 2010-11 fiscal year.
- General revenues total \$51,522,759.51, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,293,692.48, or 8 percent of all revenues.
- Expenses total \$60,409,382.94. Only \$4,293,692.48 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$4,592,930.95.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$6,989,643.09, at June 30, 2012, or 16 percent of total General Fund revenues. The fund balance includes \$108,641.02 of nonspendable funds, \$74,529.70 of restricted funds, \$172,187.46 of assigned funds, and \$6,634,284.91 of unassigned funds.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- 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 District presented on the accrual basis of accounting. The statement of net assets provides information about the District'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 District's financial health. 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.

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

## Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue - Other Fund, and Special Revenue - Federal Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses 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. The following is a summary of the District’s net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

	<b>Net Assets, End of Year</b>	
	Governmental Activities	
	<u>6-30-12</u>	<u>6-30-11</u>
Current and Other Assets	\$ 9,439,026.11	\$ 13,082,552.35
Capital Assets	<u>73,046,511.96</u>	<u>74,426,130.15</u>
<b>Total Assets</b>	<u>82,485,538.07</u>	<u>87,508,682.50</u>
Long-Term Liabilities	4,836,185.55	4,566,102.28
Other Liabilities	<u>1,601,348.68</u>	<u>2,301,645.43</u>
<b>Total Liabilities</b>	<u>6,437,534.23</u>	<u>6,867,747.71</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	71,941,511.96	73,166,130.15
Restricted	922,564.04	1,449,403.09
Unrestricted	<u>3,183,927.84</u>	<u>6,025,401.55</u>
<b>Total Net Assets</b>	<u>\$ 76,048,003.84</u>	<u>\$ 80,640,934.79</u>

The largest portion of the District’s net assets (95 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the District’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

	<b>Operating Results for the Fiscal Year Ended</b>	
	Governmental Activities	
	6-30-12	6-30-11
<b>Program Revenues:</b>		
Charges for Services	\$ 1,022,806.56	\$ 1,157,769.13
Operating Grants and Contributions	2,988,914.32	2,820,257.48
Capital Grants and Contributions	281,971.60	695,068.18
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	9,917,026.10	10,751,533.50
Property Taxes, Levied for Capital Projects	2,317,446.47	2,445,037.09
Grants and Contributions Not Restricted to Specific Programs	38,048,089.93	44,781,708.54
Unrestricted Investment Earnings	62,597.14	106,171.98
Miscellaneous	1,177,599.87	1,060,986.88
<b>Total Revenues</b>	<b>55,816,451.99</b>	<b>63,818,532.78</b>
<b>Functions/Program Expenses:</b>		
Instruction	31,205,295.81	33,411,825.10
Pupil Personnel Services	2,874,273.59	2,906,833.77
Instructional Media Services	607,136.90	659,914.36
Instruction and Curriculum Development Services	1,205,088.26	1,544,486.26
Instructional Staff Training Services	1,020,744.84	1,242,251.36
Instruction Related Technology	1,034,033.28	686,973.72
School Board	294,166.37	362,312.33
General Administration	720,871.60	1,154,291.91
School Administration	3,175,607.81	3,516,971.40
Facilities Acquisition and Construction	520,401.86	996,420.57
Fiscal Services	409,680.71	460,281.55
Food Services	3,605,479.95	3,639,198.08
Central Services	630,978.04	448,961.80
Pupil Transportation Services	3,342,338.79	3,396,553.64
Operation of Plant	4,070,024.91	3,831,303.90
Maintenance of Plant	1,111,661.19	1,248,246.92
Administrative Technology Services	188,169.58	499,032.12
Community Services	290,968.21	300,940.32
Unallocated Interest on Long-Term Debt	63,149.30	70,075.04
Unallocated Depreciation Expense	3,924,967.62	3,740,844.29
Loss on Disposal of Capital Assets	114,344.32	114,863.64
<b>Total Functions/Program Expenses</b>	<b>60,409,382.94</b>	<b>64,232,582.08</b>
<b>Decrease in Net Assets</b>	<b>\$ (4,592,930.95)</b>	<b>\$ (414,049.30)</b>

The largest revenue source is the State of Florida (57 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and the State categorical programs.

The FEFP funding formula is used to allocate State revenue sources for current District operations. Utilizing student enrollment data, the formula is designed to maintain equity in funding across all Florida school districts considering

funding ability based on taxable local property values. The FEFP revenues decreased by \$2,082,085, or 8 percent from decreases in local property values, along with reductions in the FEFP funding formula.

The District's net assets decreased by \$4,592,930.95 during the 2011-12 fiscal year. Contributing elements of the change are as follows:

- Grants and contributions not restricted to specific programs decreased by \$6,733,618.61, or 15 percent, primarily due to a decrease in grant funding for the Federal stimulus programs and State FEFP revenue decreases.
- Local tax revenue for operational purposes decreased by \$834,507.40, or 8 percent, due to decreases in property values and the elimination of the 0.25 percent critical operating needs millage revenue.
- Capital grants and contributions decreased by \$413,096.58, or 59 percent, primarily due to not receiving Public Education Capital Outlay appropriations for the 2011-12 fiscal year.
- Instruction expenses represent the majority of the District's expenses, totaling approximately 52 percent of total governmental expenses for the 2011-12 fiscal year. Instruction expenses decreased \$2,206,529.29, or 7 percent, due mainly to a reduction in Federal programs (as noted above).

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

#### **Major Governmental Funds**

The General Fund is the District's chief operating fund. The overall fund balance decreased by \$2,506,506.35 in the General Fund mainly as a result of reduction in State FEFP funding and local property tax funding, partially offset by a decrease in instruction expenditures due to staffing reductions.

