

# OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2011



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2010-11 fiscal year are listed below:

|                                             | <u>District No.</u> |
|---------------------------------------------|---------------------|
| Joe Arnold                                  | 1                   |
| Kelly Owens, Chair                          | 2                   |
| Gay Carlton                                 | 3                   |
| India Riedel, Vice Chair to 11-15-10        | 4                   |
| David H. Williams, Vice Chair from 11-16-10 | 5                   |

Dr. Patricia G. Cooper to 5-10-11, Superintendent

Mary Hurley, Interim Superintendent from 5-11-11

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

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

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

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

Finding No. 2: Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.

#### ADDITIONAL MATTERS

Finding No. 3: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 4: The District's procedures for the administration of construction management projects needed improvement.

Finding No. 5: Controls over electronic funds transfers could be enhanced.

Finding No. 6: The District did not maintain records to evidence its required notifications to parents of eligible students of the opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program.

Finding No. 7: Board policy regarding terminal sick leave payments to employees other than instructional staff or educational support employees was not consistent with State law.

Finding No. 8: The District did not have a written information technology security incident response plan.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Migrant Education; Special Education Cluster; Educational Technology State Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

### Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;

- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2011-143.

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, 2011. 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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okeechobee County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 30 percent of the assets and 68 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

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

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

financial position of the aggregate remaining fund information for the Okeechobee County District School Board as of June 30, 2011, and the changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Okeechobee County District School Board as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

Respectfully submitted,



David W. Martin, CPA  
March 13, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 10 through 36.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- In total, net assets decreased by \$414,049.30, which represents a 0.5 percent decrease from the 2009-10 fiscal year.
- General revenues total \$59,145,437.99, or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$4,673,094.79, or 7 percent of all revenues.
- Expenses total \$64,232,582.08. Only \$4,673,094.79 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$414,049.30.
- At the end of the fiscal year, the fund balance of the General Fund totals \$9,496,149.44, at June 30, 2011, or 21 percent of total General Fund revenues. This fund balance includes \$111,118.34 of nonspendable funds, \$164,645.61 of restricted funds, and \$9,220,385.49 of unassigned funds.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### Government-wide Financial Statements

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

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

## Fund Financial Statements

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

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

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

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

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

**Fiduciary Funds:** Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District uses an agency fund 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, 2011, compared to net assets as of June 30, 2010:

|                              | Net Assets, End of Year |                         |
|------------------------------|-------------------------|-------------------------|
|                              | Governmental Activities |                         |
|                              | 6-30-11                 | 6-30-10                 |
| Current and Other Assets     | \$ 13,082,552.35        | 17,272,331.98           |
| Capital Assets               | 74,426,130.15           | 69,631,283.39           |
| <b>Total Assets</b>          | <b>87,508,682.50</b>    | <b>86,903,615.37</b>    |
| Long-Term Liabilities        | 4,566,102.28            | 4,547,566.91            |
| Other Liabilities            | 2,301,645.43            | 1,301,064.37            |
| <b>Total Liabilities</b>     | <b>6,867,747.71</b>     | <b>5,848,631.28</b>     |
| Net Assets:                  |                         |                         |
| Invested in Capital Assets - |                         |                         |
| Net of Related Debt          | 73,166,130.15           | 68,221,283.39           |
| Restricted                   | 1,449,403.09            | 6,598,860.37            |
| Unrestricted                 | 6,025,401.55            | 6,234,840.33            |
| <b>Total Net Assets</b>      | <b>\$ 80,640,934.79</b> | <b>\$ 81,054,984.09</b> |

The largest portion of the District's net assets (91 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (2 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 following is a summary of the District's operating results for the fiscal year ended June 30, 2011, compared to operating results for the fiscal year ended June 30, 2010:

| Operating Results for the Fiscal Year Ended                  |                         |                        |  |
|--------------------------------------------------------------|-------------------------|------------------------|--|
|                                                              | Governmental Activities |                        |  |
|                                                              | 6-30-11                 | 6-30-10                |  |
| Program Revenues:                                            |                         |                        |  |
| Charges for Services                                         | \$ 1,157,769.13         | \$ 1,209,446.20        |  |
| Operating Grants and Contributions                           | 2,820,257.48            | 4,385,732.16           |  |
| Capital Grants and Contributions                             | 695,068.18              | 551,971.81             |  |
| General Revenues:                                            |                         |                        |  |
| Property Taxes, Levied for Operational Purposes              | 10,751,533.50           | 13,595,051.75          |  |
| Property Taxes, Levied for Capital Projects                  | 2,445,037.09            | 3,180,867.34           |  |
| Grants and Contributions Not Restricted to Specific Programs | 44,781,708.54           | 40,622,999.42          |  |
| Unrestricted Investment Earnings                             | 106,171.98              | 133,066.96             |  |
| Miscellaneous                                                | 1,060,986.88            | 880,232.72             |  |
| <b>Total Revenues</b>                                        | <b>63,818,532.78</b>    | <b>64,559,368.36</b>   |  |
| Functions/Program Expenses:                                  |                         |                        |  |
| Instruction                                                  | 33,411,825.10           | 32,744,364.63          |  |
| Pupil Personnel Services                                     | 2,906,833.77            | 3,023,525.05           |  |
| Instructional Media Services                                 | 659,914.36              | 621,205.74             |  |
| Instruction and Curriculum Development Services              | 1,544,486.26            | 1,327,690.36           |  |
| Instructional Staff Training Services                        | 1,242,251.36            | 1,161,516.09           |  |
| Instruction Related Technology                               | 686,973.72              | 491,091.82             |  |
| School Board                                                 | 362,312.33              | 473,141.48             |  |
| General Administration                                       | 1,154,291.91            | 1,167,489.50           |  |
| School Administration                                        | 3,516,971.40            | 3,300,046.53           |  |
| Facilities Acquisition and Construction                      | 996,420.57              | 771,182.66             |  |
| Fiscal Services                                              | 460,281.55              | 433,887.28             |  |
| Food Services                                                | 3,639,198.08            | 3,570,503.57           |  |
| Central Services                                             | 448,961.80              | 224,934.37             |  |
| Pupil Transportation Services                                | 3,396,553.64            | 2,988,895.20           |  |
| Operation of Plant                                           | 3,831,303.90            | 3,803,637.95           |  |
| Maintenance of Plant                                         | 1,248,246.92            | 1,249,129.71           |  |
| Administrative Technology Services                           | 499,032.12              | 548,061.99             |  |
| Community Services                                           | 300,940.32              | 291,904.44             |  |
| Unallocated Interest on Long-Term Debt                       | 70,075.04               | 77,469.67              |  |
| Unallocated Depreciation Expense                             | 3,740,844.29            | 3,446,916.79           |  |
| Loss on Disposal of Capital Assets                           | 114,863.64              | 162,209.03             |  |
| <b>Total Functions/Program Expenses</b>                      | <b>64,232,582.08</b>    | <b>61,878,803.86</b>   |  |
| <b>Increase (Decrease) in Net Assets</b>                     | <b>\$ (414,049.30)</b>  | <b>\$ 2,680,564.50</b> |  |

The largest revenue source is the State of Florida (54 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and the State categorical program.

