

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Joe Arnold, Chair to 11-17-08	1
Kelly Owens, Vice Chair to 11-17-08, Chair from 11-18-08	2
Gay Carlton	3
India Riedel, Vice Chair from 11-18-08	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. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

**OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards, 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 significant deficiencies, one of which we consider to be a material weakness, 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.

SIGNIFICANT DEFICIENCY

Finding No. 2: Improvements were needed in the District's procedures to ensure that certain account balances, transactions, and note disclosures are properly reported in the basic financial statements.

ADDITIONAL MATTERS

Finding No. 3: The District needed to enhance its controls to ensure documented supervisory approval of all journal entries.

Finding No. 4: The District had not performed a supervisory review and approval of user access privileges in the new business system.

Finding No. 5: The District had not removed the information technology access privileges of certain former employees in a timely manner.

Finding No. 6: The District's security controls related to user authentication and security event monitoring needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; Education Technology; and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings as summarized below.

Federal Awards Finding No. 1: Enhancements needed to be made in the administration of supplemental education services.

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

Audit Objectives and Scope

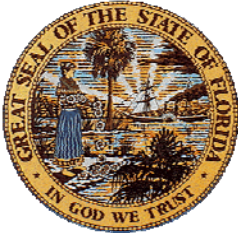
Our audit objectives were to determine whether the Okeechobee County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- 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. 2009-156.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 25 percent of the assets and 61 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report 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, 2009, 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, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 38 through 40) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 18, 2010

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, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 36.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$3,306,339.24, which represents a 4 percent increase from the 2007-08 fiscal year.
- General revenues total \$56,542,409.98, or 87 percent of all revenues. General revenues were primarily from the Florida Education Finance Program (FEFP), State categorical educational programs, and local property taxes. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$8,345,194.71, or 13 percent.
- Expenses total \$61,581,265.45. Only \$8,345,194.71 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$8,124,616.40 at June 30, 2009, or 17 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the 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 nonfiduciary activities and services are reported in the government-wide financial statements as governmental activities. These activities represent most of the District's services, including its educational programs: basic, adult, and exceptional education. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental 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, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

The District uses 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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 18,276,536.00	\$ 18,644,105.41
Capital Assets	66,425,231.23	65,041,687.76
Total Assets	84,701,767.23	83,685,793.17
Long-Term Liabilities	4,432,765.59	4,452,807.76
Other Liabilities	1,894,582.05	4,164,905.06
Total Liabilities	6,327,347.64	8,617,712.82
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	64,860,231.23	63,335,212.63
Restricted	7,986,039.53	5,547,594.20
Unrestricted	5,528,148.83	6,185,273.52
Total Net Assets	\$ 78,374,419.59	\$ 75,068,080.35

The largest portion of the District’s net assets (83 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 (10 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (7 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, 2009, and June 30, 2008, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 1,315,707.01	\$ 1,369,209.22
Operating Grants and Contributions	4,145,285.52	3,798,151.74
Capital Grants and Contributions	2,884,202.18	2,046,605.53
General Revenues:		
Property Taxes, Levied for Operational Purposes	12,729,681.42	13,432,682.33
Property Taxes, Levied for Capital Projects	3,875,569.64	4,771,529.63
Grants and Contributions Not Restricted to Specific Programs	40,085,941.61	40,435,445.12
Unrestricted Investment Earnings (Loss)	(185,470.41)	478,808.78
Miscellaneous	36,687.72	326,267.03
Extraordinary Item - Loss Recoveries		1,226,996.11
Total Revenues	64,887,604.69	67,885,695.49
Functions/Program Expenses:		
Instruction	32,530,954.40	32,562,878.33
Pupil Personnel Services	2,992,597.00	2,907,492.06
Instructional Media Services	680,630.77	700,878.63
Instruction and Curriculum Development Services	1,230,546.49	1,210,139.39
Instructional Staff Training Services	1,357,454.02	1,107,154.61
Instruction Related Technology	439,023.52	419,657.33
Board of Education	348,766.20	335,367.45
General Administration	1,312,473.71	1,704,620.37
School Administration	3,264,277.92	3,283,927.43
Facilities Acquisition and Construction	1,382,981.22	1,296,300.75
Fiscal Services	432,070.02	429,249.81
Food Services	3,408,642.57	3,280,089.05
Central Services	246,742.49	238,467.67
Pupil Transportation Services	3,023,637.63	3,204,264.68
Operation of Plant	3,784,232.67	3,790,889.31
Maintenance of Plant	1,158,056.16	1,166,187.93
Administrative Technology Services	621,949.07	568,243.46
Community Services	303,426.65	325,971.59
Interest on Long-Term Debt	84,902.84	90,816.18
Unallocated Depreciation Expense	2,539,368.76	2,759,777.12
Loss on Disposal of Capital Assets	438,531.34	18,812.93
Total Functions/Program Expenses	61,581,265.45	61,401,186.08
Increase in Net Assets	\$ 3,306,339.24	\$ 6,484,509.41

The largest revenue source is the State of Florida (57 percent). Revenues from State sources for current operations are primarily received through the FEFP funding formula, State categorical programs, and local property taxes. General revenues provided about 87 percent of total revenues, whereas program revenues provide only about 13 percent. The majority (95 percent) of program revenues are 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. During the 2008-09 fiscal year, the District experienced decreases in local property tax revenue of \$1,598,960.90, or 9 percent. The decreases in local property values, along with reductions in the FEFP funding formula and related appropriations, contributed toward a decrease in FEFP funding of \$2,194,195. Student enrollment decreased by 78 students, from 7,017 in the 2007-08 fiscal year to 6,939 in the 2008-09 fiscal year.

State revenues decreased by \$1,444,133.12 or 4 percent, primarily due to a downturn in the State's economy. Sales tax revenues decreased and unemployment increased primarily due to a downturn in the economic conditions.

Significant loss recoveries, representing insurance collections from hurricane damage, were reported as an extraordinary item during the 2007-08 fiscal year, while no such loss recoveries occurred during the 2008-09 fiscal year.

