REPORT NO. 2011-143
MARCH 2011

OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

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

Dr. Patricia G. Cooper, 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. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

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.

MATERIAL WEAKNESS

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

SIGNIFICANT DEFICIENCY

Finding No. 2: **Improvements were needed in the District's procedures to ensure that account balances and transactions are properly reported on the financial statements.**

ADDITIONAL MATTERS

Finding No. 3: **District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.**

Finding No. 4: **The District's information technology security controls related to user authentication needed improvement.**

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

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. 2010-149.**

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, 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, 2010, 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 21 percent of the assets and 92 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 the 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 collections 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, 2010, and the changes in financial position thereof for the 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 for the Okeechobee County District School Board as of June 30, 2010, 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** (pages 4 through 9) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 36 through 39) 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 *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 financial statements and certain

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

Respectfully submitted,



David W. Martin, CPA
February 28, 2011

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, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 35.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased $2,680,564.50, which represents a 3 percent increase over the 2008-09 fiscal year.
- General revenues total $58,412,218.19, or 90 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $6,147,150.17, or 10 percent of all revenues.
- Expenses total $61,878,803.86. Only $6,147,150.17 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by $2,680,564.50.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $9,165,906.04 at June 30, 2010, or 19 percent of total General Fund expenditures.

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 financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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 its educational programs: basic, adult, and exceptional education. Support functions such as transportation and administration are also included. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in

the District's property tax base, student enrollment, and the condition of the District's capital assets including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of 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, Special Revenue – ARRA Economic Stimulus Fund, and Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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, 2010, compared to net assets as of June 30, 2009:

Net Assets, End of Year

	Governmental Activities	
	6-30-10	6-30-09
Current and Other Assets	$ 17,272,331.98	$ 18,276,536.00
Capital Assets	69,631,283.39	66,425,231.23
Total Assets	86,903,615.37	84,701,767.23
Long-Term Liabilities	4,547,566.91	4,432,765.59
Other Liabilities	1,301,064.37	1,894,582.05
Total Liabilities	5,848,631.28	6,327,347.64
Net Assets:		
Invested in Capital Assets - Net of Related Debt	68,221,283.39	64,860,231.23
Restricted	6,598,860.37	7,986,039.53
Unrestricted	6,234,840.33	5,528,148.83
Total Net Assets	$ 81,054,984.09	$ 78,374,419.59

The largest portion of the District's net assets (84 percent) reflects its investment in capital assets (e.g., land; buildings and fixed equipment; 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 (8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (8 percent) may be used to meet the government'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, 2010, and June 30, 2009, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	$ 1,209,446.20	$ 1,315,707.01
Operating Grants and Contributions	4,385,732.16	4,145,285.52
Capital Grants and Contributions	551,971.81	2,884,202.18
General Revenues:		
Property Taxes, Levied for Operational Purposes	13,595,051.75	12,729,681.42
Property Taxes, Levied for Capital Projects	3,180,867.34	3,875,569.64
Grants and Contributions Not Restricted to Specific Programs	40,622,999.42	40,085,941.61
Unrestricted Investment Earnings (Loss)	133,066.96	(185,470.41)
Miscellaneous	880,232.72	36,687.72
Total Revenues	64,559,368.36	64,887,604.69
Functions/Program Expenses:		
Instruction	32,744,364.63	32,530,954.40
Pupil Personnel Services	3,023,525.05	2,992,597.00
Instructional Media Services	621,205.74	680,630.77
Instruction and Curriculum Development Services	1,327,690.36	1,230,546.49
Instructional Staff Training Services	1,161,516.09	1,357,454.02
Instruction Related Technology	491,091.82	439,023.52
School Board	473,141.48	348,766.20
General Administration	1,167,489.50	1,312,473.71
School Administration	3,300,046.53	3,264,277.92
Facilities Acquisition and Construction	771,182.66	1,382,981.22
Fiscal Services	433,887.28	432,070.02
Food Services	3,570,503.57	3,408,642.57
Central Services	224,934.37	246,742.49
Pupil Transportation Services	2,988,895.20	3,023,637.63
Operation of Plant	3,803,637.95	3,784,232.67
Maintenance of Plant	1,249,129.71	1,158,056.16
Administrative Technology Services	548,061.99	621,949.07
Community Services	291,904.44	303,426.65
Unallocated Interest on Long-Term Debt	77,469.67	84,902.84
Unallocated Depreciation Expense	3,446,916.79	2,539,368.76
Loss on Disposal of Capital Assets	162,209.03	438,531.34
Total Functions/Program Expenses	61,878,803.86	61,581,265.45
Increase in Net Assets	$ 2,680,564.50	$ 3,306,339.24

The largest revenue source is the State of Florida (52 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula, State categorical programs, and local property taxes. General revenues provided about 90 percent of total revenues, whereas program revenues provide only about 10 percent. The majority (93 percent) of program revenues is in the facilities acquisition and construction, food services, and pupil transportation services activities.