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

The District's net assets decreased by \$414,049.30 during the 2010-11 fiscal year. Contributing elements of the change are as follows:

- Grants and contributions not restricted to specific programs increased by \$4.2 million, or (10 percent), primarily due to an increase in State FEFP revenue and Federal Education Jobs Fund moneys.
- Local tax revenue levied for operational purposes decreased by \$2.8 million, or (21 percent), due to decreases in property values.
- Operating grants and contributions decreased by \$1.6 million, or (36 percent), the change is primarily a result of pupil transportation revenue being classified as program revenue in prior fiscal years and as general revenue in the current fiscal year.
- Instruction expenses represent the majority of the District's expenses, totaling approximately (53 percent) of total governmental expenses for the 2009-10 fiscal year and (52 percent) for the 2010-11 fiscal year. Instruction expenses increased \$667,460.47, or (2 percent), due to the addition of teachers and an increase in benefits such as Other Post Employment Benefits as the District continues to emphasize classroom instruction. Overall, total expenses did not significantly change from the 2009-10 fiscal year.

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

#### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$9,220,385.49, while the total fund balance is \$9,496,149.44. The total fund balance decreased by only \$40,546.50 during the fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of \$5,456,709.97 each, and is used to account for certain Federal program resources. Also, the Special Revenue - Federal Economic Stimulus Fund has total revenues and expenditures of \$5,221,467.41 each, and is used to account for certain Federal program resources related to the American Recovery and Reinvestment Act (ARRA) and Education Jobs Fund grant. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the funds do not maintain a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$402,230.39, which is restricted for the renovations, construction, and maintenance of capital assets. It should be noted that \$384,282.75 of fund balance has been encumbered for specific projects. The overall fund balance decreased \$4,203,240.42, or 92 percent due to an increase in capital spending for the construction of the Okeechobee Achievement Academy, and a reduction in revenue from local property taxes from decreased local property values.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$1,032,797.79, or 2 percent. At the same time, final appropriations are less than the original budgeted amounts by \$1,364,565.72, or 5 percent. 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 \$754,374.37 more than the final budgeted amounts while expenditures were \$5,646,887.63, or 11 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$6,223,891.77. The significant variance in General Fund final amended budget amounts to actual amounts is due to the District not adjusting General Fund final amended budget amounts for expenditures paid from the Special Revenue - Federal Economic Stimulus Fund.

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

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$74,426,130.15 (net of accumulated depreciation). This investment in capital assets includes land; land improvements, improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials, and computer software.

Major capital asset events during the current fiscal year included classroom construction; school bus purchases; heating, ventilation, and air-conditioning upgrades; telephone systems; and equipment purchases.

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, 2011, the District has total long-term debt outstanding of \$1,260,000, comprised of State Board of Education bonds payable. During the current fiscal year, retirement of debt amounted to \$150,000.

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

## **OTHER MATTERS OF SIGNIFICANCE**

Approximately 54 percent of the total fund revenues are from the State of Florida. The primary source of State revenue is FEFP that derives its funding from the State sales tax, which is an unstable revenue stream. Economic conditions which effect consumer spending both nationally and especially in the State of Florida, will impact the amount of revenue received by the District. Changes in levels of tourism, immigration into the State of Florida, and unemployment have a significant impact on establishing the State budget as well as the District budget.

## **REQUESTS FOR INFORMATION**

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

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**BASIC FINANCIAL STATEMENTS**


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**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2011**

|                                                 | <u>Governmental<br/>Activities</u> |
|-------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash and Cash Equivalents                       | \$ 11,316,941.25                   |
| Investments                                     | 246,437.11                         |
| Accounts Receivable                             | 6,134.82                           |
| Due from Other Agencies                         | 1,341,906.05                       |
| Inventories                                     | 171,133.12                         |
| Capital Assets:                                 |                                    |
| Nondepreciable Capital Assets                   | 11,929,780.00                      |
| Depreciable Capital Assets, Net                 | <u>62,496,350.15</u>               |
| <b>TOTAL ASSETS</b>                             | <u><u>\$ 87,508,682.50</u></u>     |
| <b>LIABILITIES</b>                              |                                    |
| Salaries and Benefits Payable                   | \$ 628,954.36                      |
| Payroll Deductions and Withholdings             | 482,897.51                         |
| Accounts Payable                                | 696,897.32                         |
| Construction Contracts Payable                  | 193,596.29                         |
| Construction Contracts Payable - Retainage      | 299,299.95                         |
| Long-Term Liabilities:                          |                                    |
| Portion Due Within One Year                     | 291,161.37                         |
| Portion Due After One Year                      | <u>4,274,940.91</u>                |
| <b>Total Liabilities</b>                        | <u>6,867,747.71</u>                |
| <b>NET ASSETS</b>                               |                                    |
| Invested in Capital Assets, Net of Related Debt | 73,166,130.15                      |
| Restricted for:                                 |                                    |
| State Required Carryover Programs               | 164,645.61                         |
| Debt Service                                    | 39,008.30                          |
| Capital Projects                                | 971,683.52                         |
| Food Service                                    | 274,065.66                         |
| Unrestricted                                    | <u>6,025,401.55</u>                |
| <b>Total Net Assets</b>                         | <u>80,640,934.79</u>               |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <u><u>\$ 87,508,682.50</u></u>     |