The Special Revenue – Other Fund and Special Revenue - Federal Economic Stimulus Fund are used to account for certain Federal grant program resources. For the Special Revenue - Federal Economic Stimulus Fund revenues and expenditures decreased \$4,819,613.74 each from the prior fiscal year as a result of the expiration of many of the Federal stimulus grants. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the funds do not maintain a fund balance.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Final budgeted revenues and expenditures were in line with original budgeted amounts. Actual expenditures are \$4,779,010.64, or 9 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$5,315,826.69. The significant variance in the General Fund final amended budget amounts to actual amounts is due to the District budgeting for open positions that were not filled and for budgeting 100 percent of employee participation of health benefits.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

The District's investment in capital assets for its governmental activities at June 30, 2012, is \$73,046,511.96 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included completion of Okeechobee Achievement Academy, OHS Drivers Ed Paving Project and Pressbox, school bus purchases, electrical upgrades, and computer equipment purchases.

Additional information on the District's capital assets can be found in note 4 to the financial statements.

**Long-Term Debt**

At June 30, 2012, the District has total long-term debt outstanding of \$1,105,000, comprised of State Board of Education bonds payable. During the fiscal year, retirement of debt amounted to \$155,000.

Additional information on the District's long-term debt can be found in notes 5 and 6 to the financial statements.

**OTHER MATTERS OF SIGNIFICANCE**

Approximately 57 percent of the total fund revenues are from the State of Florida. The primary source of State revenue is the FEFP, which derives its funding from the State sales tax, which is an unstable revenue stream. Economic conditions, which affect consumer spending both nationally and especially in the State of Florida, will impact the amount of revenue received by the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment have a significant impact on establishing the State budget as well as the District budget.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Okeechobee County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Joi Turbeville, Director of Finance, Okeechobee County School Board, 700 SW 2<sup>nd</sup> Avenue, Okeechobee, Florida 34974.

**BASIC FINANCIAL STATEMENTS**

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 8,153,246.69
Investments	217,540.73
Accounts Receivable	104,861.15
Due from Other Agencies	661,612.19
Inventories	301,765.35
Capital Assets:	
Nondepreciable Capital Assets	5,568,448.62
Depreciable Capital Assets, Net	67,478,063.34
<b>TOTAL ASSETS</b>	<b>\$ 82,485,538.07</b>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	\$ 455,008.62
Payroll Deductions and Withholdings	244,817.39
Accounts Payable	901,522.67
Long-Term Liabilities:	
Portion Due Within One Year	311,135.14
Portion Due After One Year	4,525,050.41
<b>Total Liabilities</b>	<b>6,437,534.23</b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	71,941,511.96
Restricted for:	
State Required Carryover Programs	74,529.70
Debt Service	35,208.30
Capital Projects	453,320.27
Food Service	359,505.77
Unrestricted	3,183,927.84
<b>Total Net Assets</b>	<b>76,048,003.84</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,485,538.07</b>

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 31,205,295.81	\$ 66,042.10	\$	\$	\$ (31,139,253.71)
Pupil Personnel Services	2,874,273.59				(2,874,273.59)
Instructional Media Services	607,136.90				(607,136.90)
Instruction and Curriculum Development Services	1,205,088.26				(1,205,088.26)
Instructional Staff Training Services	1,020,744.84				(1,020,744.84)
Instruction Related Technology	1,034,033.28				(1,034,033.28)
School Board	294,166.37				(294,166.37)
General Administration	720,871.60				(720,871.60)
School Administration	3,175,607.81				(3,175,607.81)
Facilities Acquisition and Construction	520,401.86			67,946.92	(452,454.94)
Fiscal Services	409,680.71				(409,680.71)
Food Services	3,605,479.95	714,396.16	2,988,914.32		97,830.53
Central Services	630,978.04				(630,978.04)
Pupil Transportation Services	3,342,338.79	86,727.80			(3,255,610.99)
Operation of Plant	4,070,024.91				(4,070,024.91)
Maintenance of Plant	1,111,661.19				(1,111,661.19)
Administrative Technology Services	188,169.58				(188,169.58)
Community Services	290,968.21	155,640.50			(135,327.71)
Unallocated Interest on Long-Term Debt	63,149.30			214,024.68	150,875.38
Unallocated Depreciation*	3,924,967.62				(3,924,967.62)
Loss on Disposal of Assets	114,344.32				(114,344.32)
<b>Total Governmental Activities</b>	<b>\$ 60,409,382.94</b>	<b>\$ 1,022,806.56</b>	<b>\$ 2,988,914.32</b>	<b>\$ 281,971.60</b>	<b>(56,115,690.46)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for Operational Purposes					9,917,026.10
Property Taxes, Levied for Capital Projects					2,317,446.47
Grants and Contributions Not Restricted to Specific Programs					38,048,089.93
Unrestricted Investment Earnings					62,597.14
Miscellaneous					1,177,599.87
<b>Total General Revenues</b>					<b>51,522,759.51</b>
<b>Change in Net Assets</b>					<b>(4,592,930.95)</b>
Net Assets - Beginning					80,640,934.79
<b>Net Assets - Ending</b>					<b>\$ 76,048,003.84</b>

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

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,563,446.63	\$ 7,011.35	\$ 1,091.42
Investments	138,080.19		
Accounts Receivable	104,481.13		
Due from Other Funds	420,785.47		
Due from Other Agencies	94,972.90	501,958.53	31,283.52
Inventories	108,641.02		
<b>TOTAL ASSETS</b>	<b>\$ 8,430,407.34</b>	<b>\$ 508,969.88</b>	<b>\$ 32,374.94</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 455,008.62	\$	\$
Payroll Deductions and Withholdings	244,817.39		
Accounts Payable	740,938.24	127,135.64	1,091.42
Due to Other Funds		381,834.24	31,283.52
<b>Total Liabilities</b>	<b>1,440,764.25</b>	<b>508,969.88</b>	<b>32,374.94</b>
Fund Balances:			
Nonspendable:			
Inventory	108,641.02		
Restricted for:			
State Required Carryover Programs	74,529.70		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	74,529.70		
Assigned to:			
Local Project Carryforward	83,863.45		
Other Purposes	88,324.01		
Total Assigned Fund Balance	172,187.46		
Unassigned Fund Balance	6,634,284.91		
<b>Total Fund Balances</b>	<b>6,989,643.09</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,430,407.34</b>	<b>\$ 508,969.88</b>	<b>\$ 32,374.94</b>