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.

Property taxes collected for operational purposes increased $865,370.33, primarily due to an increase in the millage rates from 5.911 mills to 6.569 mills. Property taxes collected for capital outlay projects decreased by $694,702.30, or 18 percent, due to the millage rate change from 1.750 mills to 1.500 mills and declining property values. Taxable property values decreased approximately $300 million.

Capital grants and contributions decreased by $2,332,230.37, or 81 percent. During the 2008-09 fiscal year the District received a Classroom for Kids allocation of $2,019,818; however, no such State allocation was provided to the District in the 2009-10 fiscal year.

Instructional expenses represent the majority of the District's expenses, totaling approximately 53 percent of total governmental expenses for both the 2008-09 and 2009-10 fiscal years. The District continues to put an emphasis on instructional classroom expenditures. Total expenses did not significantly change during the 2009-10 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is $9,165,906.04, while the total fund balance is $9,536,695.94. The unreserved fund balance increased by $1,041,289.64, and the total fund balance increased by $922,282.99 during the fiscal year. This was the result of reductions in spending, partially offset by a decrease of $1,318,436.09 or 4 percent in the State of Florida funding, primarily caused by the downturn in the State's economy.

The Special Revenue – Other Fund and ARRA Economic Stimulus Fund are used to account for certain Federal grant program resources. 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. The substantial increase in activity of $3,632,240.83 from the prior fiscal year in the ARRA Economic Stimulus Fund was partially due to the receipt of $2,368,878.66 in State Fiscal Stabilization funds during the 2009-10 fiscal year. Decreases in Educational Technology grant awards primarily contributed to an overall 17 percent decrease in activity in the Special Revenue – Other Fund.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $4,605,470.81, which is restricted for the renovations, construction, and maintenance of capital assets. It should be noted that $584,516.08 has been encumbered for specific projects. Although legislation reduced the property tax millage rate from 1.750 to 1.500 mills and there was a decrease in property values, these decreases were more than offset by decreased capital spending, resulting in a fund balance increase during the 2009-10 fiscal year of $574,330.12.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to $363,707.27. At the same time, final appropriations were more than the original budgeted amounts by $969,863.07. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues received were $1,320,451.86 more than the final budgeted amounts while expenditures were $5,555,695.53, or 11 percent less than final budget amounts due largely to a positive budget variance in the instruction function of $2,230,667.43. The District reduced instructional staff by 52 positions, of which 5 were replaced by ARRA funding. Additionally, the District eliminated 12 custodial and transportation positions, resulting in positive budget variances of $736,917.56 and $415,649.58, in the pupil transportation services and operation of plant functions, respectively. Furthermore, ARRA funding replaced capital costs resulting in a positive variance of

$456,646.47. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $6,892,708.95.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to $69,631,283.39 (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 computer software.

Major capital outlay projects during the 2009-10 fiscal year included data building construction, Seminole Elementary classroom construction, school bus purchases, heating, ventilation, and air conditioning upgrades, and 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, 2010, the District has total long-term debt outstanding of $1,410,000. This amount is comprised of State Board of Education (SBE) bonds payable. During the 2009-10 fiscal year, the District participated in an SBE bond refunding, which resulted in the net retirement of debt of $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 52 percent of the total fund revenues are from the State of Florida. The primary source of State revenue is FEFP that derives its funding from the State sales tax, which is an unstable revenue stream. Economic conditions, which effect 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.

The District's 2010-11 fiscal year capital budget includes $5,857,122 to build Okeechobee Academic Academy. Additional information can be found in Note 15 to the financial statements.

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 2nd Avenue, Okeechobee, Florida 34975.

BASIC FINANCIAL STATEMENTS

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 15,016,053.43
Investments	266,427.22
Accounts Receivable	10,958.89
Due from Other Agencies	1,697,256.01
Inventories	281,636.43
Capital Assets:	
Nondepreciable Capital Assets	8,821,415.50
Depreciable Capital Assets, Net	60,809,867.89
TOTAL ASSETS	$ 86,903,615.37
LIABILITIES	
Salaries and Benefits Payable	$ 452,207.84
Payroll Deductions and Withholdings Payable	135,069.86
Accounts Payable	713,786.67
Long-Term Liabilities:	
Portion Due Within One Year	288,255.56
Portion Due After One Year	4,259,311.35
Total Liabilities	5,848,631.28
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	68,221,283.39
Restricted for:	
State Required Carryover Programs	164,288.70
Debt Service	42,642.25
Capital Projects	5,878,603.89
Food Service	513,325.53
Unrestricted	6,234,840.33
Total Net Assets	81,054,984.09
TOTAL LIABILITIES AND NET ASSETS	$ 86,903,615.37