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, 2011**

| Functions/Programs                                           | Expenses                | Program Revenues           |                                          |                                        | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--------------------------------------------------------------|-------------------------|----------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------------|
|                                                              |                         | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                                                          |
| <b>Governmental Activities:</b>                              |                         |                            |                                          |                                        |                                                          |
| Instruction                                                  | \$ 33,411,825.10        | \$ 67,981.56               | \$                                       | \$                                     | \$ (33,343,843.54)                                       |
| Pupil Personnel Services                                     | 2,906,833.77            |                            |                                          |                                        | (2,906,833.77)                                           |
| Instructional Media Services                                 | 659,914.36              |                            |                                          |                                        | (659,914.36)                                             |
| Instruction and Curriculum Development Services              | 1,544,486.26            |                            |                                          |                                        | (1,544,486.26)                                           |
| Instructional Staff Training Services                        | 1,242,251.36            |                            |                                          |                                        | (1,242,251.36)                                           |
| Instruction Related Technology                               | 686,973.72              |                            |                                          |                                        | (686,973.72)                                             |
| School Board                                                 | 362,312.33              |                            |                                          |                                        | (362,312.33)                                             |
| General Administration                                       | 1,154,291.91            |                            |                                          |                                        | (1,154,291.91)                                           |
| School Administration                                        | 3,516,971.40            |                            |                                          |                                        | (3,516,971.40)                                           |
| Facilities Acquisition and Construction                      | 996,420.57              |                            |                                          | 478,760.56                             | (517,660.01)                                             |
| Fiscal Services                                              | 460,281.55              |                            |                                          |                                        | (460,281.55)                                             |
| Food Services                                                | 3,639,198.08            | 829,946.50                 | 2,820,257.48                             |                                        | 11,005.90                                                |
| Central Services                                             | 448,961.80              |                            |                                          |                                        | (448,961.80)                                             |
| Pupil Transportation Services                                | 3,396,553.64            | 102,615.97                 |                                          |                                        | (3,293,937.67)                                           |
| Operation of Plant                                           | 3,831,303.90            |                            |                                          |                                        | (3,831,303.90)                                           |
| Maintenance of Plant                                         | 1,248,246.92            |                            |                                          |                                        | (1,248,246.92)                                           |
| Administrative Technology Services                           | 499,032.12              |                            |                                          |                                        | (499,032.12)                                             |
| Community Services                                           | 300,940.32              | 157,225.10                 |                                          |                                        | (143,715.22)                                             |
| Unallocated Interest on Long-Term Debt                       | 70,075.04               |                            |                                          | 216,307.62                             | 146,232.58                                               |
| Unallocated Depreciation Expense*                            | 3,740,844.29            |                            |                                          |                                        | (3,740,844.29)                                           |
| Loss on Disposal of Capital Assets                           | 114,863.64              |                            |                                          |                                        | (114,863.64)                                             |
| <b>Total Governmental Activities</b>                         | <b>\$ 64,232,582.08</b> | <b>\$ 1,157,769.13</b>     | <b>\$ 2,820,257.48</b>                   | <b>\$ 695,068.18</b>                   | <b>(59,559,487.29)</b>                                   |
| General Revenues:                                            |                         |                            |                                          |                                        |                                                          |
| Taxes:                                                       |                         |                            |                                          |                                        |                                                          |
| Property Taxes, Levied for Operational Purposes              |                         |                            |                                          |                                        | 10,751,533.50                                            |
| Property Taxes, Levied for Capital Projects                  |                         |                            |                                          |                                        | 2,445,037.09                                             |
| Grants and Contributions Not Restricted to Specific Programs |                         |                            |                                          |                                        | 44,781,708.54                                            |
| Unrestricted Investment Earnings                             |                         |                            |                                          |                                        | 106,171.98                                               |
| Miscellaneous                                                |                         |                            |                                          |                                        | 1,060,986.88                                             |
| <b>Total General Revenues</b>                                |                         |                            |                                          |                                        | <b>59,145,437.99</b>                                     |
| <b>Change in Net Assets</b>                                  |                         |                            |                                          |                                        | <b>(414,049.30)</b>                                      |
| Net Assets - Beginning                                       |                         |                            |                                          |                                        | 81,054,984.09                                            |
| <b>Net Assets - Ending</b>                                   |                         |                            |                                          |                                        | <b>\$ 80,640,934.79</b>                                  |

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

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011**

|                                            | General<br>Fund                | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|--------------------------------------------|--------------------------------|---------------------------------------|-----------------------------------------------------------|
|                                            | <u>                    </u>    | <u>                    </u>           | <u>                    </u>                               |
| <b>ASSETS</b>                              |                                |                                       |                                                           |
| Cash and Cash Equivalents                  | \$ 9,593,566.93                | \$                                    | \$                                                        |
| Investments                                | 157,085.66                     |                                       |                                                           |
| Accounts Receivable                        | 6,134.82                       |                                       |                                                           |
| Due from Other Funds                       | 976,788.42                     |                                       |                                                           |
| Due from Other Agencies                    | 168,607.19                     | 463,525.72                            | 484,987.60                                                |
| Inventories                                | <u>111,118.34</u>              |                                       |                                                           |
| <b>TOTAL ASSETS</b>                        | <u><u>\$ 11,013,301.36</u></u> | <u><u>\$ 463,525.72</u></u>           | <u><u>\$ 484,987.60</u></u>                               |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                |                                       |                                                           |
| Liabilities:                               |                                |                                       |                                                           |
| Salaries and Benefits Payable              | \$ 628,954.36                  | \$                                    | \$                                                        |
| Payroll Deductions and Withholdings        | 482,897.51                     |                                       |                                                           |
| Accounts Payable                           | 405,300.05                     | 37,918.00                             | 25,300.96                                                 |
| Construction Contracts Payable             |                                |                                       |                                                           |
| Construction Contracts Payable - Retainage |                                |                                       |                                                           |
| Due to Other Funds                         |                                | 425,607.72                            | 459,686.64                                                |
| Due to Other Agencies                      |                                |                                       |                                                           |
| <b>Total Liabilities</b>                   | <u><u>1,517,151.92</u></u>     | <u><u>463,525.72</u></u>              | <u><u>484,987.60</u></u>                                  |
| Fund Balances:                             |                                |                                       |                                                           |
| Nonspendable:                              |                                |                                       |                                                           |
| Inventory                                  | <u>111,118.34</u>              |                                       |                                                           |
| Restricted for:                            |                                |                                       |                                                           |
| State Required Carryover Programs          | 164,645.61                     |                                       |                                                           |
| Debt Service                               |                                |                                       |                                                           |
| Capital Projects                           |                                |                                       |                                                           |
| Restricted for Food Service                |                                |                                       |                                                           |
| Total Restricted Fund Balance              | <u>164,645.61</u>              |                                       |                                                           |
| Unassigned Fund Balance                    | <u>9,220,385.49</u>            |                                       |                                                           |
| <b>Total Fund Balances</b>                 | <u><u>9,496,149.44</u></u>     |                                       |                                                           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><u>\$ 11,013,301.36</u></u> | <u><u>\$ 463,525.72</u></u>           | <u><u>\$ 484,987.60</u></u>                               |

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

| Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------------------|--------------------------------|--------------------------------|
| \$ 927,547.51                                              | \$ 795,826.81                  | \$ 11,316,941.25               |
| 50,343.15                                                  | 39,008.30                      | 246,437.11                     |
|                                                            |                                | 6,134.82                       |
|                                                            |                                | 976,788.42                     |
| 5,768.38                                                   | 219,017.16                     | 1,341,906.05                   |
|                                                            | 60,014.78                      | 171,133.12                     |
| <u>\$ 983,659.04</u>                                       | <u>\$ 1,113,867.05</u>         | <u>\$ 14,059,340.77</u>        |
|                                                            |                                |                                |
| \$                                                         | \$                             | \$ 628,954.36                  |
|                                                            |                                | 482,897.51                     |
| 17,970.59                                                  | 210,407.72                     | 696,897.32                     |
| 193,596.29                                                 |                                | 193,596.29                     |
| 299,299.95                                                 |                                | 299,299.95                     |
| 70,561.82                                                  | 20,932.24                      | 976,788.42                     |
| <u>581,428.65</u>                                          | <u>231,339.96</u>              | <u>3,278,433.85</u>            |
|                                                            |                                |                                |
|                                                            | <u>60,014.78</u>               | <u>171,133.12</u>              |
|                                                            |                                |                                |
|                                                            |                                | 164,645.61                     |
|                                                            | 39,008.30                      | 39,008.30                      |
| 402,230.39                                                 | 569,453.13                     | 971,683.52                     |
|                                                            | 214,050.88                     | 214,050.88                     |
| <u>402,230.39</u>                                          | <u>822,512.31</u>              | <u>1,389,388.31</u>            |
|                                                            |                                | <u>9,220,385.49</u>            |
|                                                            |                                |                                |
| <u>402,230.39</u>                                          | <u>882,527.09</u>              | <u>10,780,906.92</u>           |
| <u>\$ 983,659.04</u>                                       | <u>\$ 1,113,867.05</u>         | <u>\$ 14,059,340.77</u>        |