Instruction activities represent the majority of the District's expenses, totaling approximately 53 percent of total governmental expenses for both the 2007-08 and 2008-09 fiscal years. The District continues to put an emphasis on instructional classroom expenditures. Total expenses did not significantly change during the 2008-09 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 \$8,124,616.40, while the total fund balance is \$8,614,412.95. The unreserved fund balance increased by \$212,908.52, while the total fund balance decreased by \$78,451.87 during the fiscal year. This was the result of decreases in State of Florida funding, decreases in property valuations, and related property tax revenues partially offset by reductions in spending.

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. Increases in Title I and Educational Technology grant awards contributed to an overall 33 percent increase in activity in the Special Revenue – Other Fund, while the ARRA Economic Stimulus Fund is a new fund established in the 2008-09 fiscal year to account for grants awarded pursuant to the American Recovery and Reinvestment Act (ARRA).

The Capital Projects – Local Capital Improvement Fund had a total fund balance of \$4,031,140.69, which is restricted for renovations, construction, and maintenance of capital assets. It should be noted that \$1,483,501.34 has been encumbered for specific projects. The fund balance increased during the 2008-09 fiscal year by \$743,775.29, due in part, to decreased capital spending for locally-funded construction projects and decreased spending for furniture, fixtures, equipment, and computers.

The Capital Projects – Other Fund had a total fund balance of \$2,765,147.26, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$1,629,038.37 has been encumbered for specific projects. The fund balance increased by \$1,513,630.40 in the current year, mainly due to the recognition of revenue from a State Classrooms for Kids appropriation.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$1,812,626.74. At the same time, final appropriations were more than the original budgeted amounts by \$721,408.32. 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 \$339,475.37 less than the final budgeted amounts while expenditures were \$7,983,709.75, or 14 percent, less than final budgeted amounts due largely to a positive budget variance in the instruction function of \$4,082,219.92. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$7,662,040.58.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$66,425,231.23 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual and computer software.

Major capital outlay projects during the fiscal year included the Seminole Elementary School addition, the new data processing building, roof repairs and replacements, classroom construction, school bus purchases, and paving and drainage projects.

Additional information on the District's capital assets can be found in Notes 4 and 13 to the financial statements.

Long-Term Debt

At June 30, 2009, the District had total long-term bonded debt outstanding of \$1,565,000, comprised solely of State Board of Education bonds payable. During the year, retirement of debt amounted to \$141,475.13.

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

OTHER MATTERS OF SIGNIFICANCE

Approximately 57 percent of 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 that affect consumer spending both nationally and especially in the State of Florida, will impact the amount of revenue received by the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment have a significant impact on establishing the State budget as well as the District budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Okeechobee County District School Board's finances. Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to Ken Kenworthy, Assistant Superintendent of Administration, Okeechobee County School Board, 700 SW 2nd Avenue, Okeechobee, Florida 34974.

BASIC FINANCIAL STATEMENTS

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

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	15,025,506.30
Investments		265,834.56
Accounts Receivable		5,866.89
Due from Other Agencies		2,686,361.13
Inventories		292,967.12
Capital Assets:		
Nondepreciable Capital Assets		6,989,869.15
Depreciable Capital Assets, Net		59,435,362.08
		\$ 84,701,767.23
LIABILITIES		
Salaries and Benefits Payable	\$	678,023.90
Payroll Deductions and Withholdings		201,097.60
Accounts Payable		630,678.60
Construction Contracts Payable		287,401.98
Construction Contracts Payable - Retainage		97,226.41
Due to Other Agencies		153.56
Long-Term Liabilities:		
Portion Due Within One Year		267,210.24
Portion Due After One Year		4,165,555.35
		6,327,347.64
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		64,860,231.23
Restricted for:		
State Categorical Programs		218,498.53
Debt Service		46,169.85
Capital Projects		7,230,457.18
Food Services		490,913.97
Unrestricted		5,528,148.83
		78,374,419.59
		\$ 84,701,767.23

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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 32,530,954.40	\$ 233,756.85	\$	\$	\$ (32,297,197.55)
Pupil Personnel Services	2,992,597.00				(2,992,597.00)
Instructional Media Services	680,630.77				(680,630.77)
Instruction and Curriculum Development Services	1,230,546.49				(1,230,546.49)
Instructional Staff Training Services	1,357,454.02				(1,357,454.02)
Instruction Related Technology	439,023.52				(439,023.52)
Board of Education	348,766.20				(348,766.20)
General Administration	1,312,473.71				(1,312,473.71)
School Administration	3,264,277.92				(3,264,277.92)
Facilities Acquisition and Construction	1,382,981.22			2,664,491.11	1,281,509.89
Fiscal Services	432,070.02				(432,070.02)
Food Services	3,408,642.57	1,044,719.88	2,411,110.52		47,187.83
Central Services	246,742.49				(246,742.49)
Pupil Transportation Services	3,023,637.63	37,230.28	1,734,175.00		(1,252,232.35)
Operation of Plant	3,784,232.67				(3,784,232.67)
Maintenance of Plant	1,158,056.16				(1,158,056.16)
Administrative Technology Services	621,949.07				(621,949.07)
Community Services	303,426.65				(303,426.65)
Interest on Long-Term Debt	84,902.84			219,711.07	134,808.23
Unallocated Depreciation Expense	2,539,368.76				(2,539,368.76)
Loss on Disposal of Capital Assets	438,531.34				(438,531.34)
Total Governmental Activities	\$ 61,581,265.45	\$ 1,315,707.01	\$ 4,145,285.52	\$ 2,884,202.18	(53,236,070.74)
General Revenues:					
Taxes:					
					12,729,681.42
					3,875,569.64
					40,085,941.61
					(185,470.41)
					36,687.72
Total General Revenues					56,542,409.98
Change in Net Assets					3,306,339.24
Net Assets - Beginning					75,068,080.35
Net Assets - Ending					\$ 78,374,419.59