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$ 581,697.29	\$ 8,153,246.69
79,460.54	217,540.73
380.02	104,861.15
	420,785.47
33,397.24	661,612.19
<u>193,124.33</u>	<u>301,765.35</u>
<u>\$ 888,059.42</u>	<u>\$ 9,859,811.58</u>
\$	\$ 455,008.62
	244,817.39
32,357.37	901,522.67
<u>7,667.71</u>	<u>420,785.47</u>
<u>40,025.08</u>	<u>2,022,134.15</u>
<u>193,124.33</u>	<u>301,765.35</u>
	74,529.70
35,208.30	35,208.30
453,320.27	453,320.27
166,381.44	166,381.44
<u>654,910.01</u>	<u>729,439.71</u>
	83,863.45
	<u>88,324.01</u>
	<u>172,187.46</u>
	<u>6,634,284.91</u>
<u>848,034.34</u>	<u>7,837,677.43</u>
<u>\$ 888,059.42</u>	<u>\$ 9,859,811.58</u>

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Total Fund Balances - Governmental Funds** \$ 7,837,677.43

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. 73,046,511.96

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

Bonds Payable	\$ 1,105,000.00	
Compensated Absences Payable	2,323,714.55	
Other Postemployment Benefits Payable	1,407,471.00	(4,836,185.55)

**Total Net Assets - Governmental Activities** \$ 76,048,003.84

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

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**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 59,336.97	\$ 14,142.10	\$
Federal Through State and Local State	315,127.80	5,612,153.96	401,853.67
	31,624,883.27		
Local:			
Property Taxes	9,917,026.10		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	1,480,702.51		
Total Local Revenues	<u>11,397,728.61</u>		
<b>Total Revenues</b>	<u>43,397,076.65</u>	<u>5,626,296.06</u>	<u>401,853.67</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	28,227,849.10	2,356,606.33	202,011.43
Pupil Personnel Services	2,105,626.60	767,820.95	
Instructional Media Services	607,002.04		
Instruction and Curriculum Development Services	507,382.04	663,491.61	33,928.02
Instructional Staff Training Services	107,796.61	803,629.02	109,167.49
Instruction Related Technology	896,655.91	137,141.36	
School Board	294,166.37		
General Administration	545,293.24	164,988.68	10,505.39
School Administration	3,174,613.19		
Facilities Acquisition and Construction	153,414.21		
Fiscal Services	409,562.70		
Food Services			
Central Services	630,910.61		
Pupil Transportation Services	2,797,884.80	146,340.23	4,600.35
Operation of Plant	4,061,620.54	7,494.04	
Maintenance of Plant	1,111,442.04		
Administrative Technology Services	188,152.72		
Community Services	290,968.21		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	112,508.88	578,783.84	41,640.99
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<u>46,222,849.81</u>	<u>5,626,296.06</u>	<u>401,853.67</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(2,825,773.16)</u>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	301,683.00		
Insurance Loss Recoveries	26,631.09		
Transfers Out	(9,047.28)		
<b>Total Other Financing Sources (Uses)</b>	<u>319,266.81</u>		
<b>Net Change in Fund Balances</b>	<u>(2,506,506.35)</u>		
Fund Balances, Beginning	9,496,149.44		
<b>Fund Balances, Ending</b>	<u>\$ 6,989,643.09</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$	\$
	73,479.07
2,929,581.32	9,258,716.75
340,244.76	31,965,128.03
2,317,446.47	12,234,472.57
21,652.00	21,652.00
714,396.16	714,396.16
26,195.01	1,506,897.52
<u>3,079,689.64</u>	<u>14,477,418.25</u>
<u>6,349,515.72</u>	<u>55,774,742.10</u>
	30,786,466.86
	2,873,447.55
	607,002.04
	1,204,801.67
	1,020,593.12
	1,033,797.27
	294,166.37
	720,787.31
	3,174,613.19
367,191.93	520,606.14
	409,562.70
3,604,434.75	3,604,434.75
	630,910.61
	2,948,825.38
	4,069,114.58
	1,111,442.04
	188,152.72
	290,968.21
1,591,032.93	1,591,032.93
713,032.23	1,445,965.94
155,000.00	155,000.00
62,911.30	62,911.30
<u>6,493,603.14</u>	<u>58,744,602.68</u>
<u>(144,087.42)</u>	<u>(2,969,860.58)</u>
9,047.28	310,730.28
	26,631.09
<u>(301,683.00)</u>	<u>(310,730.28)</u>
<u>(292,635.72)</u>	<u>26,631.09</u>
(436,723.14)	(2,943,229.49)
<u>1,284,757.48</u>	<u>10,780,906.92</u>
<u>\$ 848,034.34</u>	<u>\$ 7,837,677.43</u>

**OKEECHOBEE 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, 2012**

**Net Change in Fund Balances - Governmental Funds** \$ (2,943,229.49)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.	(1,280,352.67)
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.	(114,344.32)
Capital assets donated to the District increase net assets in the government-wide financial statements but are not financial resources, and therefore, are not reported in the governmental funds.	15,078.80
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	155,000.00
In the statement of activities, the cost of other postemployment benefits obligation is measured by actuarial estimations, while in the governmental funds, expenditures are recognized based on the amounts actually paid for other postemployment benefits. This is the amount of other postemployment benefits obligation accrued in excess of the amount paid in the current period.	(411,816.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(13,267.27)

**Change in Net Assets - Governmental Activities** \$ (4,592,930.95)

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2012**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 501,286.00</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	<u>\$ 501,286.00</u>

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the District's reporting entity.