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Total Fund Balances - Governmental Funds** \$ 10,780,906.92

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. 74,426,130.15

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

|                                       |                   |                |
|---------------------------------------|-------------------|----------------|
| Bonds Payable                         | \$ (1,260,000.00) |                |
| Compensated Absences Payable          | (2,310,447.28)    |                |
| Other Postemployment Benefits Payable | (995,655.00)      | (4,566,102.28) |
|                                       |                   |                |

**Total Net Assets - Governmental Activities** \$ 80,640,934.79

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, 2011**

|                                                 | General<br>Fund        | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|-------------------------------------------------|------------------------|---------------------------------------|-----------------------------------------------------------|
| <b>Revenues</b>                                 |                        |                                       |                                                           |
| Intergovernmental:                              |                        |                                       |                                                           |
| Federal Direct                                  | \$ 19,979.92           | \$ 19,598.66                          | \$                                                        |
| Federal Through State and Local                 | 355,079.90             | 5,437,111.31                          | 5,221,467.41                                              |
| State                                           | 33,710,515.96          |                                       |                                                           |
| Local:                                          |                        |                                       |                                                           |
| Property Taxes                                  | 10,751,533.50          |                                       |                                                           |
| Impact Fees                                     |                        |                                       |                                                           |
| Charges for Services - Food Service             |                        |                                       |                                                           |
| Miscellaneous                                   | 1,271,988.30           |                                       |                                                           |
| <b>Total Revenues</b>                           | <u>46,109,097.58</u>   | <u>5,456,709.97</u>                   | <u>5,221,467.41</u>                                       |
| <b>Expenditures</b>                             |                        |                                       |                                                           |
| Current - Education:                            |                        |                                       |                                                           |
| Instruction                                     | 29,099,410.50          | 2,043,416.97                          | 1,980,022.70                                              |
| Pupil Personnel Services                        | 1,516,124.26           | 981,752.18                            | 423,930.90                                                |
| Instructional Media Services                    | 81,397.20              |                                       | 580,795.75                                                |
| Instruction and Curriculum Development Services | 529,462.92             | 658,702.88                            | 362,830.71                                                |
| Instructional Staff Training Services           | 159,769.65             | 837,834.67                            | 247,902.16                                                |
| Instruction Related Technology                  | 526,464.79             | 40,584.71                             | 123,504.86                                                |
| School Board                                    | 362,312.33             |                                       |                                                           |
| General Administration                          | 935,209.32             | 133,595.98                            | 87,114.17                                                 |
| School Administration                           | 3,533,252.10           | 2,140.74                              | 783.78                                                    |
| Facilities Acquisition and Construction         | 264,474.83             |                                       |                                                           |
| Fiscal Services                                 | 441,959.58             |                                       |                                                           |
| Food Services                                   |                        |                                       |                                                           |
| Central Services                                | 313,719.14             |                                       | 136,219.20                                                |
| Pupil Transportation Services                   | 2,631,929.36           | 181,079.65                            | 219,092.03                                                |
| Operation of Plant                              | 3,835,535.14           | 11,718.86                             |                                                           |
| Maintenance of Plant                            | 1,252,478.58           |                                       |                                                           |
| Administrative Technology Services              | 343,080.05             |                                       | 156,928.61                                                |
| Community Services                              | 300,940.32             |                                       |                                                           |
| Fixed Capital Outlay:                           |                        |                                       |                                                           |
| Facilities Acquisition and Construction         | 22,596.64              |                                       |                                                           |
| Other Capital Outlay                            | 34,481.55              | 565,883.33                            | 902,342.54                                                |
| Debt Service:                                   |                        |                                       |                                                           |
| Principal                                       |                        |                                       |                                                           |
| Interest and Fiscal Charges                     |                        |                                       |                                                           |
| <b>Total Expenditures</b>                       | <u>46,184,598.26</u>   | <u>5,456,709.97</u>                   | <u>5,221,467.41</u>                                       |
| <b>Deficiency of Revenues Over Expenditures</b> | <u>(75,500.68)</u>     |                                       |                                                           |
| <b>Other Financing Sources (Uses)</b>           |                        |                                       |                                                           |
| Transfers In                                    |                        |                                       |                                                           |
| Proceeds from Sale of Capital Assets            | 25,500.00              |                                       |                                                           |
| Insurance Loss Recoveries                       | 10,250.40              |                                       |                                                           |
| Transfers Out                                   | (796.22)               |                                       |                                                           |
| <b>Total Other Financing Sources (Uses)</b>     | <u>34,954.18</u>       |                                       |                                                           |
| <b>Net Change in Fund Balances</b>              | <u>(40,546.50)</u>     |                                       |                                                           |
| Fund Balances, Beginning                        | 9,536,695.94           |                                       |                                                           |
| <b>Fund Balances, Ending</b>                    | <u>\$ 9,496,149.44</u> | <u>\$ 0.00</u>                        | <u>\$ 0.00</u>                                            |

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

| Capital<br>Projects -<br>Local Capital<br>Improvement Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|------------------------------------------------------------|--------------------------------|--------------------------------|
| \$                                                         | \$                             | \$                             |
|                                                            | 2,751,130.60                   | 39,578.58                      |
|                                                            | 703,147.44                     | 13,764,789.22                  |
|                                                            |                                | 34,413,663.40                  |
| 2,445,037.09                                               |                                | 13,196,570.59                  |
|                                                            | 79,003.00                      | 79,003.00                      |
|                                                            | 829,946.50                     | 829,946.50                     |
| 23,201.52                                                  | 157,890.12                     | 1,453,079.94                   |
| 2,468,238.61                                               | 4,521,117.66                   | 63,776,631.23                  |
|                                                            |                                | 33,122,850.17                  |
|                                                            |                                | 2,921,807.34                   |
|                                                            |                                | 662,192.95                     |
|                                                            |                                | 1,550,996.51                   |
|                                                            |                                | 1,245,506.48                   |
|                                                            |                                | 690,554.36                     |
|                                                            |                                | 362,312.33                     |
|                                                            |                                | 1,155,919.47                   |
|                                                            |                                | 3,536,176.62                   |
| 367,846.57                                                 | 388,654.35                     | 1,020,975.75                   |
|                                                            |                                | 441,959.58                     |
|                                                            | 3,657,052.78                   | 3,657,052.78                   |
|                                                            |                                | 449,938.34                     |
|                                                            |                                | 3,032,101.04                   |
|                                                            |                                | 3,847,254.00                   |
|                                                            |                                | 1,252,478.58                   |
|                                                            |                                | 500,008.66                     |
|                                                            |                                | 300,940.32                     |
| 5,599,976.06                                               | 951,834.34                     | 6,574,407.04                   |
| 703,656.40                                                 | 250,871.14                     | 2,457,234.96                   |
|                                                            | 150,000.00                     | 150,000.00                     |
|                                                            | 70,075.04                      | 70,075.04                      |
| 6,671,479.03                                               | 5,468,487.65                   | 69,002,742.32                  |
| (4,203,240.42)                                             | (947,369.99)                   | (5,226,111.09)                 |
|                                                            | 796.22                         | 796.22                         |
|                                                            |                                | 25,500.00                      |
|                                                            |                                | 10,250.40                      |
|                                                            |                                | (796.22)                       |
|                                                            | 796.22                         | 35,750.40                      |
| (4,203,240.42)                                             | (946,573.77)                   | (5,190,360.69)                 |
| 4,605,470.81                                               | 1,829,100.86                   | 15,971,267.61                  |
| \$ 402,230.39                                              | \$ 882,527.09                  | \$ 10,780,906.92               |