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	$ 32,744,364.63	$ 231,333.50	$	$	$ (32,513,031.13)
Pupil Personnel Services	3,023,525.05				(3,023,525.05)
Instructional Media Services	621,205.74				(621,205.74)
Instruction and Curriculum Development Services	1,327,690.36				(1,327,690.36)
Instructional Staff Training Services	1,161,516.09				(1,161,516.09)
Instruction Related Technology	491,091.82				(491,091.82)
School Board	473,141.48				(473,141.48)
General Administration	1,167,489.50				(1,167,489.50)
School Administration	3,300,046.53				(3,300,046.53)
Facilities Acquisition and Construction	771,182.66			339,292.34	(431,890.32)
Fiscal Services	433,887.28				(433,887.28)
Food Services	3,570,503.57	949,754.38	2,731,433.16		110,683.97
Central Services	224,934.37				(224,934.37)
Pupil Transportation Services	2,988,895.20	28,358.32	1,654,299.00		(1,306,237.88)
Operation of Plant	3,803,637.95				(3,803,637.95)
Maintenance of Plant	1,249,129.71				(1,249,129.71)
Administrative Technology Services	548,061.99				(548,061.99)
Community Services	291,904.44				(291,904.44)
Unallocated Interest on Long-Term Debt	77,469.67			212,679.47	135,209.80
Unallocated Depreciation Expense*	3,446,916.79				(3,446,916.79)
Loss on Disposal of Capital Assets	162,209.03				(162,209.03)
Total Primary Government	$ 61,878,803.86	$ 1,209,446.20	$ 4,385,732.16	$ 551,971.81	(55,731,653.69)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					13,595,051.75
Property Taxes, Levied for Capital Projects					3,180,867.34
Grants and Contributions Not Restricted to Specific Programs					40,622,999.42
Unrestricted Investment Earnings					133,066.96
Miscellaneous					880,232.72
Total General Revenues					58,412,218.19
Change in Net Assets					2,680,564.50
Net Assets - Beginning					78,374,419.59
Net Assets - Ending					$ 81,054,984.09

* 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, 2010

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 9,511,128.79	$ 3,355.16	$
Investments	166,771.86		
Accounts Receivable	10,958.89		
Due from Other Funds	669,044.13		
Due from Other Agencies	223,882.02	397,055.55	339,679.88
Inventories	124,247.01		
TOTAL ASSETS	$ 10,706,032.70	$ 400,410.71	$ 339,679.88
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 452,207.84	$	$
Payroll Deductions and Withholdings Payable	135,069.86		
Accounts Payable	582,059.06	56,330.61	14,715.85
Due to Other Funds		344,080.10	324,964.03
Total Liabilities	1,169,336.76	400,410.71	339,679.88
Fund Balances:			
Reserved for State Required Carryover Programs	164,288.70		
Reserved for Encumbrances	206,501.20		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	9,165,906.04		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	9,536,695.94		
TOTAL LIABILITIES AND FUND BALANCES	$ 10,706,032.70	$ 400,410.71	$ 339,679.88

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 4,552,238.20	$ 949,331.28	$ 15,016,053.43
54,312.79	45,342.57	266,427.22
		10,958.89
		669,044.13
12,274.51	724,364.05	1,697,256.01
	157,389.42	281,636.43
$ 4,618,825.50	$ 1,876,427.32	$ 17,941,376.11
$	$	$ 452,207.84
		135,069.86
13,354.69	47,326.46	713,786.67
		669,044.13
13,354.69	47,326.46	1,970,108.50
		164,288.70
584,516.08	919,881.24	1,710,898.52
	42,642.25	42,642.25
		9,165,906.04
	513,325.53	513,325.53
4,020,954.73	353,251.84	4,374,206.57
4,605,470.81	1,829,100.86	15,971,267.61
$ 4,618,825.50	$ 1,876,427.32	$ 17,941,376.11

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balances - Governmental Funds		$ 15,971,267.61
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.		69,631,283.39
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ (1,410,000.00)	
Compensated Absences Payable	(2,565,648.91)	
Other Postemployment Benefits Payable	(571,918.00)	
		(4,547,566.91)
Total Net Assets - Governmental Activities		$ 81,054,984.09