**Basis of Presentation:**

- **Government-wide Financial Statements** - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District.

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 expenses associated with the District's transportation department are allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and are 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.

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.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.

Additionally, the District reports the following fiduciary fund type:

- 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.

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

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 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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, other postemployment 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

**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) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, 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 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

**Inventories.** Inventories consist of expendable supplies held for consumption in the course of District operations. General Fund supply inventories are stated at cost on the first-in, first-out basis. General Fund transportation parts inventories are stated at cost based upon the last invoice price, which approximates the first-in, first-out basis. Special Revenue Fund – Food Service inventories are stated at cost, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the district's food service program by the Florida Department of Agriculture and consumer Services, Bureau of Food Distribution. The cost of supply inventories are recorded as expenditures when used rather than purchased. Transportation and food service inventories are recorded as expenditures when purchased and are adjusted at fiscal year-end based on physical counts of the inventories.

**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 \$750. 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.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment, Including Relocatables	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	10 - 15 years
Audio Visual Materials and Computer Software	3 - 5 years

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

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability 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.** Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of the FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting the FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. 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 educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

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

The Board adopted the 2011 tax levy on September 8, 2011. 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 Okeechobee 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.

**Educational Impact Fees.** The District received school impact fees based on an ordinance by the Okeechobee County Commission on April 12, 2007. The fees are collected by Okeechobee County and the City of Okeechobee for new residential construction. The fees can only be expended for providing school facility capital improvements in the Board's Financially Feasible 5-year District Facilities Work Program that will increase school capacity necessitated by the development that paid impact fees in a manner that will demonstrably benefit the payers of the impact fees. On October 11, 2011, the Board adopted a resolution recommending that the school impact fees be suspended due to revisions to school population projections. Therefore, effective November 29, 2011, the Okeechobee County Board of County Commissioners (BCC) suspended the imposition and collection of the impact fees.

**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.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information.** 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 Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**3. INVESTMENTS**

As of June 30, 2012, the District has the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	38 Day Average	\$ 2,130,338.42
Fund B	5.73 Year Average	182,332.43
Debt Service Accounts	6 Months	<u>35,208.30</u>
Total Investments		<u>\$ 2,347,879.15</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

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JUNE 30, 2012**

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy does not further limit its investment choices.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,825,229.21	\$	\$	\$ 3,825,229.21
Land Improvements - Nondepreciable	1,646,751.91	48,540.50		1,695,292.41
Construction in Progress	6,457,798.88	1,542,492.43	7,952,364.31	47,927.00
<b>Total Capital Assets Not Being Depreciated</b>	<b>11,929,780.00</b>	<b>1,591,032.93</b>	<b>7,952,364.31</b>	<b>5,568,448.62</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,019,094.26	163,355.24		2,182,449.50
Buildings and Fixed Equipment	78,077,534.49	7,789,009.07		85,866,543.56
Furniture, Fixtures, and Equipment	11,641,942.21	641,025.02	398,875.96	11,884,091.27
Motor Vehicles	5,817,530.23	584,010.00	335,234.00	6,066,306.23
Audio Visual Materials and Computer Software	2,858,285.02	236,009.72		3,094,294.74
<b>Total Capital Assets Being Depreciated</b>	<b>100,414,386.21</b>	<b>9,413,409.05</b>	<b>734,109.96</b>	<b>109,093,685.30</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	727,125.59	194,688.72		921,814.31
Buildings and Fixed Equipment	25,954,589.81	1,807,715.47		27,762,305.28
Furniture, Fixtures, and Equipment	7,215,822.31	1,410,233.19	361,246.98	8,264,808.52
Motor Vehicles	2,066,667.97	392,383.92	258,518.66	2,200,533.23
Audio Visual Materials and Computer Software	1,953,830.38	512,330.24		2,466,160.62
<b>Total Accumulated Depreciation</b>	<b>37,918,036.06</b>	<b>4,317,351.54</b>	<b>619,765.64</b>	<b>41,615,621.96</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>62,496,350.15</b>	<b>5,096,057.51</b>	<b>114,344.32</b>	<b>67,478,063.34</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 74,426,130.15</b>	<b>\$ 6,687,090.44</b>	<b>\$ 8,066,708.63</b>	<b>\$ 73,046,511.96</b>

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 392,383.92
Unallocated	3,924,967.62
	\$ 4,317,351.54
Total Depreciation Expense - Governmental Activities	\$ 4,317,351.54

**5. BONDS PAYABLE**

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	\$ 75,000	4.0 - 5.0	2019
Series 2005B, Refunding	1,030,000	5.0	2018
	\$ 1,105,000		
Total Bonds Payable	\$ 1,105,000		

The various bonds were issued by the State Board of Education to finance capital outlay projects 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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 219,800	\$ 165,000	\$ 54,800
2014	216,625	170,000	46,625
2015	208,375	170,000	38,375
2016	214,750	185,000	29,750
2017	215,500	195,000	20,500
2018-2019	231,250	220,000	11,250
	\$ 1,306,300	\$ 1,105,000	\$ 201,300
Total State School Bonds	\$ 1,306,300	\$ 1,105,000	\$ 201,300

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DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**6. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable	\$ 1,260,000.00	\$	\$ 155,000.00	\$ 1,105,000.00	\$ 165,000.00
Compensated Absences Payable	2,310,447.28	159,402.41	146,135.14	2,323,714.55	146,135.14
Other Postemployment Benefits Payable	995,655.00	779,810.00	367,994.00	1,407,471.00	
<b>Total Governmental Activities</b>	<b>\$ 4,566,102.28</b>	<b>\$ 939,212.41</b>	<b>\$ 669,129.14</b>	<b>\$ 4,836,185.55</b>	<b>\$ 311,135.14</b>