**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, 2011**

**Net Change in Fund Balances - Governmental Funds** **\$ (5,190,360.69)**

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 the current period. 4,903,559.25

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold. (114,863.64)

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. 6,151.15

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. 150,000.00

In the statement of activities, the cost of other postemployment benefits obligation is measured by actuarial estimations, while in the governmental funds, expenditures are recognized based on the amounts actually paid for other postemployment benefits. This is the amount of other postemployment benefits obligation accrued in excess of the amount paid in the current period. (423,737.00)

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. 255,201.63

**Change in Net Assets - Governmental Activities** **\$ (414,049.30)**

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  
For the Fiscal Year Ended June 30, 2011**

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>ASSETS</b>             |                         |
| Cash and Cash Equivalents | <u>\$ 483,009</u>       |
| <b>LIABILITIES</b>        |                         |
| Internal Accounts Payable | <u>\$ 483,009</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, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

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

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation 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, 2011**

The District reports the following major governmental funds:

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

Additionally, the District reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

➤ **Deposits and Investments**

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. General Fund supply inventories are stated at cost on the first-in, first-out basis. General Fund transportation parts inventories are stated at cost based upon the last invoice price, which approximates the first-in, first-out basis. Special Revenue Fund – Food Service inventories are stated at cost, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus 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 more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the construction costs.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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

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

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

➤ **District Property Taxes**

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

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

The Board adopted the 2010 tax levy on September 9, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Okeechobee County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Educational Impact Fees**

The District receives school impact fees based on an ordinance adopted by the Okeechobee County Commission 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, 2011**

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

## 3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

| Investments                              | Maturities        | Fair Value      |
|------------------------------------------|-------------------|-----------------|
| State Board of Administration (SBA):     |                   |                 |
| Florida PRIME (1)                        | 31 Day Average    | \$ 3,270,799.31 |
| Fund B Surplus Funds Trust Fund (Fund B) | 7.16 Year Average | 207,428.81      |
| Debt Service Accounts                    | 6 Months          | 39,008.30       |
|                                          |                   | <hr/>           |
| Total Investments                        |                   | \$ 3,517,236.42 |
|                                          |                   | <hr/>           |

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

### Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

|                                                 | Beginning<br>Balance | Additions       | Deletions       | Ending<br>Balance |
|-------------------------------------------------|----------------------|-----------------|-----------------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                  |                      |                 |                 |                   |
| Capital Assets Not Being Depreciated:           |                      |                 |                 |                   |
| Land                                            | \$ 3,825,229.21      | \$              | \$              | \$ 3,825,229.21   |
| Land Improvements - Nondepreciable              | 1,588,171.39         | 58,580.52       |                 | 1,646,751.91      |
| Construction in Progress                        | 3,408,014.90         | 6,515,826.52    | 3,466,042.54    | 6,457,798.88      |
| Total Capital Assets Not Being Depreciated      | 8,821,415.50         | 6,574,407.04    | 3,466,042.54    | 11,929,780.00     |
| Capital Assets Being Depreciated:               |                      |                 |                 |                   |
| Improvements Other Than Buildings               | 2,019,094.26         |                 |                 | 2,019,094.26      |
| Buildings and Fixed Equipment                   | 74,611,491.95        | 3,466,042.54    |                 | 78,077,534.49     |
| Furniture, Fixtures, and Equipment              | 11,151,910.81        | 1,336,891.94    | 846,860.54      | 11,641,942.21     |
| Motor Vehicles                                  | 5,555,950.23         | 552,889.00      | 291,309.00      | 5,817,530.23      |
| Audio Visual Materials and<br>Computer Software | 2,285,450.85         | 573,605.17      | 771.00          | 2,858,285.02      |
| Total Capital Assets Being Depreciated          | 95,623,898.10        | 5,929,428.65    | 1,138,940.54    | 100,414,386.21    |
| Less Accumulated Depreciation for:              |                      |                 |                 |                   |
| Improvements Other Than Buildings               | 530,701.45           | 196,424.14      |                 | 727,125.59        |
| Buildings and Fixed Equipment                   | 24,266,325.08        | 1,688,264.73    |                 | 25,954,589.81     |
| Furniture, Fixtures, and Equipment              | 6,644,113.95         | 1,378,188.30    | 806,479.94      | 7,215,822.31      |
| Motor Vehicles                                  | 1,896,255.47         | 387,238.46      | 216,825.96      | 2,066,667.97      |
| Audio Visual Materials and<br>Computer Software | 1,476,634.26         | 477,967.12      | 771.00          | 1,953,830.38      |
| Total Accumulated Depreciation                  | 34,814,030.21        | 4,128,082.75    | 1,024,076.90    | 37,918,036.06     |
| Total Capital Assets Being Depreciated, Net     | 60,809,867.89        | 1,801,345.90    | 114,863.64      | 62,496,350.15     |
| Governmental Activities Capital Assets, Net     | \$ 69,631,283.39     | \$ 8,375,752.94 | \$ 3,580,906.18 | \$ 74,426,130.15  |

Depreciation expense was charged to functions as follows:

| Function                                             | Amount          |
|------------------------------------------------------|-----------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                       |                 |
| Pupil Transportation Services                        | \$ 387,238.46   |
| Unallocated                                          | 3,740,844.29    |
| Total Depreciation Expense - Governmental Activities | \$ 4,128,082.75 |

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**5. BONDS PAYABLE**

Bonds payable at June 30, 2011, are as follows:

| Bond Type               | Amount<br>Outstanding | Interest<br>Rates<br>(Percent) | Annual<br>Maturity<br>To |
|-------------------------|-----------------------|--------------------------------|--------------------------|
| State School Bonds:     |                       |                                |                          |
| Series 2009A, Refunding | \$ 90,000             | 4.0 - 5.0                      | 2019                     |
| Series 2005B, Refunding | <u>1,170,000</u>      | 5.0                            | 2018                     |
| Total Bonds Payable     | <u>\$ 1,260,000</u>   |                                |                          |

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

| Fiscal Year<br>Ending<br>June 30 | Total                 | Principal             | Interest            |
|----------------------------------|-----------------------|-----------------------|---------------------|
| State School Bonds:              |                       |                       |                     |
| 2012                             | \$ 217,400.00         | \$ 155,000.00         | \$ 62,400.00        |
| 2013                             | 219,800.00            | 165,000.00            | 54,800.00           |
| 2014                             | 216,625.00            | 170,000.00            | 46,625.00           |
| 2015                             | 208,375.00            | 170,000.00            | 38,375.00           |
| 2016                             | 214,750.00            | 185,000.00            | 29,750.00           |
| 2017-2019                        | <u>446,750.00</u>     | <u>415,000.00</u>     | <u>31,750.00</u>    |
| Total State School Bonds         | <u>\$1,523,700.00</u> | <u>\$1,260,000.00</u> | <u>\$263,700.00</u> |