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, 2010

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 50,627.62	$ 24,827.78	$
Federal Through State and Local	341,866.20	5,148,437.67	3,909,762.47
State	32,836,104.67		
Local:			
Property Taxes	13,595,051.75		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	982,643.89		
Total Revenues	47,806,294.13	5,173,265.45	3,909,762.47
Expenditures			
Current - Education:			
Instruction	29,103,969.50	2,123,567.81	1,247,026.00
Pupil Personnel Services	1,931,243.35	999,791.49	92,490.21
Instructional Media Services	621,205.74		
Instruction and Curriculum Development Services	657,539.66	624,611.25	45,539.45
Instructional Staff Training Services	125,073.90	892,221.36	144,220.83
Instruction Related Technology	443,970.83	38,833.20	8,287.79
School Board	473,141.48		
General Administration	1,003,249.70	134,133.15	30,106.65
School Administration	3,299,837.64	208.89	
Facilities Acquisition and Construction	360,807.68	4,155.05	
Fiscal Services	433,887.28		
Food Services			1,846.40
Central Services	224,934.37		
Pupil Transportation Services	2,449,382.39		176,866.50
Operation of Plant	3,790,015.69	13,622.26	
Maintenance of Plant	1,249,129.71		
Administrative Technology Services	548,061.99		
Community Services	291,904.44		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	4,311.00		
Other Capital Outlay	65,490.65	342,120.99	2,163,378.64
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	47,077,157.00	5,173,265.45	3,909,762.47
Excess (Deficiency) of Revenues Over Expenditures	729,137.13		
Other Financing Sources (Uses)			
Transfers In			
Refunded Bonds Issued			
Premium on Refunded Bonds			
Proceeds from Sale of Capital Assets	28,409.58		
Payment to Refunded Bonds Escrow Agent			
Insurance Loss Recoveries	174,644.72		
Transfers Out	(9,908.44)		
Total Other Financing Sources (Uses)	193,145.86		
Net Change in Fund Balances	922,282.99		
Fund Balances, Beginning	8,614,412.95		
Fund Balances, Ending	$ 9,536,695.94	$ 0.00	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 75,455.40
	2,586,359.54	11,986,425.88
	492,043.44	33,328,148.11
3,180,867.34		16,775,919.09
	170,674.00	170,674.00
	949,754.38	949,754.38
32,582.04	20,680.80	1,035,906.73
3,213,449.38	4,219,512.16	64,322,283.59
		32,474,563.31
		3,023,525.05
		621,205.74
		1,327,690.36
		1,161,516.09
		491,091.82
		473,141.48
		1,167,489.50
		3,300,046.53
253,553.80	145,206.13	763,722.66
		433,887.28
	3,568,657.17	3,570,503.57
		224,934.37
		2,626,248.89
		3,803,637.95
		1,249,129.71
		548,061.99
		291,904.44
1,563,293.89	2,059,707.35	3,627,312.24
822,271.57	146,814.75	3,540,076.60
	140,000.00	140,000.00
	77,469.67	77,469.67
2,639,119.26	6,137,855.07	64,937,159.25
574,330.12	(1,918,342.91)	(614,875.66)
	9,908.44	9,908.44
	125,000.00	125,000.00
	10,468.30	10,468.30
		28,409.58
	(134,333.28)	(134,333.28)
		174,644.72
		(9,908.44)
	11,043.46	204,189.32
574,330.12	(1,907,299.45)	(410,686.34)
4,031,140.69	3,736,400.31	16,381,953.95
$ 4,605,470.81	$ 1,829,100.86	$ 15,971,267.61

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, 2010

Net Change in Fund Balances - Governmental Funds		$ (410,686.34)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays 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 capital outlays in excess of depreciation expense in the current period.		3,357,825.74
In the governmental funds, the cost of capital assets is recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balances by the undepreciated cost of assets sold.		(162,209.03)
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.		10,435.45
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 repayment in the current period. In the 2009-10 fiscal year, there was also a reduction in liability due to a refunding bond issue.		
Refunding Bonds Issued	$ (125,000.00)	
Payment to Escrow Agent	140,000.00	
Bond Principal Payments	140,000.00	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.		(269,858.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the amount of compensated absences used in excess of the amount earned in the current period.		56.68
Change in Net Assets - Governmental Activities		$ 2,680,564.50

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, 2010

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 509,914.00
LIABILITIES	
Internal Accounts Payable	$ 509,914.00

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Okeechobee County School District (District) is considered part of the Florida system of public education. The governing body of the school district is the Okeechobee County District School Board (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 reporting entity of the District.

- **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 expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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, 2010

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund types:

- 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, 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.

➢ **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)

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Investments consist of amounts placed in SBA debt service accounts for investment of debt service moneys, amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to 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 surplus 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Description	Estimated Lives
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. Governmental fund types recognize bond premiums and discounts, as well as issuance costs, in the current period. The face amount of debt and premiums are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund 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 FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

- **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. 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 receives school impact fees based on an ordinance adopted by the Okeechobee County Commission (County) on April 12, 2007. The fees are collected by the County and City of Okeechobee for new residential construction. The fees can only be expended for providing school facility capital improvements in the School 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.