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 8,706,336.00	\$ 22,329.24	\$ 214.72
Investments	159,289.16	4,307.99	
Accounts Receivable	5,866.89		
Due from Other Funds	723,674.69		
Due from Other Agencies	216,297.14	460,629.17	134,441.42
Inventories	114,434.70		
	<u>\$ 9,925,898.58</u>	<u>\$ 487,266.40</u>	<u>\$ 134,656.14</u>
TOTAL ASSETS			
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 678,023.90	\$	\$
Payroll Deductions and Withholdings	201,097.60		
Accounts Payable	432,364.13	15,656.31	10,135.56
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		471,456.53	124,520.58
Due to Other Agencies		153.56	
	<u>1,311,485.63</u>	<u>487,266.40</u>	<u>134,656.14</u>
Total Liabilities			
Fund Balances:			
Reserved for State Categorical Programs	218,498.53		
Reserved for Encumbrances	271,298.02		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	8,124,616.40		
Special Revenue Funds			
Capital Projects Funds			
	<u>8,614,412.95</u>	<u></u>	<u></u>
Total Fund Balances			
	<u>\$ 9,925,898.58</u>	<u>\$ 487,266.40</u>	<u>\$ 134,656.14</u>
TOTAL LIABILITIES AND FUND BALANCES			

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,257,795.60	\$ 1,237,878.25	\$ 800,952.49	\$ 15,025,506.30
53,412.03		48,825.38	265,834.56
			5,866.89
6,957.79			730,632.48
39,966.13	1,625,367.55	209,659.72	2,686,361.13
		178,532.42	292,967.12
<u>\$ 4,358,131.55</u>	<u>\$ 2,863,245.80</u>	<u>\$ 1,237,970.01</u>	<u>\$ 19,007,168.48</u>
\$	\$	\$	\$ 678,023.90
			201,097.60
161,456.07	3,705.00	7,361.53	630,678.60
120,588.43	66,571.87	100,241.68	287,401.98
44,946.36	20,863.88	31,416.17	97,226.41
	6,957.79	127,697.58	730,632.48
			153.56
<u>326,990.86</u>	<u>98,098.54</u>	<u>266,716.96</u>	<u>2,625,214.53</u>
			218,498.53
1,483,501.34	1,629,038.37	309,278.07	3,693,115.80
		46,169.85	46,169.85
			8,124,616.40
		476,828.41	476,828.41
2,547,639.35	1,136,108.89	138,976.72	3,822,724.96
<u>4,031,140.69</u>	<u>2,765,147.26</u>	<u>971,253.05</u>	<u>16,381,953.95</u>
<u>\$ 4,358,131.55</u>	<u>\$ 2,863,245.80</u>	<u>\$ 1,237,970.01</u>	<u>\$ 19,007,168.48</u>

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

Total Fund Balances - Governmental Funds \$ 16,381,953.95

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. 66,425,231.23

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	\$ (1,565,000.00)	
Compensated Absences Payable	(2,565,705.59)	
Other Postemployment Benefits Payable	(302,060.00)	(4,432,765.59)

Total Net Assets - Governmental Activities \$ 78,374,419.59

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, 2009**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 25,745.72	\$ 19,218.66	\$
Federal Through State and Local	232,461.25	6,213,316.44	277,521.64
State	34,154,540.76		
Local:			
Property Taxes	12,729,681.42		
Charges for Services - Food Service			
Miscellaneous	1,251,058.70		
Total Revenues	48,393,487.85	6,232,535.10	277,521.64
Expenditures			
Current - Education:			
Instruction	29,834,950.26	2,745,650.64	52,209.09
Pupil Personnel Services	1,967,639.50	1,035,048.61	602.01
Instructional Media Services	663,008.81	19,554.67	
Instruction and Curriculum Development Services	673,216.05	560,865.32	95.72
Instructional Staff Training Services	470,746.73	889,488.95	
Instruction Related Technology	399,383.97	41,572.26	
Board of Education	348,766.20		
General Administration	1,172,298.77	141,587.07	520.58
School Administration	3,274,220.96	2,249.29	
Facilities Acquisition and Construction	211,209.82		
Fiscal Services	433,569.22		
Food Services			
Central Services	247,392.75		
Pupil Transportation Services	2,683,174.52	170.08	
Operation of Plant	3,780,112.72	14,397.63	
Maintenance of Plant	1,161,151.54		
Administrative Technology Services	621,852.10		
Community Services	305,323.56		
Fixed Capital Outlay:			
Facilities Acquisition and Construction		5,682.85	
Other Capital Outlay	248,862.80	776,267.73	224,094.24
Debt Service:			
Principal	1,475.13		
Interest and Fiscal Charges	64.21		
Total Expenditures	48,498,419.62	6,232,535.10	277,521.64
Excess (Deficiency) of Revenues Over Expenditures	(104,931.77)		
Other Financing Sources (Uses)			
Transfers In			
Proceeds from Sale of Capital Assets	17,800.00		
Insurance Loss Recoveries	16,006.20		
Transfers Out	(7,326.30)		
Total Other Financing Sources (Uses)	26,479.90		
Net Change in Fund Balances	(78,451.87)		
Fund Balances, Beginning	8,692,864.82		
Fund Balances, Ending	\$ 8,614,412.95	\$ 0.00	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		2,353,335.52	44,964.38
	2,042,235.33	817,943.18	9,076,634.85
3,875,569.64			37,014,719.27
(28,779.69)	119,204.19	1,044,719.88	16,605,251.06
		38,184.18	1,044,719.88
<u>3,846,789.95</u>	<u>2,161,439.52</u>	<u>4,254,182.76</u>	<u>65,165,956.82</u>
			32,632,809.99
			3,003,290.12
			682,563.48
			1,234,177.09
			1,360,235.68
			440,956.23
			348,766.20
			1,314,406.42
573,584.95		596,723.04	3,276,470.25
		3,422,334.10	1,381,517.81
			433,569.22
			3,422,334.10
			247,392.75
			2,683,344.60
			3,794,510.35
			1,161,151.54
			621,852.10
			305,323.56
1,607,527.31	582,606.41	270,973.51	2,466,790.08
921,902.40	65,202.71	22,840.00	2,259,169.88
		140,000.00	141,475.13
		84,838.63	84,902.84
<u>3,103,014.66</u>	<u>647,809.12</u>	<u>4,537,709.28</u>	<u>63,297,009.42</u>
<u>743,775.29</u>	<u>1,513,630.40</u>	<u>(283,526.52)</u>	<u>1,868,947.40</u>
		7,326.30	7,326.30
			17,800.00
			16,006.20
			(7,326.30)
		7,326.30	33,806.20
743,775.29	1,513,630.40	(276,200.22)	1,902,753.60
3,287,365.40	1,251,516.86	1,247,453.27	14,479,200.35
<u>\$ 4,031,140.69</u>	<u>\$ 2,765,147.26</u>	<u>\$ 971,253.05</u>	<u>\$ 16,381,953.95</u>