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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

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

| Description                           | Beginning<br>Balance   | Additions            | Deductions           | Ending<br>Balance      | Due In<br>One Year   |
|---------------------------------------|------------------------|----------------------|----------------------|------------------------|----------------------|
| GOVERNMENTAL ACTIVITIES               |                        |                      |                      |                        |                      |
| Bonds Payable                         | \$ 1,410,000.00        | \$                   | \$ 150,000.00        | \$ 1,260,000.00        | \$ 155,000.00        |
| Compensated Absences Payable          | 2,565,648.91           | 136,161.37           | 391,363.00           | 2,310,447.28           | 136,161.37           |
| Other Postemployment Benefits Payable | 571,918.00             | 749,980.00           | 326,243.00           | 995,655.00             |                      |
| Total Governmental Activities         | <u>\$ 4,547,566.91</u> | <u>\$ 886,141.37</u> | <u>\$ 867,606.00</u> | <u>\$ 4,566,102.28</u> | <u>\$ 291,161.37</u> |

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

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

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

| Funds                          | Interfund            |                      |
|--------------------------------|----------------------|----------------------|
|                                | Receivables          | Payables             |
| Major:                         |                      |                      |
| General                        | \$ 976,788.42        | \$                   |
| Special Revenue:               |                      |                      |
| Other                          |                      | 425,607.72           |
| Federal Economic Stimulus      |                      | 459,686.64           |
| Capital Projects Funds:        |                      |                      |
| Local Capital Improvement Fund |                      | 70,561.82            |
| Nonmajor Funds                 |                      | 20,932.24            |
| Total                          | <u>\$ 976,788.42</u> | <u>\$ 976,788.42</u> |

The majority of the special revenue funds interfund balances relate to amounts due to the General Fund for workers' compensation and indirect costs due at fiscal year-end. The Capital Projects - Local Capital Improvement Fund interfund balance relates to amounts due to the General Fund for the Okeechobee Achievement Academy. All amounts will be repaid within the 2011-12 fiscal year.

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

| Funds                   | Interfund        |                  |
|-------------------------|------------------|------------------|
|                         | Transfers In     | Transfers Out    |
| Major:                  |                  |                  |
| General                 | \$               | \$ 796.22        |
| Nonmajor - Food Service | 796.22           |                  |
| Total                   | <u>\$ 796.22</u> | <u>\$ 796.22</u> |

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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

**8. FUND BALANCE REPORTING**

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

➤ **Restricted**

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

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District did not have any assigned fund balance at June 30, 2011.

➤ **Unassigned**

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**9. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

| <u>Source</u>                                               | <u>Amount</u>                  |
|-------------------------------------------------------------|--------------------------------|
| Florida Education Finance Program                           | \$ 26,041,900.00               |
| Categorical Educational Program - Class Size Reduction      | 7,119,324.00                   |
| Gross Receipts Tax (Public Education Capital Outlay)        | 355,508.00                     |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 260,557.18                     |
| School Recognition                                          | 74,238.00                      |
| Food Service Supplement                                     | 61,084.00                      |
| Mobile Home License Tax                                     | 34,499.43                      |
| Discretionary Lottery Funds                                 | 24,426.00                      |
| Miscellaneous                                               | <u>442,126.79</u>              |
| <b>Total</b>                                                | <b><u>\$ 34,413,663.40</u></b> |

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

**10. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

|                                      | <u>Millages</u>     | <u>Taxes Levied</u>         |
|--------------------------------------|---------------------|-----------------------------|
| <b><u>GENERAL FUND</u></b>           |                     |                             |
| Nonvoted School Tax:                 |                     |                             |
| Required Local Effort                | 5.623               | \$ 9,443,022                |
| Basic Discretionary Local Effort     | 0.748               | 1,256,159                   |
| Critical Operating Needs             | 0.250               | 419,839                     |
| <b><u>CAPITAL PROJECTS FUNDS</u></b> |                     |                             |
| Nonvoted Tax:                        |                     |                             |
| Local Capital Improvements           | <u>1.500</u>        | <u>2,519,035</u>            |
| <b>Total</b>                         | <b><u>8.121</u></b> | <b><u>\$ 13,638,055</u></b> |

**11. FLORIDA RETIREMENT SYSTEM**

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

(DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

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

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

| Class                                                                                       | Percent of Gross Salary |                 |
|---------------------------------------------------------------------------------------------|-------------------------|-----------------|
|                                                                                             | Employee                | Employer<br>(A) |
| Florida Retirement System, Regular                                                          | 0.00                    | 10.77           |
| Florida Retirement System, Elected County Officers                                          | 0.00                    | 18.64           |
| Florida Retirement System, Senior Management Service                                        | 0.00                    | 14.57           |
| Deferred Retirement Option Program - Applicable to<br>Members from All of the Above Classes | 0.00                    | 12.25           |
| Florida Retirement System, Reemployed Retiree                                               | (B)                     | (B)             |

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$2,896,935, \$2,857,322, and \$3,249,410, respectively, which were equal to the required contributions for each fiscal year. There were 111 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$442,548.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

**12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**Plan Description.** The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. 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. 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.** Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 51 retirees received other postemployment benefits. The District provided required contributions of \$326,243 toward the annual OPEB cost. Plan members receiving benefits contributed \$497,281, which represents 1.8 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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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:

| <u>Description</u>                                      | <u>Amount</u>           |
|---------------------------------------------------------|-------------------------|
| Normal Cost (service cost for one year)                 | \$332,972               |
| Amortization of Unfunded Actuarial<br>Accrued Liability | <u>426,688</u>          |
| Annual Required Contribution                            | 759,660                 |
| Interest on Net OPEB Obligation                         | 21,447                  |
| Adjustment to Annual Required Contribution              | <u>(31,127)</u>         |
| Annual OPEB Cost (Expense)                              | 749,980                 |
| Contribution Toward the OPEB Cost                       | <u>(326,243)</u>        |
| Increase in Net OPEB Obligation                         | 423,737                 |
| Net OPEB Obligation, Beginning of Year                  | <u>571,918</u>          |
| Net OPEB Obligation, End of Year                        | <u><u>\$995,655</u></u> |

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, 2011, and the preceding two years, were as follows:

| <u>Fiscal Year</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual<br/>OPEB Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|--------------------|-----------------------------|---------------------------------------------------------------|--------------------------------|
| 2008-09            | \$ 599,895                  | 49.6%                                                         | \$ 302,060                     |
| 2009-10            | 619,788                     | 56.5%                                                         | 571,918                        |
| 2010-11            | 749,980                     | 43.5%                                                         | 995,655                        |

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

Actuarial valuations of an ongoing 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.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**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 OPEB actuarial valuation as of January 1, 2011, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and District's 2010-11 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. This rate includes a 3 percent general price inflation rate. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent beginning October 1, 2011, reduced by various decrements annually, to an ultimate rate of 4 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 17 years.