- **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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- 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, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	$ 11,285,127.86
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	223,784.97
Debt Service Accounts	6 Months	42,642.25
Total Investments		$ 11,551,555.08

Note (1): Investment reported as a cash equivalent for financial statement purposes.

Interest Rate Risk

- The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.
- The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,825,229.21	$	$	$ 3,825,229.21
Land Improvements - Nondepreciable	1,508,803.67	79,367.72		1,588,171.39
Construction in Progress	1,655,836.27	3,540,484.52	1,788,305.89	3,408,014.90
Total Capital Assets Not Being Depreciated	6,989,869.15	3,619,852.24	1,788,305.89	8,821,415.50
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,015,233.26	3,861.00		2,019,094.26
Buildings and Fixed Equipment	72,827,047.06	1,784,444.89		74,611,491.95
Furniture, Fixtures, and Equipment	9,431,671.57	2,252,628.88	532,389.64	11,151,910.81
Motor Vehicles	5,429,033.23	558,154.00	431,237.00	5,555,950.23
Audio Visual Materials and Computer Software	1,996,564.49	747,189.17	458,302.81	2,285,450.85
Total Capital Assets Being Depreciated	91,699,549.61	5,346,277.94	1,421,929.45	95,623,898.10
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	330,952.93	199,748.52		530,701.45
Buildings and Fixed Equipment	22,602,583.74	1,663,741.34		24,266,325.08
Furniture, Fixtures, and Equipment	5,900,186.16	1,230,175.83	486,248.04	6,644,113.95
Motor Vehicles	1,855,981.35	362,646.31	322,372.19	1,896,255.47
Audio Visual Materials and Computer Software	1,574,483.35	353,251.10	451,100.19	1,476,634.26
Total Accumulated Depreciation	32,264,187.53	3,809,563.10	1,259,720.42	34,814,030.21
Total Capital Assets Being Depreciated, Net	59,435,362.08	1,536,714.84	162,209.03	60,809,867.89
Governmental Activities Capital Assets, Net	$ 66,425,231.23	$ 5,156,567.08	$ 1,950,514.92	$ 69,631,283.39

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 362,646.31
Unallocated	3,446,916.79
Total Depreciation Expense - Governmental Activities	$ 3,809,563.10

5. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 110,000.00	3.0 - 5.0	2019
Series 2005B, Refunding	1,300,000.00	5.0	2018
Total Bonds Payable	$ 1,410,000.00		

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, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	$ 219,500.00	$ 150,000.00	$ 69,500.00
2012	217,400.00	155,000.00	62,400.00
2013	219,800.00	165,000.00	54,800.00
2014	216,625.00	170,000.00	46,625.00
2015	208,375.00	170,000.00	38,375.00
2016-2019	661,500.00	600,000.00	61,500.00
Total State School Bonds	$ 1,743,200.00	$ 1,410,000.00	$ 333,200.00

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 1,565,000.00	$ 125,000.00	$ 280,000.00	$ 1,410,000.00	$ 150,000.00
Compensated Absences Payable	2,565,705.59	138,368.92	138,425.60	2,565,648.91	138,255.56
Other Postemployment Benefits Payable	302,060.00	619,788.00	349,930.00	571,918.00	
Total Governmental Activities	$ 4,432,765.59	$ 883,156.92	$ 768,355.60	$ 4,547,566.91	$ 288,255.56

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

7. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – Other Fund and Special Revenue – American Recovery and Reinvestment Act (ARRA) Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other and Special Revenue – ARRA Economic Stimulus Funds total $267,994.41 and $106,275.93, respectively, at June 30, 2010.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 669,044.13	$
Special Revenue:		
Other		344,080.10
ARRA Economic Stimulus		324,964.03
Total	$ 669,044.13	$ 669,044.13

The majority of interfund balances relate to amounts due between funds for indirect costs and unreimbursed costs incurred by the District for federal grants due at fiscal year-end. All amounts will be repaid within the 2010-11 fiscal year.