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

**7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$420,785.47	\$
Special Revenue:		
Other		381,834.24
Federal Economic Stimulus		31,283.52
Nonmajor Funds		7,667.71
<b>Total</b>	<b>\$420,785.47</b>	<b>\$420,785.47</b>

The majority of interfund balances relate to amounts due between funds for workers' compensation costs and indirect costs due at fiscal year-end. All amounts will be repaid within the 2012-13 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$301,683.00	\$ 9,047.28
Nonmajor Governmental	9,047.28	301,683.00
<b>Total</b>	<b>\$310,730.28</b>	<b>\$310,730.28</b>

The purpose of the transfers was to provide school recognition bonuses to food service workers and transfers for property and casualty insurance.

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DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**8. FUND BALANCE REPORTING**

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than in the General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The Superintendent also classifies amounts as assigned that are constrained to be used for specific purposes and not included in other categories, and the Board approves the assignments when it approves the annual financial report.

➤ **Unassigned**

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

**9. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue sources for the 2011-12 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 23,959,815.00
Categorical Educational Program - Class Size Reduction	6,945,212.00
School Recognition	299,274.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	260,319.60
Food Service Supplement	59,333.00
Mobile Home License Tax	33,515.41
Discretionary Lottery Funds	20,560.00
Miscellaneous	387,099.02
<b>Total</b>	<b>\$ 31,965,128.03</b>

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

**10. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.678	\$ 9,587,875
Basic Discretionary Local Effort	0.748	1,263,073
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,532,901
 Total	<u>7.926</u>	<u>\$ 13,383,849</u>

**11. FLORIDA RETIREMENT SYSTEM**

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 0.03 percent for administrative costs of the Investment Plan.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions, including employee

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DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

contributions, for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$2,857,322, \$3,249,410, and \$2,121,243, respectively, which were equal to the required contributions for each fiscal year.

There were 94 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$312,325, which was equal to the required contribution for the 2011-12 fiscal year.

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

**12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**Plan Description.** The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 51 retirees received other postemployment benefits. The District provided required contributions of \$367,994 toward the annual OPEB cost. Plan members receiving benefits contributed \$560,846, which represents 2 percent of covered payroll.

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

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DISTRICT SCHOOL BOARD  
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JUNE 30, 2012**

Description	Amount
Normal Cost (service cost for one year)	\$ 352,907
Amortization of Unfunded Actuarial Accrued Liability	443,756
Annual Required Contribution	796,663
Interest on Net OPEB Obligation	37,337
Adjustment to Annual Required Contribution	(54,190)
Annual OPEB Cost (Expense)	779,810
Contribution Toward the OPEB Cost	(367,994)
Increase in Net OPEB Obligation	411,816
Net OPEB Obligation, Beginning of Year	995,655
Net OPEB Obligation, End of Year	\$ 1,407,471

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 619,788	56.5%	\$ 571,918
2010-11	749,980	43.5%	995,655
2011-12	779,810	47.2%	1,407,471

**Funded Status and Funding Progress.** As of January 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$7,696,732, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,696,732 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$27,779,850, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.7 percent.

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

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

The District’s OPEB actuarial valuation as of January 1, 2011, used the individual entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District’s 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent beginning January 1, 2011, reduced by various decrements annually, to an ultimate rate of 4 percent after 10 years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 17 years.

**13. SIGNIFICANT COMMITMENTS**

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

The following is a schedule of encumbrances at June 30, 2012:

<b>Major Funds</b>				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$ 100,666.84	\$ 250,912.29	\$ 2,500.00	\$ 92,791.46	\$ 446,870.59

**14. JOINT VENTURES**

By a resolution adopted on October 14, 1986, the Board entered into a joint venture with the Okeechobee County Board of Commissioners (BCC) to develop a community park and sports complex. On October 16, 1986, the BCC adopted a similar resolution and the two resolutions provided the basis for the agreement for the joint venture. As part of the agreement, the BCC leased the facility to the District for 40 years or for the life of the facility, whichever is longer and provided that the District has the priority of use, over the general public, of the park and its facilities for educational purposes, and for extracurricular activities as part of the District’s normal school programs for the Board. The Board received approximately \$1.2 million in funding for this venture through the Florida Legislature under the provisions of Section 1013.52, Florida Statutes. The

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JUNE 30, 2012**

BCC contributed \$657,000 to the project and agreed to operate and maintain the facilities. The BCC maintains insurance on the facility and accounts for the entire cost of the facility on its records. The District is responsible for 50 percent of all operating costs reduced by operating revenues. During the 2011-12 fiscal year, the District paid a total of \$166,698.10 to the BCC for such costs attributable to the 2010-11 year.

**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 Okeechobee County District School Board is a member of the Florida School Boards Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. The FSBIT was established for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards. Insurance coverage for fiduciary, petroleum tanks, student accident, student nurse malpractice, and sports injury are provided by commercial insurance through the FSBIT.