### 13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

| Major Funds  |                               |                                                         |                                                       |                                   |                                |
|--------------|-------------------------------|---------------------------------------------------------|-------------------------------------------------------|-----------------------------------|--------------------------------|
| General      | Special<br>Revenue -<br>Other | Special<br>Revenue -<br>Federal<br>Economic<br>Stimulus | Capital<br>Projects -<br>Local Capital<br>Improvement | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| \$ 92,347.60 | \$ 309,408.26                 | \$ 89,673.30                                            | \$ 384,282.75                                         | \$ 171,336.79                     | \$ 1,047,048.70                |

**Construction Contracts.** Encumbrances include the following major construction contract commitments at fiscal year-end:

| Project                                 | Contract<br>Amount | Completed<br>to Date | Balance<br>Committed |
|-----------------------------------------|--------------------|----------------------|----------------------|
| Okeechobee Achievement Academy Facility | \$5,857,122.00     | \$ 4,876,176.02      | \$ 980,945.98        |

The project is financed by nonvoted capital outlay funds (LCIF) covering a multi-year period (2010-11 and 2011-12) and a portion of the project will be encumbered during the 2011-12 fiscal year.

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**14. JOINT VENTURES**

By a resolution adopted on October 14, 1986, the Board entered into a joint venture with the Okeechobee County Board of County Commissioners (BCC) to develop a community park and sports complex. On October 16, 1986, BCC adopted a similar resolution and the two resolutions provided the basis for the agreement for the joint venture. As part of the agreement, BCC leased the facility to the School Board for 40 years or for the life of the facility, whichever is longer and provided that the District has the priority of use, over the general public, of the park and its facilities for educational purposes and for extracurricular activities as a part of the District's normal school programs for the Board. The Board received approximately \$1.2 million in funding for this venture through the Florida Legislature under the provisions 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 2010-11 fiscal year, the District paid a total of \$174,287.82 to the BCC for such costs attributable to the 2009-10 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 Boards Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. FSBIT was established for the purpose of pooling property, casualty, and workers' compensation exposure; purchasing and procuring insurance coverage of various types or providing self-insurance, and providing risk management services for the Florida school boards. Insurance coverage for fiduciary, petroleum tanks, student accident, student nurse malpractice, and sports injury are provided by commercial insurance through FSBIT.

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

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

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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, 2011**

|                                                          | General Fund           |                        |                        |                                                           |
|----------------------------------------------------------|------------------------|------------------------|------------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget     | Final<br>Budget        | Actual                 | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>                                          |                        |                        |                        |                                                           |
| Intergovernmental:                                       |                        |                        |                        |                                                           |
| Federal Direct                                           | \$ 35,000.00           | \$ 35,000.00           | \$ 19,979.92           | \$ (15,020.08)                                            |
| Federal Through State and Local                          | 200,000.00             | 225,046.00             | 355,079.90             | 130,033.90                                                |
| State                                                    | 34,838,223.00          | 33,691,568.71          | 33,710,515.96          | 18,947.25                                                 |
| Local:                                                   |                        |                        |                        |                                                           |
| Property Taxes                                           | 10,748,323.00          | 10,748,323.00          | 10,751,533.50          | 3,210.50                                                  |
| Miscellaneous                                            | 565,975.00             | 654,785.50             | 1,271,988.30           | 617,202.80                                                |
| <b>Total Revenues</b>                                    | <b>46,387,521.00</b>   | <b>45,354,723.21</b>   | <b>46,109,097.58</b>   | <b>754,374.37</b>                                         |
| <b>Expenditures</b>                                      |                        |                        |                        |                                                           |
| Current - Education:                                     |                        |                        |                        |                                                           |
| Instruction                                              | 32,625,139.49          | 31,311,479.97          | 29,099,410.50          | 2,212,069.47                                              |
| Pupil Personnel Services                                 | 1,964,819.95           | 2,102,368.67           | 1,516,124.26           | 586,244.41                                                |
| Instructional Media Services                             | 666,608.50             | 101,704.27             | 81,397.20              | 20,307.07                                                 |
| Instruction and Curriculum Development Services          | 595,559.22             | 582,179.07             | 529,462.92             | 52,716.15                                                 |
| Instructional Staff Training Services                    | 161,030.00             | 181,969.05             | 159,769.65             | 22,199.40                                                 |
| Instruction Related Technology                           | 555,966.00             | 565,604.18             | 526,464.79             | 39,139.39                                                 |
| School Board                                             | 667,433.00             | 668,787.83             | 362,312.33             | 306,475.50                                                |
| General Administration                                   | 1,653,677.49           | 1,702,882.56           | 935,209.32             | 767,673.24                                                |
| School Administration                                    | 3,568,525.20           | 3,657,880.29           | 3,533,252.10           | 124,628.19                                                |
| Facilities Acquisition and Construction                  | 270,857.71             | 276,126.57             | 264,474.83             | 11,651.74                                                 |
| Fiscal Services                                          | 461,265.16             | 459,380.54             | 441,959.58             | 17,420.96                                                 |
| Central Services                                         | 362,568.50             | 404,375.52             | 313,719.14             | 90,656.38                                                 |
| Pupil Transportation Services                            | 3,120,890.10           | 3,177,495.06           | 2,631,929.36           | 545,565.70                                                |
| Operation of Plant                                       | 4,235,685.31           | 4,316,024.65           | 3,835,535.14           | 480,489.51                                                |
| Maintenance of Plant                                     | 1,293,578.15           | 1,302,819.14           | 1,252,478.58           | 50,340.56                                                 |
| Administrative Technology Services                       | 417,502.73             | 433,241.07             | 343,080.05             | 90,161.02                                                 |
| Community Services                                       | 352,500.00             | 350,960.69             | 300,940.32             | 50,020.37                                                 |
| Fixed Capital Outlay:                                    |                        |                        |                        |                                                           |
| Facilities Acquisition and Construction                  |                        | 22,596.64              | 22,596.64              |                                                           |
| Other Capital Outlay                                     | 222,445.10             | 213,610.12             | 34,481.55              | 179,128.57                                                |
| <b>Total Expenditures</b>                                | <b>53,196,051.61</b>   | <b>51,831,485.89</b>   | <b>46,184,598.26</b>   | <b>5,646,887.63</b>                                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(6,808,530.61)</b>  | <b>(6,476,762.68)</b>  | <b>(75,500.68)</b>     | <b>6,401,262.00</b>                                       |
| <b>Other Financing Sources (Uses)</b>                    |                        |                        |                        |                                                           |
| Transfers In                                             | 200,000.00             | 200,000.00             |                        | (200,000.00)                                              |
| Proceeds from Sale of Capital Assets                     | 15,000.00              | 15,000.00              | 25,500.00              | (10,500.00)                                               |
| Insurance Loss Recoveries                                | 1,000.00               | 1,000.00               | 10,250.40              | 9,250.40                                                  |
| Transfers Out                                            |                        | (3,675.59)             | (796.22)               | 2,879.37                                                  |
| <b>Total Other Financing Sources (Uses)</b>              | <b>216,000.00</b>      | <b>212,324.41</b>      | <b>34,954.18</b>       | <b>(198,370.23)</b>                                       |
| <b>Net Change in Fund Balances</b>                       | <b>(6,592,530.61)</b>  | <b>(6,264,438.27)</b>  | <b>(40,546.50)</b>     | <b>6,223,891.77</b>                                       |
| Fund Balances, Beginning                                 | 9,536,695.94           | 9,536,695.94           | 9,536,695.94           |                                                           |
| <b>Fund Balances, Ending</b>                             | <b>\$ 2,944,165.33</b> | <b>\$ 3,272,257.67</b> | <b>\$ 9,496,149.44</b> | <b>\$ 6,223,891.77</b>                                    |