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$	$ 9,908.44
Nonmajor Governmental	9,908.44	
Total	$ 9,908.44	$ 9,908.44

The purpose of the transfer was to provide school recognition bonuses to food service workers.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2009-10 fiscal year:

Source	Amount
Florida Education Finance Program	$ 24,946,907.00
Categorical Educational Program - Class Size Reduction	7,003,622.00
School Recognition	378,576.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	260,568.81
Gross Receipts Tax (Public Education Capital Outlay)	120,729.00
Food Service Supplement	63,140.00
Mobile Home License Tax	36,013.24
Discretionary Lottery Funds	18,383.00
Miscellaneous	500,209.06
Total	$ 33,328,148.11

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 2009 tax roll for the 2009-10 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.571	$ 11,262,484
Basic Discretionary Local Effort	0.748	1,512,177
Critical Operating Needs	0.250	505,407
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,032,440
Total	8.069	$16,312,508.00

11. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. 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 PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $2,897,504, $2,896,935, and $2,857,322, respectively, which were equal to the required contributions for each fiscal year. There were 104 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled $363,553.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (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 insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. The 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 Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 50 retirees received other postemployment benefits. The District provided required contributions of $349,930 toward the annual OPEB cost. Plan members receiving benefits contributed $511,893, which represents 1.9 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	$ 260,818
Amortization of Unfunded Actuarial Accrued Liability	335,650
Interest on Normal Cost and Amortization	26,753
Annual Required Contribution	623,221
Interest on Net OPEB Obligation	11,327
Adjustment to Annual Required Contribution	(14,760)
Annual OPEB Cost (Expense)	619,788
Contribution Toward the OPEB Cost	(349,930)
Increase in Net OPEB Obligation	269,858
Net OPEB Obligation, Beginning of Year	302,060
Net OPEB Obligation, End of Year	$ 571,918

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 and the preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	$ 0	0.0%	$ 0
2008-09	599,895	49.6%	302,060
2009-10	619,788	56.5%	571,918

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was $6,484,274, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $6,484,274 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $27,295,319, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.8 percent.

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

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

The District's initial OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the District's 2009-10 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 11 percent initially beginning October 1, 2008, reduced by various decrements annually, to an ultimate rate of 5 percent after 11 years. 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, 2010, was 18 years.

13. JOINT VENTURES

By a resolution adopted on October 14, 1986, the Board entered into a joint venture with the Okeechobee County Board of County Commissioners (BCC) to develop a community park and sports complex. On October 16, 1986, BCC adopted a similar resolution and the two resolutions provided the basis for the agreement for the joint venture. As part of the agreement, BCC leased the facility to the School Board 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 a 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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

of Section 1013.52, Florida Statutes. BCC contributed $657,000 to the project and agreed to operate and maintain the facilities. 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 2009-10 fiscal year, the District paid a total of $174,626.48 to the BCC for such costs attributable to the 2008-09 fiscal year.

14. 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. 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 FSBIT.

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

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

15. SUBSEQUENT EVENTS

On October 12, 2010, the Board approved a guaranteed maximum price contract in the amount of $5,857,122 to build the Okeechobee Achievement Academy.

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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 50,627.62	$ 627.62
Federal Through State and Local	175,000.00	224,193.25	341,866.20	117,672.95
State	32,615,990.00	32,879,911.20	32,836,104.67	(43,806.53)
Local:				
Property Taxes	12,545,170.00	12,545,170.00	13,595,051.75	1,049,881.75
Miscellaneous	735,975.00	786,567.82	982,643.89	196,076.07
Total Revenues	46,122,135.00	46,485,842.27	47,806,294.13	1,320,451.86
Expenditures				
Current - Education:				
Instruction	30,930,894.64	31,334,636.93	29,103,969.50	2,230,667.43
Pupil Personnel Services	1,935,457.50	1,987,414.06	1,931,243.35	56,170.71
Instructional Media Services	658,003.60	664,364.12	621,205.74	43,158.38
Instruction and Curriculum Development Services	645,117.91	740,540.66	657,539.66	83,001.00
Instructional Staff Training Services	98,263.36	162,444.31	125,073.90	37,370.41
Instruction Related Technology	409,122.00	469,851.86	443,970.83	25,881.03
School Board	665,571.00	666,251.00	473,141.48	193,109.52
General Administration	1,633,666.21	1,677,435.11	1,003,249.70	674,185.41
School Administration	3,375,679.38	3,527,466.74	3,299,837.64	227,629.10
Facilities Acquisition and Construction	203,374.00	430,916.93	360,807.68	70,109.25
Fiscal Services	415,490.28	482,382.58	433,887.28	48,495.30
Food Services				
Central Services	369,527.60	307,942.88	224,934.37	83,008.51
Pupil Transportation Services	3,159,932.03	3,186,299.95	2,449,382.39	736,917.56
Operation of Plant	4,098,617.14	4,205,665.27	3,790,015.69	415,649.58
Maintenance of Plant	1,312,790.27	1,323,786.50	1,249,129.71	74,656.79
Administrative Technology Services	592,378.84	599,232.39	548,061.99	51,170.40
Community Services	342,500.00	339,773.12	291,904.44	47,868.68
Fixed Capital Outlay:				
Facilities Acquisition and Construction		4,311.00	4,311.00	
Other Capital Outlay	816,603.70	522,137.12	65,490.65	456,646.47
Total Expenditures	51,662,989.46	52,632,852.53	47,077,157.00	5,555,695.53
Excess (Deficiency) of Revenues Over Expenditures	(5,540,854.46)	(6,147,010.26)	729,137.13	6,876,147.39
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	15,000.00	15,000.00	28,409.58	13,409.58
Insurance Loss Recoveries	171,502.74	171,502.74	174,644.72	3,141.98
Transfers Out		(9,918.44)	(9,908.44)	10.00
Total Other Financing Sources (Uses)	186,502.74	176,584.30	193,145.86	16,561.56
Net Change in Fund Balances	(5,354,351.72)	(5,970,425.96)	922,282.99	6,892,708.95
Fund Balances, Beginning	8,614,412.95	8,614,412.95	8,614,412.95	
Fund Balances, Ending	$ 3,260,061.23	$ 2,643,986.99	$ 9,536,695.94	$ 6,892,708.95