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds \$ 1,902,753.60

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. 1,834,702.36

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. 23,707.87

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. (474,866.76)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 141,475.13

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. (302,060.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. 180,627.04

Change in Net Assets - Governmental Activities \$ 3,306,339.24

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, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 420,615</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 420,615</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Okeechobee County School 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, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School 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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on 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, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the School 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, 2009**

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.
- Capital Projects – Other Fund – to account for the financial resources from various local and State sources for capital outlay needs.

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.

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

➤ **Deposits and Investments**

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

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

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

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

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

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at 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 commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The 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

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

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.

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational

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

program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

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

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 School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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.

➤ **School Impact Fees**

The District receives school impact fees based on an ordinance adopted by the Okeechobee County (County) Commission 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 agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes; Security and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts 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 and does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments, reported as cash equivalents, with a fair value of \$3,589,853.35 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$219,664.71 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

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

In addition, the District reports investments totaling \$46,169.85 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,825,229.21	\$	\$	\$ 3,825,229.21
Improvements Other Than Buildings	1,390,084.67	118,719.00		1,508,803.67
Construction in Progress	5,042,329.06	2,442,052.97	5,828,545.76	1,655,836.27
Total Capital Assets Not Being Depreciated	10,257,642.94	2,560,771.97	5,828,545.76	6,989,869.15
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	917,061.15	1,098,172.11		2,015,233.26
Buildings and Fixed Equipment	68,096,673.41	4,730,373.65		72,827,047.06
Furniture, Fixtures, and Equipment	8,696,142.10	1,236,098.43	500,568.96	9,431,671.57
Motor Vehicles	5,248,083.23	609,052.00	428,102.00	5,429,033.23
Property Under Capital Lease	4,426.13		4,426.13	
Audio Visual Materials and Computer Software	1,651,601.84	346,274.65	1,312.00	1,996,564.49
Total Capital Assets Being Depreciated	84,613,987.86	8,019,970.84	934,409.09	91,699,549.61
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	231,064.55	99,888.38		330,952.93
Buildings and Fixed Equipment	21,086,563.59	1,516,020.15		22,602,583.74
Furniture, Fixtures, and Equipment	5,278,004.66	730,768.56	108,587.06	5,900,186.16
Motor Vehicles	1,850,621.65	354,418.06	349,058.36	1,855,981.35
Property Under Capital Lease	1,264.61	632.30	1,896.91	
Audio Visual Materials and Computer Software	1,382,423.98	192,059.37		1,574,483.35
Total Accumulated Depreciation	29,829,943.04	2,893,786.82	459,542.33	32,264,187.53
Total Capital Assets Being Depreciated, Net	54,784,044.82	5,126,184.02	474,866.76	59,435,362.08
Governmental Activities Capital Assets, Net	\$ 65,041,687.76	\$ 7,686,955.99	\$ 6,303,412.52	\$ 66,425,231.23

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 354,418.06
Unallocated	2,539,368.76
Total Depreciation Expense - Governmental Activities	\$ 2,893,786.82

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 140,000.00	4.375 - 4.750	2019
Series 2005B, Refunding	1,425,000.00	5.00	2018
Total Bonds Payable	\$ 1,565,000.00		

The bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 217,718.75	\$ 140,000.00	\$ 77,718.75
2011	220,812.50	150,000.00	70,812.50
2012	218,412.50	155,000.00	63,412.50
2013	220,737.50	165,000.00	55,737.50
2014	217,543.75	170,000.00	47,543.75
2015-2019	<u>887,050.00</u>	<u>785,000.00</u>	<u>102,050.00</u>
Total	<u><u>\$ 1,982,275.00</u></u>	<u><u>\$ 1,565,000.00</u></u>	<u><u>\$ 417,275.00</u></u>

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 1,475.13	\$	\$ 1,475.13	\$	\$
Bonds Payable	1,705,000.00		140,000.00	1,565,000.00	140,000.00
Compensated Absences Payable	2,746,332.63	127,210.24	307,837.28	2,565,705.59	127,210.24
Other Postemployment Benefits Payable		<u>599,895.00</u>	<u>297,835.00</u>	<u>302,060.00</u>	
Total Governmental Activities	<u><u>\$ 4,452,807.76</u></u>	<u><u>\$ 727,105.24</u></u>	<u><u>\$ 747,147.41</u></u>	<u><u>\$ 4,432,765.59</u></u>	<u><u>\$ 267,210.24</u></u>

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

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

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 723,674.69	\$
Special Revenue:		
Other		471,456.53
ARRA Economic Stimulus		124,520.58
Capital Projects:		
Local Capital Improvement	6,957.79	
Other		6,957.79
Nonmajor Governmental		127,697.58
Total	\$ 730,632.48	\$ 730,632.48

The majority of interfund balances relate to amounts due between funds for workers' compensation costs and indirect costs due at fiscal year-end, and between capital projects funds for transferred expenditures. All amounts will be repaid within the 2009-10 fiscal year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$	\$ 7,326.30
Nonmajor Governmental	7,326.30	
Total	\$ 7,326.30	\$ 7,326.30

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

8. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

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

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

generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund, total \$346,277.10 and \$333,207.48, respectively, at June 30, 2009.

9. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 23,880,401.00
Categorical Educational Programs:	
Class Size Reduction	6,708,029.00
Transportation	1,734,175.00
Instructional Materials	666,277.00
School Recognition	225,938.00
Florida Teachers Lead	99,309.00
Other	251,904.51
Classrooms for Kids	2,019,818.00
Gross Receipts Tax (Public Education Capital Outlay)	502,343.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	261,688.97
Discretionary Lottery Funds	165,218.00
Food Service Supplement	57,775.00
Mobile Home License Tax	38,316.66
Miscellaneous	403,526.13
	<u>403,526.13</u>
Total	<u>\$ 37,014,719.27</u>

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

10. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.163	\$ 12,101,103.30
Basic Discretionary Local Effort	0.498	1,165,116.10
Supplemental Discretionary Local Effort	0.250	585,485.48
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	4,104,253.21
Total	<u>7.661</u>	<u>\$ 17,955,958.09</u>

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

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 112 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$389,580.

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

FRS Retirement Contribution Rates

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,496,418, \$2,897,504, and \$2,896,935, respectively, which were equal to the required contributions for each fiscal year.

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

12. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$6,484,274 at the July 1, 2008, date of transition amortized over 20 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

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, former 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

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

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. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. 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. Contribution requirements of the District and plan members are established and may be amended by the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you go basis. For the 2008-09 fiscal year, 50 retirees received other postemployment benefits. The District provided required contributions of \$297,835 toward the annual OPEB cost. Plan members receiving benefits contributed \$443,410, which represents 1.6 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	\$ 260,818
Amortization of Unfunded Actuarial Accrued Liability	322,740
Interest on Normal Cost and Amortization	16,337
Annual Required Contribution	599,895
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	599,895
Annual OPEB Cost (Expense)	599,895
Contribution Toward the OPEB Cost	(297,835)
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 302,060

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

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08 2008-09	\$ 599,895	49.6%	\$ 0 302,060

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 for the 2008-09 fiscal year, 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 as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 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 5.0 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, 2009, was 19 years.

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

13. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Seminole Elementary School Classroom Addition:			
Architect	\$ 293,293.00	\$ 244,166.42	\$ 49,126.58
Contractor	2,162,977.89	522,800.42	1,640,177.47
New Data Processing Building:			
Architect	78,488.00	68,677.00	9,811.00
Contractor	1,252,594.97	449,463.50	803,131.47
Total	\$ 3,787,353.86	\$ 1,285,107.34	\$ 2,502,246.52

14. JOINT VENTURES

By a resolution adopted on October 14, 1986, the School 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 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 2008-09 fiscal year, the District paid a total of \$181,246.79 to BCC for such costs attributable to the 2007-08 fiscal year.

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Okeechobee County District School Board is a member of the Florida School Board 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. Effective May 1, 2009, for the 2009-10 policy year, the FSBIT trustees reduced insurance coverage per occurrence from \$200 million to \$150 million for all named perils, except named windstorms, the coverage for which remains at \$150 million.

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

Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

Health and hospitalization insurance coverage is provided to District employees through purchased commercial insurance.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 25,745.72	\$ (24,254.28)
Federal Through State and Local State	302,898.96	317,952.87	232,461.25	(85,491.62)
State	36,142,136.00	34,202,966.35	34,154,540.76	(48,425.59)
Local:				
Property Taxes	13,056,979.00	13,146,479.00	12,729,681.42	(416,797.58)
Miscellaneous	993,576.00	1,015,565.00	1,251,058.70	235,493.70
Total Revenues	50,545,589.96	48,732,963.22	48,393,487.85	(339,475.37)
Expenditures				
Current - Education:				
Instruction	33,676,472.88	33,917,170.18	29,834,950.26	4,082,219.92
Pupil Personnel Services	1,860,770.80	2,023,687.40	1,967,639.50	56,047.90
Instructional Media Services	668,136.87	706,402.18	663,008.81	43,393.37
Instruction and Curriculum Development Services	672,948.78	721,967.33	673,216.05	48,751.28
Instructional Staff Training Services	445,171.83	536,251.80	470,746.73	65,505.07
Instruction Related Technology	393,685.00	411,264.19	399,383.97	11,880.22
Board of Education	564,647.00	548,666.00	348,766.20	199,899.80
General Administration	1,875,136.48	1,894,872.81	1,172,298.77	722,574.04
School Administration	3,361,614.00	3,488,464.28	3,274,220.96	214,243.32
Facilities Acquisition and Construction	199,072.00	215,957.28	211,209.82	4,747.46
Fiscal Services	426,821.00	443,720.32	433,569.22	10,151.10
Central Services	322,053.65	333,460.48	247,392.75	86,067.73
Pupil Transportation Services	3,383,132.00	3,326,649.84	2,683,174.52	643,475.32
Operation of Plant	4,296,903.15	4,330,639.29	3,780,112.72	550,526.57
Maintenance of Plant	1,315,687.33	1,336,438.68	1,161,151.54	175,287.14
Administrative Technology Services	643,617.29	713,740.12	621,852.10	91,888.02
Community Services	347,500.00	355,310.50	305,323.56	49,986.94
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	1,305,811.65	1,175,787.05	248,862.80	926,924.25
Debt Service:				
Principal	1,475.10	1,579.81	1,475.13	104.68
Interest and Fiscal Charges	64.24	99.83	64.21	35.62
Total Expenditures	55,760,721.05	56,482,129.37	48,498,419.62	7,983,709.75
Deficiency of Revenues Under Expenditures	(5,215,131.09)	(7,749,166.15)	(104,931.77)	7,644,234.38
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	15,000.00	15,000.00	17,800.00	2,800.00
Insurance Loss Recoveries	1,000.00	1,000.00	16,006.20	15,006.20
Transfers Out		(7,326.30)	(7,326.30)	
Total Other Financing Sources (Uses)	16,000.00	8,673.70	26,479.90	17,806.20
Net Change in Fund Balances	(5,199,131.09)	(7,740,492.45)	(78,451.87)	7,662,040.58
Fund Balances, Beginning	8,692,864.82	8,692,864.82	8,692,864.82	
Fund Balances, Ending	\$ 3,493,733.73	\$ 952,372.37	\$ 8,614,412.95	\$ 7,662,040.58