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

The District's health and hospitalization insurance program is being provided through purchased commercial insurance.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2012**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 25,000.00	\$ 45,000.00	\$ 59,336.97	\$ 14,336.97
Federal Through State and Local State	225,000.00	241,781.50	315,127.80	73,346.30
	32,040,306.00	31,621,736.10	31,624,883.27	3,147.17
Local:				
Property Taxes	9,817,211.00	9,817,211.00	9,917,026.10	99,815.10
Miscellaneous	750,280.00	1,146,846.09	1,480,702.51	333,856.42
Total Local Revenues	10,567,491.00	10,964,057.09	11,397,728.61	433,671.52
<b>Total Revenues</b>	<b>42,857,797.00</b>	<b>42,872,574.69</b>	<b>43,397,076.65</b>	<b>524,501.96</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	29,545,516.30	29,906,296.67	28,227,849.10	1,678,447.57
Pupil Personnel Services	1,957,104.98	2,279,985.38	2,105,626.60	174,358.78
Instructional Media Services	659,114.04	644,478.47	607,002.04	37,476.43
Instruction and Curriculum Development Services	628,951.16	550,551.16	507,382.04	43,169.12
Instructional Staff Training Services	137,408.90	136,956.66	107,796.61	29,160.05
Instruction Related Technology	736,121.33	915,812.63	896,655.91	19,156.72
School Board	540,151.00	498,103.44	294,166.37	203,937.07
General Administration	1,526,405.03	1,261,176.19	545,293.24	715,882.95
School Administration	3,458,711.57	3,411,131.33	3,174,613.19	236,518.14
Facilities Acquisition and Construction	171,162.00	171,363.44	153,414.21	17,949.23
Fiscal Services	422,602.00	428,966.00	409,562.70	19,403.30
Central Services	815,942.96	730,626.00	630,910.61	99,715.39
Pupil Transportation Services	3,233,933.40	3,325,459.23	2,797,884.80	527,574.43
Operation of Plant	4,187,543.89	4,515,774.43	4,061,620.54	454,153.89
Maintenance of Plant	1,308,000.30	1,310,970.24	1,111,442.04	199,528.20
Administrative Technology Services	477,327.00	223,858.67	188,152.72	35,705.95
Community Services	352,500.00	348,035.56	290,968.21	57,067.35
Fixed Capital Outlay:				
Other Capital Outlay	329,990.74	342,314.95	112,508.88	229,806.07
<b>Total Expenditures</b>	<b>50,488,486.80</b>	<b>51,001,860.45</b>	<b>46,222,849.81</b>	<b>4,779,010.64</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,630,689.80)</b>	<b>(8,129,285.76)</b>	<b>(2,825,773.16)</b>	<b>5,303,512.60</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	300,000.00	300,000.00	301,683.00	1,683.00
Proceeds from Sale of Capital Assets	15,000.00	15,000.00		(15,000.00)
Insurance Loss Recoveries	1,000.00	1,000.00	26,631.09	25,631.09
Transfers Out		(9,047.28)	(9,047.28)	
<b>Total Other Financing Sources (Uses)</b>	<b>316,000.00</b>	<b>306,952.72</b>	<b>319,266.81</b>	<b>12,314.09</b>
<b>Net Change in Fund Balances</b>	<b>(7,314,689.80)</b>	<b>(7,822,333.04)</b>	<b>(2,506,506.35)</b>	<b>5,315,826.69</b>
Fund Balances, Beginning	9,496,149.44	9,496,149.44	9,496,149.44	
<b>Fund Balances, Ending</b>	<b>\$ 2,181,459.64</b>	<b>\$ 1,673,816.40</b>	<b>\$ 6,989,643.09</b>	<b>\$ 5,315,826.69</b>

Original Budget	Special Revenue - Other Fund			Original Budget	Special Revenue - Federal Economic Stimulus Fund		
	Final Budget	Actual	Variance with Final Budget - Positive (Negative)		Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 23.86 6,605,402.11	\$ 14,611.86 7,259,434.37	\$ 14,142.10 5,612,153.96	\$ (469.76) (1,647,280.41)	\$ 512,741.04	\$ 615,497.85	\$ 401,853.67	\$ (213,644.18)
<u>6,605,425.97</u>	<u>7,274,046.23</u>	<u>5,626,296.06</u>	<u>(1,647,750.17)</u>	<u>512,741.04</u>	<u>615,497.85</u>	<u>401,853.67</u>	<u>(213,644.18)</u>
2,352,003.17 816,937.50	2,972,736.26 825,669.66	2,356,606.33 767,820.95	616,129.93 57,848.71	192,085.71	206,178.76	202,011.43	4,167.33
822,315.66 979,907.96 134,246.23	777,813.76 1,066,660.90 147,639.78	663,491.61 803,629.02 137,141.36	114,322.15 263,031.88 10,498.42	5,510.00 201,093.64	89,504.88 217,173.66	33,928.02 109,167.49	55,576.86 108,006.17
210,109.83 9,889.76	203,071.75 5,904.81	164,988.68	38,083.07 5,904.81	13,654.08	18,079.09	10,505.39	7,573.70
287,522.00 12,614.00	175,110.48 12,379.00	146,340.23 7,494.04	28,770.25 4,884.96	3,000.00 7,240.00	4,600.35	4,600.35	
				4,000.00			
<u>979,879.86</u>	<u>1,087,059.83</u>	<u>578,783.84</u>	<u>508,275.99</u>	<u>86,157.61</u>	<u>79,961.11</u>	<u>41,640.99</u>	<u>38,320.12</u>
<u>6,605,425.97</u>	<u>7,274,046.23</u>	<u>5,626,296.06</u>	<u>1,647,750.17</u>	<u>512,741.04</u>	<u>615,497.85</u>	<u>401,853.67</u>	<u>213,644.18</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 6,484,274	\$ 6,484,274	0.0%	\$ 27,295,319	23.8%
January 1, 2011	0	7,696,732	7,696,732	0.0%	27,779,850	27.7%

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

**2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

The January 1, 2011, unfunded actuarial accrued liability of \$7,696,732 was significantly higher than the October 1, 2007, liability of \$6,484,274 as a result of benefit changes and other changes in cost and liability as discussed below:

- *Population Changes:* The number of active employees eligible for future postemployment benefits increased from 736 to 767. Previous valuations expected no changes in the active population. This growth resulted in a slight increase in cost and liability.
- *Retiree Medical Coverage Assumptions:* In the previous valuation, it was assumed that upon retirement, 30 percent of retiring employees under the age of 65 would elect to continue medical coverage through the District's plan. The current valuation assumes that 40 percent of the retiring employees under the age of 65 will elect to continue medical coverage through the District's plan. This change significantly increased cost and liability.
- *Initial cost of coverage:* The total cost of coverage increased from \$632 per employee per month (as expected for the October 1, 2007, valuation) to \$753 per employee per month for the October 1, 2010, valuation. This increase is lower than the projected \$845 per employee per month, substantially decreasing cost and liability.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 270,868.62
National School Lunch Program	10.555	300, 350	862,743.52
Summer Food Service Program for Children	10.559	323	37,005.97
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	379,116.93
National School Lunch Program	10.555 (2)	300, 350	1,363,877.37
Summer Food Service Program for Children	10.559	323	15,968.91
<b>Total United States Department of Agriculture</b>			<b>2,929,581.32</b>
<b>United States Department of Education:</b>			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	14,142.10
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,442,517.12
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	8,389.16
<b>Total Title I, Part A Cluster</b>			<b>2,450,906.28</b>
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,617,859.37
Special Education - Preschool Grants	84.173	267	77,689.86
ARRA - Special Education Grants to States, Recovery Act	84.391	263	77,178.00
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	261.80
St. Lucie County District School Board:			
Special Education - Grants to States	84.027	None	16,781.50
<b>Total Special Education Cluster</b>			<b>1,789,770.53</b>
Florida Department of Education:			
Migrant Education - State Grant Program	84.011	217	612,949.38
Career and Technical Education - Basic Grants to States	84.048	161	193,834.87
Rural Education	84.358	110	197,804.40
English Language Acquisition Grants	84.365	102	73,025.01
Improving Teacher Quality State Grants	84.367	224	396,473.95
ARRA - Education Technology State Grants, Recovery Act	84.386	122	68,367.29
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311	247,919.22
<b>Total Indirect</b>			<b>6,031,050.93</b>
<b>Total United States Department of Education</b>			<b>6,045,193.03</b>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	59,336.97
<b>Total Expenditures of Federal Awards</b>			<b>\$ 9,034,111.32</b>

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

(2) Noncash Assistance - National School Lunch Program. Includes \$237,013.30 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON 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, each major fund, and the aggregate remaining fund information of the Okeechobee County District School Board as of and for the fiscal year ended June 30, 2012, 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 includes a reference to other auditors and was modified to address the other auditors' qualification of opinion on the schools internal funds due to their inability to substantiate the completeness of cash collected and deposited in the bank. 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, as described in our report on the Okeechobee County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified a certain deficiency in internal

control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 2 to be a significant deficiency.

### **Compliance and Other Matters**

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

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

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

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is 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  
March 15, 2013



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### Compliance

We have audited the Okeechobee County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2012. 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 its 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2012.

### 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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

#### **Restricted Purpose Relating to Testing of Internal Control Over Compliance**

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
March 15, 2013

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Except for the effects of adjustments that may have been necessary for the school internal funds, there was no modification to the opinions on the financial statements.
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
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 a material weakness(es)?	None reported
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 – ARRA); Improving Teacher Quality State Grants (CFDA No. 84.367); and ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**Finding No. 1: School Internal Funds**

School internal funds provide an accounting for various school club and class activities and are reported by the District in its financial statements as Fiduciary Funds. The financial activities of the school internal funds represent approximately 36 percent of the assets and 93 percent of the liabilities, respectively, of the aggregate remaining fund information.

State Board of Education Rule 6A-1.087(2), Florida Administrative Code, requires an annual audit of the school internal funds and the Board obtained the required audit, dated November 20, 2012, for the 2011-12 fiscal year; however, the audit disclosed material weaknesses in controls over cash collections at two of the District’s ten schools. The reported receipts at the two schools (Seminole Elementary School and Okeechobee High School totaling \$42,208 and \$754,704, respectively) represent 54 percent of the total school internal fund receipts. The auditor noted weaknesses at the two schools, such as the lack of appropriately completed student activity reports to document cash collections and untimely deposits from fundraisers, resulting in a qualified opinion on the school internal funds’ financial statements. Without appropriate evidence to document cash collections and timely deposits, District personnel’s ability to substantiate the completeness of cash collected and related deposits may be limited.

Further, professional auditing standards require that when other auditors report on a significant portion of an entity’s financial statements, and the opinions contained in the reports are not unqualified, appropriate disclosures (qualifications) should be made in the auditor’s report. Therefore, our report on the District’s financial statements includes a qualification to that effect. Similar findings were noted in our report Nos. 2011-143 and 2012-140.

**Recommendation: The District should enhance controls over school internal funds collections and related deposits.**

**SIGNIFICANT DEFICIENCY**

**Finding No. 2: Information Technology – Access Privileges**

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job duties.

District personnel periodically review employee access privileges to IT applications; however, the District had not developed or established written policies and procedures to document the process for performing these reviews. Also, our tests of selected access privileges to the District's business application, including finance and human resources (HR) applications, network, and the application and Web servers hosting the business application, disclosed access privileges that were unnecessary or permitted employees to perform incompatible duties. Specifically:

- Three employees from the HR department, six employees from the finance department, and three employees from various departments had update privileges to one or more critical functions within the HR application, including adding an employee, changing an employee address, making time and salary adjustments, entering payroll changes, setting up direct deposit information, and processing payroll. Also, one of the HR employees, five finance department employees, and one school employee had update privileges to one or more critical functions within the finance application, including adding or modifying vendors, approving requisitions, entering and approving invoices, and processing electronic funds transfers and manual checks. These privileges permitted the employees, in some instances, to perform incompatible duties, including control over the employment and vendor payment processes, or were unnecessary for the employees' assigned job responsibilities. Subsequent to our inquiry, the incompatible access privileges for these employees were removed in December 2012.
- The finance director, four District IT employees, two programmers for the District's host data center, and three vendor accounts had systemwide access privileges that allowed update access to all critical functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data files. In response to our inquiry, District management indicated that the systemwide access privileges were removed for the finance director. District management further indicated that the District has chosen to grant systemwide access privileges to the four District IT employees for security administration purposes. However, it was not necessary for the employees to have systemwide access privileges to perform security administration functions.
- Twenty-nine accounts, including employee and service accounts, had network administrator access privileges. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. The large number of accounts with administrator access privileges indicated a need for the District to re-evaluate the necessity of the network accounts having such privileges. Limiting the number of network accounts with administrator privileges would increase the District's ability to restrict and manage the use of administrator privileges, reducing the risk of compromise and unauthorized network hardware, software, or configuration changes. An additional two network accounts assigned to the District's IT and finance directors had administrator privileges to the operating systems hosting the finance and HR applications. Administrator access privileges to the operating system provided the employees full control over the application files.
- Two network accounts assigned to the District's host data center and four network accounts assigned to the vendor for application support had not been used. Inactive user accounts may not have appropriate user network authentication controls in effect or be monitored for use, increasing the risk of compromise.

The existence of the inappropriate or unnecessary access privileges described above indicated a need for an improved District review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

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**Recommendation: The District should improve its review of employee access privileges and deactivate unnecessary or inappropriate employee access privileges detected. In addition, the District should establish written policies and procedures to document management's expectations for the performance of periodic reviews of employee access privileges.**

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**ADDITIONAL MATTERS**


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**Finding No. 3: Information Technology – Timely Deactivation of Access Privileges**


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Effective management of IT access privileges includes the timely deactivation of employee IT access privileges when an employee is reassigned or terminated. Prompt action is necessary to ensure that the access privileges are not misused by reassigned or former employees or others to compromise data or IT resources.

The HR Department typically provides correspondence for reassigned employees and notifications of terminated employees to the IT technician to deactivate employee access privileges. However, the District had not developed written policies and procedures to document the process for timely deactivating reassigned or terminated employee access privileges. Our test of 40 former District employees who had terminated employment during the 2011-12 fiscal year disclosed that, as of September 10, 2012, the network access privileges of 4 former employees remained active for periods ranging from 73 to 206 days after employment termination. District personnel indicated that the former employees' network privileges had not been used subsequent to termination of employment. When the access privileges of reassigned or former employees are not timely deactivated, the risk is increased that the access privileges may be misused by the former employees or others.

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**Recommendation:** The District should improve its deactivation procedures to ensure that access privileges of reassigned or former employees are timely deactivated. In addition, the District should establish written policies and procedures to document management's expectations for the timely deactivation of employee access privileges.

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**Finding No. 4: Information Technology – Security Incident Response Plan**


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Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for a team trained in incident response, and notification to affected parties.

Although the District had developed a written security incident response plan, the security response team had not received training on their roles and responsibilities in responding to security incidents. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of incident response team training could result in the District's failure to take appropriate and timely action to prevent further loss or damage to District data and IT resources. A similar finding was noted in our report No. 2012-140.

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**Recommendation:** The District should adequately train its incident response team to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

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**Finding No. 5: Information Technology – Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring**


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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication, data loss prevention, and logging and monitoring that needed improvement. We are not disclosing specific details of the issues in this report to avoid the

possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-140. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2012-140, Finding No. 1	Audit Report No. 2011-143, Finding No. 1
4	Audit Report No. 2012-140, Finding No. 8	NA

NA – Not Applicable

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2012*

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
2008-147 (1) 2009-156 (1) 2010-149 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389) - Special Tests and Provisions and Earmarking	Enhancements could be made in the administration of supplemental educational and choice-related transportation, as required. Questioned costs for the 2006-07 and 2007-08 fiscal years were \$178,656 and \$140,761, respectively.	Finding does not warrant further action. More than two years have passed since reporting packages were submitted to the Federal clearinghouse, no management decision was issued, and the grantor is not currently following up on the finding.	Control deficiency corrected. Grantor has not made a determination regarding questioned costs.

EXHIBIT A  
MANAGEMENT'S RESPONSE

Superintendent  
Ken Kenworthy



School District of Okeechobee County

863-462-5000

700 S. W. Second Avenue  
Okeechobee, Florida 34974

Fax 863-462-5151

Board Chairperson:  
David Williams  
Board Vice Chairperson:  
India Riedel  
Board Members:  
Joe Arnold  
Gay Carlton  
Malissa Morgan

February 25, 2013

Mr. David W. Martin, CPA  
Auditor General, State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Re: Response to Preliminary and Tentative Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings from the audit of the Okeechobee County District School Board for fiscal year ending June 30, 2012.

Finding No. 1: School Internal Funds

Response: *The District will train all individuals handling internal funds on rules and procedures.*

Finding No. 2: Information Technology – Access Privileges

Response: *The District will establish written policies pertaining to employee access privileges.*

Finding No. 3: Information Technology – Timely Deactivation of Access Privileges

Response: *The District will establish written policies that govern timely deactivation of reassigned or former employees.*

Finding No. 4: Information Technology – Security Incident Response Plan

Response: *The District will provide training to the incident response team.*

Finding No. 5: Information Technology – Security Controls

Response: *The District will implement security controls to ensure continued confidentiality, integrity, and availability of District data and IT resources.*

Sincerely,

Ken Kenworthy  
Superintendent of Schools

cc: School Board Members  
Tom Conely, School Board Attorney  
Mary Hurley, Assistant Superintendent for Instructional Services  
Joni Ard, Assistant Superintendent for Administrative Services  
Joi Turbeville, Director of Finance

*Okeechobee County Schools: Achieving Excellence!*