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 25,774.20	$ 25,774.20	$ 24,827.78	$ (946.42)	$	$	$	$
5,699,847.73	6,009,382.82	5,148,437.67	(860,945.15)	4,664,202.26	4,983,653.62	3,909,762.47	(1,073,891.15)
5,725,621.93	6,035,157.02	5,173,265.45	(861,891.57)	4,664,202.26	4,983,653.62	3,909,762.47	(1,073,891.15)
2,399,468.78	2,314,180.22	2,123,567.81	190,612.41	1,995,989.86	1,706,391.81	1,247,026.00	459,365.81
1,116,129.60	1,104,931.83	999,791.49	105,140.34	140,118.62	93,922.39	92,490.21	1,432.18
10,000.00							
679,901.40	674,758.17	624,611.25	50,146.92	44,462.52	88,369.79	45,539.45	42,830.34
913,922.68	1,029,110.83	892,221.36	136,889.47	332,765.20	255,641.63	144,220.83	111,420.80
47,754.84	42,774.09	38,833.20	3,940.89		29,665.74	8,287.79	21,377.95
147,785.74	171,275.36	134,133.15	37,142.21	66,364.57	64,956.11	30,106.65	34,849.46
	1,239.89	208.89	1,031.00	500.00			
332.20	4,155.94	4,155.05	0.89				
				81,933.62	2,783.82	1,846.40	937.42
124,526.00	7,500.00		7,500.00	276,855.20	420,974.26	176,866.50	244,107.76
21,686.91	19,847.32	13,622.26	6,225.06				
264,113.78	665,383.37	342,120.99	323,262.38	1,725,212.67	2,320,948.07	2,163,378.64	157,569.43
5,725,621.93	6,035,157.02	5,173,265.45	861,891.57	4,664,202.26	4,983,653.62	3,909,762.47	1,073,891.15
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 6,484,274	$ 6,484,274	0.0%	$ 27,295,319	23.8%

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	$ 566,678.50
National School Lunch Program	10.555	300	1,852,054.69
Summer Food Service Program for Children	10.559	323	7,044.35
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555(2)	None	160,582.00
Total Child Nutrition Cluster			2,586,359.54
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	81,933.62
Total United States Department of Agriculture			2,668,293.16
United States Department of Education:			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	24,827.78
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,957,359.26
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	746,205.12
Total Title I, Part A Cluster			2,703,564.38
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,695,324.22
Special Education - Preschool Grants	84.173	267	72,181.07
ARRA - Special Education Grants to States, Recovery Act	84.391	263	659,278.54
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	21,079.41
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	1,078.45
Washington County District School Board:			
Special Education - Grants to States	84.027	None	1,800.00
St. Lucie County District School Board:			
Special Education - Grants to States	84.027	None	11,191.00
Total Special Education Cluster			2,461,932.69
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	15,453.71
ARRA - Education Technology State Grants, Recovery Act	84.386	121	32,387.12
Total Educational Technology State Grants Cluster			47,840.83
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act	84.394	591	2,184,517.00
ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services Recovery Act	84.397	592	184,361.66
Total State Fiscal Stabilization Fund Cluster			2,368,878.66
Florida Department of Education:			
Migrant Education - State Grants Program	84.011	217	640,304.23
Career and Technical Education - Basic Grants to States	84.048	151, 161	239,313.04
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	24,568.60
Rural Education	84.358	109	16,674.42
English Language Acquisition Grants	84.365	102	91,145.31
Improving Teacher Quality State Grants	84.367	224	396,113.81
Total Indirect			8,990,335.97
Total United States Department of Education			9,015,163.75
United States Department of Defense:			
Army Junior Reserve Officers Training Corps	None	N/A	50,627.62
Total Expenditures of Federal Awards			$ 11,734,084.53

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. Represents the amount of donated food received during the 2009-10 fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors and 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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.