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)
\$ 844.53	\$ 23,102.03	\$ 19,218.66	\$ (3,883.37)	\$	\$	\$	\$
6,252,120.21	7,202,570.22	6,213,316.44	(989,253.78)		1,380,055.00	277,521.64	(1,102,533.36)
<u>6,252,964.74</u>	<u>7,225,672.25</u>	<u>6,232,535.10</u>	<u>(993,137.15)</u>		<u>1,380,055.00</u>	<u>277,521.64</u>	<u>(1,102,533.36)</u>
3,346,254.47	3,411,075.42	2,745,650.64	665,424.78		158,959.00	52,209.09	106,749.91
1,153,056.87	1,150,644.33	1,035,048.61	115,595.72		92,298.00	602.01	91,695.99
30,309.93	19,554.67	19,554.67					
574,488.75	680,475.30	560,865.32	119,609.98		44,963.00	95.72	44,867.28
894,541.33	958,217.77	889,488.95	68,728.82		53,000.00		53,000.00
48,938.56	46,829.38	41,572.26	5,257.12				
110,767.58	151,568.57	141,587.07	9,981.50		25,377.00	520.58	24,856.42
	2,249.30	2,249.29	0.01				
	333.03		333.03				
83,307.25	1,000.00	170.08	829.92		276,855.00		276,855.00
11,300.00	21,773.90	14,397.63	7,376.27				
	5,682.85	5,682.85					
	776,267.73	776,267.73			728,603.00	224,094.24	504,508.76
<u>6,252,964.74</u>	<u>7,225,672.25</u>	<u>6,232,535.10</u>	<u>993,137.15</u>		<u>1,380,055.00</u>	<u>277,521.64</u>	<u>1,102,533.36</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets (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%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 490,390.61
National School Lunch Program	10.555	300	1,638,284.09
Summer Food Service Program for Children	10.559	323	13,254.74
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	211,406.08
Total United States Department of Agriculture			2,353,335.52
United States Department of Education:			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	19,218.66
Indirect:			
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,190,128.91
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	200,934.40
Total Title I, Part A Cluster			2,391,063.31
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,578,153.18
Special Education - Preschool Grants	84.173	267	98,969.85
ARRA - Special Education Grants to States, Recovery Act	84.391	263	76,587.24
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	1,974.68
St. Lucie County District School Board:			
Special Education - Grants to States	84.027	None	11,225.00
Total Special Education Cluster			1,766,909.95
Migrant Education - State Grant Program	84.011	217	769,918.70
Career and Technical Education - Basic Grants to States	84.048	151, 161	152,070.71
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	31,211.90
State Grants for Innovative Programs	84.298	113	7,184.59
Education Technology State Grants	84.318	121	740,555.08
Rural Education	84.358	109	160,867.50
English Language Acquisition Grants	84.365	102	77,252.62
Improving Teacher Quality State Grants	84.367	224	407,003.40
Highlands County District School Board:			
Mathematics and Science Partnerships	84.366	None	322.00
Reading First State Grants	84.357	None	202,066.26
Putnam County District School Board:			
Reading First State Grants	84.357	None	2,200.00
Total United States Department of Education			6,727,844.68
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	328	14,673.31
United States Department of Defense:			
Junior Reserve Officers Training Corps	None	N/A	25,745.72
Total Expenditures of Federal Awards			\$ 9,121,599.23

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
 (2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors and to address the other auditors' qualification of opinion on the school 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 *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial

statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding Nos. 1 and 2, which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we consider Financial Statement Finding No. 1 to be a material weakness.

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
March 18, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

Compliance

We have audited the Okeechobee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
March 18, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Except for the effects of adjustments to the school internal funds, there were no modifications 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 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 material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs.
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster, (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); Education Technology State Grants (CFDA No. 84.318); and Improving Teacher Quality State Grants (CFDA No. 84.367)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

Finding No. 1: School Internal Funds

As similarly noted in our report No. 2009-156, District procedures to account for the school internal funds needed improvement. 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 25 and 61 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

The Board obtained an audit, dated January 19, 2010, of the school internal funds for the 2008-09 fiscal year that disclosed material weaknesses in controls over cash collections at three of the District’s ten schools. As a result of the deficiencies, the auditor issued a qualified opinion on the school internal funds’ financial statements. The deficiencies were noted at North Elementary and Yearling Middle Schools, and Okeechobee High School, as summarized below:

- Chapter 7, Section III, 2.3(e) of the Florida Department of Education publication titled *Financial and Program Cost Accounting and Reporting for Florida Schools (FDOE accounting manual)*, requires that financial reports be filed with the principal’s office at the close of each fund-raising activity. 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 auditors noted several instances in which District staff did not properly complete these documents and file them with the school principals. Without such properly completed documents, the ability of principal and school staff to substantiate the completeness of cash collected and related deposits may be limited.
- Chapter 7, Section III, 1.4(c) of the *FDOE accounting manual* requires personnel to deposit cash collections within five working days after receipt. However, the auditor’s report noted numerous instances in which personnel at Okeechobee High School delayed deposits from 10 to 34 working days after the receipt dates, contrary to the manual requirements. A contributing factor was that school-based staff did not have written procedures to clearly communicate the importance of making timely deposits.

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.

Recommendation: The District should enhance controls over school internal fund collections and related deposits to address the above-noted deficiencies.