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

Respectfully submitted,



David W. Martin, CPA
February 28, 2011

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
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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 United States Office of Management and Budget (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, 2010. 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*. 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, 2010.

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.

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

Respectfully submitted,



David W. Martin, CPA
February 28, 2011

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Except for the effects of adjustments to 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:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	$352,022
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, 2010

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding No. 1: School Internal Funds

Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the District is required to provide for audits of the school and activity funds, commonly called the school internal funds. The financial activities of these funds represent 21 and 92 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

The Board obtained an audit, dated September 10, 2010, of the school internal funds for the 2009-10 fiscal year that disclosed material weaknesses in controls over cash collections at 4 of the District's 10 schools. The auditor noted the weaknesses at Central Elementary School, Seminole Elementary School, Okeechobee Freshman Campus, and Okeechobee High School, resulting in a qualified opinion on the school internal funds' financial statements. For example, although District procedures require the use of a fund-raising application form to document the approval of fundraisers and a student activity report form to evidence cash collections from fundraisers, the auditor noted several instances in which District personnel did not properly complete these documents and file them with the school principals at these four schools. Without properly completed documents, the ability of principal and school staff 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. A similar finding was noted in our report No. 2010-149.

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

SIGNIFICANT DEFICIENCY

Finding No. 2: Financial Reporting

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles.

Our review of the District's 2009-10 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. For the 2008-09 fiscal year, the District did not identify and record certain expenditures and related payables, mainly related to construction activities, that were corrected by audit adjustments accepted by the District. However, District personnel did not properly make the appropriate entries for these corrections to the 2009-10 fiscal year accounting records, resulting in overstatements of beginning fund balance and expenditures of $127,000 each in the Capital Projects - Local Capital Improvement Fund, potentially causing financial statement users to misunderstand the extent of the District's capital outlay activities.

We were able to extend our audit procedures to determine the adjustments necessary to ensure the District's financial statements were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Similar findings were noted in previous audit reports, most recently in our report No. 2010-149.

Recommendation: To facilitate proper financial reporting, the District should enhance procedures to ensure that account balances and transactions are properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 3: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction, use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, that included provisions to evaluate instructional personnel and school administrators based on student performance. Instructional personnel typically maintained records, in consultation with their school principal or administrator, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests, and met periodically with their school administrator throughout the school year to assess the progress in meeting the projected goals. Similarly, school administrators maintained a leadership portfolio with goals and met with the Superintendent or their immediate supervisors to assess their progress. However, for these employees, District records did not evidence a correlation between student performance and the employee's performance assessment, such as providing a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without sufficiently documenting the extent to which student performance affects employee performance, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should enhance procedures to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

Finding No. 4: Information Technology – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. As similarly noted in our report No. 2010-149, certain District security controls related to user authentication needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**, the District had taken corrective actions for findings included in our report No. 2010-149.

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, 2010

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.	Partially corrected.	The District has corrected the deficiencies noted in the prior audit reports. The grantor agency has not made a determination regarding questioned costs.
2010-149 (2)	Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); Education Technology Entitlement, Recovery Act (CFDA 84.386); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); and SFSF – Government Services, Recovery Act (CFDA No. 84.397) / Reporting and Special Tests and Provisions	Contrary to registration requirements for Federal awards, the District did not timely register in the Central Contractor Registration database.	Corrected.	

EXHIBIT A

MANAGEMENT'S RESPONSE

Superintendent
Patricia G. Cooper, Ed.D.

Okeechobee County School Board

863-462-5000 700 S.W. Second Avenue Okeechobee, Florida 34974 Fax 863-462-5151

Chairperson
Kelly Owens
Vice Chairperson
India Riedel
Members
Joe Arnold
Gay Carlton
David Williams

February 9, 2011

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 Audit Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings resulting from your audit of the Okeechobee County District School Board for the fiscal year ended June 30, 2010.

Finding No. 1: School Internal Funds

Response: *The District continues to provide training for all personnel responsible for fund-raising and internal fund collections. All aspects of District procedures, including required fund-raising applications and timeliness of deposits are included in this training.*

Finding No. 2: Financial Reporting

Response: *We will continue to monitor financial reporting procedures to ensure compliance.*

Finding No. 3: Performance Assessments

Response: *The District is currently in the process of revising performance assessments to include documentation and evidence of data regarding student performance as the primary basis of evaluation.*

Finding No. 4: Information Technology – User Authentication

Response: *The District is aware of the need to enhance security controls, specifically regarding user authentication, and we are currently addressing this issue.*

Sincerely,

Patricia G. Cooper, Ed.D.
Superintendent of Schools

/ga

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

Okeechobee County Schools: Achieving Excellence!