SIGNIFICANT DEFICIENCY

Finding No. 2: Financial Reporting

As similarly noted in our report No. 2009-156, our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the financial statements. For example:

- Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits (OPEB) provided by the District. This Statement required the District to report a liability and related expense for OPEB during the 2008-09 fiscal year; however, District personnel overstated this account and transaction class by approximately \$6.5 million each. Properly reported OPEB liabilities and related expenses may enhance financial statement users understanding of the District's obligation for OPEB.
- Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires an analysis to determine the major funds that must have separate columnar presentation. The District is required to report a fund as major when the fund's assets represent at least 10 percent of the total governmental funds' assets. Also, the District periodically receives cash advances of Federal moneys from the Florida Department of Education (FDOE) to fund various Federal programs administered by the District. At year-end, District personnel reconciled its year-end balances with FDOE records, and determined that FDOE owed \$594,000 to the District. However, District personnel inadvertently did not identify and report due from other agencies and due to other funds for this balance, resulting in understatements of these accounts by \$460,000 each in the Special Revenue – Other Fund and \$134,000 each in the Special Revenue – ARRA Fund. In addition, because the District did not properly report these amounts in the Special Revenue – Other Fund, it did not identify and consider that the Special Revenue – Other Fund met the requirements to be separately reported as a major fund. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions, ensures compliance with GAAP, and ensures that all major funds receive the appropriate level of audit attention.
- District procedures did not identify and report all liabilities at year-end, resulting in underreporting facilities, acquisition and construction expenditures, and construction related payables, totaling \$132,000 each in the Other Governmental Funds; totaling \$87,000 each in the Capital Projects – Other Fund; and \$45,000 each in the Capital Projects - Local Capital Improvement Fund (LCIF). In addition, the District underreported other payables and related expenditures, totaling \$82,000 each, in LCIF.
- The basic financial statements are required to include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District's activity. However, the notes excluded a description of significant construction contract commitments outstanding at June 30, 2009, such as the Seminole Elementary addition for \$1.69 million and the new Management Information System building for \$813,000.

Based on our review of District records and responses to our inquiries, the above reporting errors occurred mainly because of new accounting personnel who were not accustomed to financial statement preparation using new administrative software, and ineffective procedures to review the financial statements. We extended our audit procedures to determine the necessary revisions to the financial statements and notes thereto, and District personnel accepted these revisions to properly report the account balances, transactions, and note disclosures.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure that the account balances, transactions, and note disclosures are properly reported in the basic financial statements.

ADDITIONAL MATTERS

Finding No. 3: Journal Entries

Certain finance office staff prepared journal entries to make adjustments to the accounting records, and the Director of Financial Services (Director) generally evidenced approval of these entries by signing and dating each journal entry. However, our review of District records supporting 25 journal entry transactions disclosed no supervisory approval for 15 of the transactions, including entries to record transfers from bank accounts, inventory adjustments, and other transactions. Discussions with the Director disclosed that, while supervisory approval of the entries was not always documented, the transactions were verbally authorized during the journal entry process. The Director indicated that the transactions were accurate and proper by the periodic review of the general ledger and approval of bank reconciliations. Although these controls mitigate the lack of journal entry approval, and our tests disclosed that entries were appropriate and adequately supported, there is an increased risk of incorrect or unauthorized adjustments to the accounting records when there is no evidence of supervisory approval of journal entries.

Recommendation: The District should enhance its controls to ensure documented supervisory approval of all journal entries.

Finding No. 4: Information Technology – New Business System – Review of Access Privileges

Effective preparation for the implementation of a new business system includes the sign-off by user management on the assignment of user access privileges or profiles. During our audit, a matter came to our attention related to the Finance and Human Resources/Payroll portions of the new business system that was implemented on July 1, 2009, subsequent to our audit period.

Specifically, the District had not performed a supervisory review and approval of user access privileges in the new business system. In response to audit inquiry, District management stated that the existing user profiles in the former business system were used as the basis for the user profiles and associated access privileges in the new business system. As of December 18, 2009, the security administrator was still in the process of determining the access privileges that were necessary for District users. In response to audit inquiry, the security administrator indicated that the assigned access privileges would be reviewed later to determine whether some of the capabilities could be removed from individual users without preventing them from carrying out their job responsibilities. The security administrator also indicated that supervisors would be requested to assist in the review of access privileges.

Our audit did not include a review of the appropriateness of user access privileges established in the new business system subsequent to our audit period. However, without supervisory involvement in the review process, the risk is increased that access privileges granted will not be reflective of job functions or that profiles assigned to employees will represent an inadequate separation of duties. If users are given more access privileges than needed to perform their jobs, the risk of malicious or unintentional misuse is increased.

Recommendation: The District should promptly review and approve the profiles and associated access privileges assigned to users in the new business system.

Finding No. 5: Information Technology – Timely Removal of Access Privileges

Effective information technology (IT) access controls include provisions to timely remove access privileges when employment terminations occur. Prompt action is necessary to ensure that a former employee's access privileges are not used by the former employee or others to misappropriate District assets or misuse District data and IT resources.

Our test of access privileges for 116 former employees who terminated employment during the period July 1, 2008, through June 30, 2009, disclosed that, as of November 6, 2009, 7 former employees still had network access from 154 days to 378 days after their dates of termination. When access privileges for former employees are not removed in a timely manner, the risk is increased that the access privileges could be misused by former employees or others.

Recommendation: The District should ensure that the access privileges of former employees are timely removed.

Finding No. 6: Information Technology – User Authentication and Security Event Monitoring

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication and security event monitoring that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls, 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 and security event monitoring to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I, Part A Cluster, Title I Grants to Local Educational Agencies (CFDA No. 84.010) and ARRA - Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Special Tests and Provisions and Earmarking. For the 2008-09 school year, five District schools were identified as schools in need of improvement (SINI) pursuant to the No Child Left Behind Act of 2001. Title 34, Section 200.45, Code of Federal Regulations (CFR), provides that, for those schools identified for a second year as a SINI, the District must arrange for eligible students to receive supplemental educational services (SES) from a State-approved provider. Title 34, Section 200.48(a)(2), CFR, provides that, unless a lesser amount is needed, the District must spend an amount equal to 20 percent of its Title I allocation to provide for transportation of students exercising a choice option to another school or satisfy all requests for SES. SES are extra academic services offered during off-school hours to eligible students that are attending schools that have failed to make adequate yearly progress for three or more years and are identified as a SINI as defined by the No Child Left Behind Act of 2001. SES provides for

tutoring, remediation, and academic intervention, and is provided free of cost to those who are eligible. The State is primarily responsible for identifying schools that are required to offer transportation and SES, as well as identifying eligible SES providers. The District is responsible for securing SES providers from the State-approved provider listing to offer services.

Our review of the District's procedures for providing SES to students attending Title I schools identified as SINI schools disclosed the following deficiencies:

- Title 34, Section 200.45, CFR, provides that the District must arrange for each eligible student, in the school, to receive SES from a State-approved provider selected by the student's parents. To provide guidance on SES, the State promulgated Section 1008.331, Florida Statutes, which provides, in part, that school districts shall provide access to school facilities to SES providers using the same policies applied to other organizations that have access to school sites. However, contrary to these Federal and State regulations, our review disclosed that parent's choices of SES providers appeared limited since only 1 SES provider, a not-for-profit agency, was allowed to use the school facilities. The District provided parents with a list of 12 State approved providers, including 1 that was a not-for-profit provider and 11 that were for-profit providers. Of the 11 for-profit providers, 1 was an in-home provider and 1 provided virtual services. The remaining 9 for-profit providers were not readily accessible to parents since the District's policies for the 2008-09 fiscal year did not allow for-profit providers to use District facilities, contrary to Section 1008.331, Florida Statutes. In July 2009, the Board amended its facilities use policy to allow supplemental educational services providers to use facilities in accordance with their agreement with the Board.
- The District was required to earmark \$331,291 (20 percent of its Title I allocation) for SES and transportation. Because all five District elementary schools were schools in need of improvement, no transportation costs were incurred. The District paid \$290,647 to State-approved SES providers for tutoring 337, or 16 percent of, eligible Title I students. After these payments, \$40,644 of the required earmark remained unspent. According to District personnel, no assurance of compliance letter was filed with the FDOE because the District intended to use all set aside funds on tutoring for eligible children since these funds were separately earmarked by FDOE, and a carryforward letter is expected that allows SES during the 2009-10 fiscal year. Subsequent to our inquiries, District personnel indicated that FDOE approved the roll forward of these moneys to be used for SES purposes. However, the above procedural deficiency may have limited the availability of SES providers, contributing to the reduced interest in SES and need for transportation.

A similar finding was noted in our report No. 2009-156.

Recommendation: The District should continue its efforts to allow all SES providers offering supplemental education services the same access to school sites as not-for-profit providers.

District Contact Person: Mary Hurley, Assistant Superintendent for Instruction

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: ARRA: Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); 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)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to

report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

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

Grant (CFDA Number)	Award Amount
ARRA – Title I Grants to Local Educational Agencies (84.389)	\$ 411,516
ARRA – Title I Local Delinquent (84.389)	128,658
ARRA – Special Education Grants to States (84.391)	796,102
ARRA – Special Education Preschool (84.392)	25,066
ARRA – Education Technology Entitlement (84.386)	32,557
ARRA – State Fiscal Stabilization – Education (84.394)	2,182,598
ARRA – State Fiscal Stabilization – Government (84.397)	82,049

District records indicated that the award periods for these grants started on dates ranging from April 2009 through July 2009, and the grant periods ended on dates ranging from June 2010 through September 2011. Our review of District records and inquiry with personnel disclosed that the District did not initially register in CCR. Subsequent to our inquiries, in December 2009, District personnel registered with CCR and indicated that the Director of Financial Services would be responsible for future renewals with CCR. Without timely registration in CCR, the District may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should continue its efforts to timely register with the Central Contractor Registration database on an annual basis.

Contact Person: Ken Kenworthy, Assistant Superintendent of Administrative Services

PRIOR YEAR FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-156.

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, 2009*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2008-147 (1) 2009-156 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / 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 Board updated its facilities usage policy in July 2009 to allow for-profit supplemental education service providers to use District facilities. The grantor has not made a final determination regarding questioned costs.
2009-156 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Special Tests and Provisions and Earmarking	Although the District's procedures require hiring highly qualified (HQ) teachers or ensuring that non-HQ teachers become highly qualified, not all teachers working in Title I schools were highly qualified.	Corrected	Teachers not highly qualified at the start of the 2008-09 school year, either became highly qualified or were transferred to non-Title I schools.

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 25, 2010

Mr. David W. Martin, CPA
Auditor General, State of Florida
540 NW University Boulevard, Suite 203
Port St. Lucie, FL 34986

Re: Response to Preliminary and Tentative
Audit Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings from your audit of the School District of Okeechobee County, Florida, for the fiscal year ending June 30, 2009.

Finding No. 1: School Internal Funds

Response: *The District continues to provide training on district procedures for all personnel who are responsible for fund-raising activities and internal accounts. Additionally, we are amending district forms to indicate date of deposit on cash collections.*

Finding No. 2: Financial Reporting

Response: *As noted in the audit findings, District personnel have made necessary corrections and revisions. Furthermore, new accounting personnel continue to receive training in proper accounting procedures and oversight.*

Finding No. 3: Journal Entries

Response: *The District Director of Financial Services has recently tendered his resignation; however, the District shall ascertain documentation of appropriate supervisory approval of journal entries.*

Finding No. 4: Information Technology – New Business System – Review of Access Privileges

Response: *The District is in the process of reviewing and approving profiles and associated access privileges for users in the new business system.*

Finding No. 5: Information Technology – Timely Removal of Access Privileges

Response: *The District is aware that access privileges of former employees should be removed in a timely manner, and steps are being taken to expedite the timeliness of this necessary action.*

Okeechobee County Schools: *Achieving Excellence!*

Mr. David W. Martin, CPA

-2-

February 25, 2010

Finding No. 6: Information Technology – User Authentication and Security Event Monitoring

***Response:** We are aware of the need to improve security controls related to user authentication and security event monitoring. We appreciate the specificity provided to the District during the audit, and appropriate steps are now being taken to increase and improve security controls.*

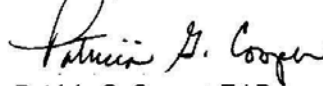
Federal Awards Finding No. 1: Title I

***Response:** The District shall continue its efforts to allow all supplemental educational services (SES) providers access to school sites.*

Federal Awards Finding No. 2: American Recovery and Reinvestment Act (ARRA) Funds

***Response:** The District shall continue to improve our efforts to register with the Central Contractor Registration database annually and in a timely fashion.*

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