| Special Revenue - Other Fund          |                                         |                                       |                                                           | Special Revenue - Federal Economic Stimulus Fund |                                        |                                        |                                                           |
|---------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------------------------------|--------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------------------------------|
| Original<br>Budget                    | Final<br>Budget                         | Actual                                | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Original<br>Budget                               | Final<br>Budget                        | Actual                                 | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| \$ 20,332.23<br>5,909,082.90          | \$ 19,599.23<br>6,549,363.98            | \$ 19,598.66<br>5,437,111.31          | \$ (0.57)<br>(1,112,252.67)                               | \$ 3,985,359.75                                  | \$ 5,513,628.63                        | \$ 5,221,467.41                        | \$ (292,161.22)                                           |
| 5,929,415.13                          | 6,568,963.21                            | 5,456,709.97                          | (1,112,253.24)                                            | 3,985,359.75                                     | 5,513,628.63                           | 5,221,467.41                           | (292,161.22)                                              |
| 1,899,116.29<br>1,135,459.09          | 2,416,484.63<br>1,112,821.82            | 2,043,416.97<br>981,752.18            | 373,067.66<br>131,069.64                                  | 1,137,700.47<br>6,452.15                         | 2,108,512.76<br>423,930.90             | 1,980,022.70<br>423,930.90             | 128,490.06                                                |
| 705,838.34<br>863,837.08<br>45,914.24 | 730,253.10<br>1,002,415.68<br>56,912.02 | 658,702.88<br>837,834.67<br>40,584.71 | 71,550.22<br>164,581.01<br>16,327.31                      | 445,396.29<br>406,489.91<br>240,837.95           | 580,795.75<br>368,340.71<br>295,743.87 | 580,795.75<br>362,830.71<br>247,902.16 | 5,510.00<br>47,841.71                                     |
| 172,390.65                            | 156,121.62<br>4,150.17                  | 133,595.98<br>2,140.74                | 22,525.64<br>2,009.43                                     | 97,319.46<br>1,000.00<br>500,000.00              | 91,036.02<br>783.78                    | 87,114.17<br>783.78                    | 3,921.85                                                  |
| 393,735.00<br>12,514.00               | 200,864.57<br>24,370.03                 | 181,079.65<br>11,718.86               | 19,784.92<br>12,651.17                                    | 252,607.81                                       | 139,219.20<br>226,332.03               | 136,219.20<br>219,092.03               | 3,000.00<br>7,240.00                                      |
|                                       |                                         |                                       |                                                           | 166,500.00                                       | 156,928.61                             | 156,928.61                             |                                                           |
| 700,610.44                            | 864,569.57                              | 565,883.33                            | 298,686.24                                                | 731,055.71                                       | 998,500.14                             | 902,342.54                             | 96,157.60                                                 |
| 5,929,415.13                          | 6,568,963.21                            | 5,456,709.97                          | 1,112,253.24                                              | 3,985,359.75                                     | 5,513,628.63                           | 5,221,467.41                           | 292,161.22                                                |
|                                       |                                         |                                       |                                                           |                                                  |                                        |                                        |                                                           |
|                                       |                                         |                                       |                                                           |                                                  |                                        |                                        |                                                           |
|                                       |                                         |                                       |                                                           |                                                  |                                        |                                        |                                                           |
| \$ 0.00                               | \$ 0.00                                 | \$ 0.00                               | \$ 0.00                                                   | \$ 0.00                                          | \$ 0.00                                | \$ 0.00                                | \$ 0.00                                                   |

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

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

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**1. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011**

| Federal Grantor/Pass-Through Grantor/Program Title                                             | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) |
|------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------|
| <b>United States Department of Agriculture:</b>                                                |                                               |                               |                            |
| Indirect:                                                                                      |                                               |                               |                            |
| Child Nutrition Cluster:                                                                       |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| School Breakfast Program                                                                       | 10.553                                        | 321                           | \$ 622,673.14              |
| National School Lunch Program                                                                  | 10.555                                        | 300, 350                      | 1,933,873.20               |
| Summer Food Service Program for Children                                                       | 10.559                                        | 323                           | 23,949.04                  |
| Florida Department of Agriculture and Consumer Services:                                       |                                               |                               |                            |
| National School Lunch Program                                                                  | 10.555 (2)                                    | None                          | <u>140,518.09</u>          |
| <b>Total Child Nutrition Cluster</b>                                                           |                                               |                               | <u>2,721,013.47</u>        |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Child Nutrition Discretionary Grants Limited Availability                                      | 10.579                                        | 371                           | <u>30,117.13</u>           |
| <b>Total United States Department of Agriculture</b>                                           |                                               |                               | <u>2,751,130.60</u>        |
| <b>United States Department of Education:</b>                                                  |                                               |                               |                            |
| Direct:                                                                                        |                                               |                               |                            |
| Indian Education - Grants to Local Educational Agencies                                        | 84.060                                        | N/A                           | <u>19,598.66</u>           |
| Indirect:                                                                                      |                                               |                               |                            |
| Title I, Part A Cluster:                                                                       |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Title I Grants to Local Educational Agencies                                                   | 84.010                                        | 212,222,223,226,228           | 2,294,360.71               |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act                              | 84.389                                        | 212, 223, 226                 | <u>177,896.32</u>          |
| <b>Total Title I, Part A Cluster</b>                                                           |                                               |                               | <u>2,472,257.03</u>        |
| Special Education Cluster:                                                                     |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Special Education - Grants to States                                                           | 84.027                                        | 262, 263                      | 1,618,008.86               |
| Special Education - Preschool Grants                                                           | 84.173                                        | 267                           | 92,876.26                  |
| ARRA - Special Education Grants to States, Recovery Act                                        | 84.391                                        | 263                           | <u>808,211.81</u>          |
| St. Lucie County District School Board:                                                        |                                               |                               |                            |
| Special Education - Grants to States                                                           | 84.027                                        | None                          | <u>19,402.93</u>           |
| <b>Total Special Education Cluster</b>                                                         |                                               |                               | <u>2,538,499.86</u>        |
| Educational Technology State Grants Cluster:                                                   |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Education Technology State Grants                                                              | 84.318                                        | 121                           | 3,945.53                   |
| ARRA - Education Technology State Grants, Recovery Act                                         | 84.386                                        | 122                           | <u>681,049.17</u>          |
| <b>Total Educational Technology State Grants Cluster</b>                                       |                                               |                               | <u>684,994.70</u>          |
| State Fiscal Stabilization Fund Cluster:                                                       |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act           | 84.394                                        | 591                           | 2,089,346.88               |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act              | 84.397                                        | 592                           | <u>41,554.00</u>           |
| <b>Total State Fiscal Stabilization Fund Cluster</b>                                           |                                               |                               | <u>2,130,900.88</u>        |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Migrant Education - State Grant Program                                                        | 84.011                                        | 217                           | 603,733.22                 |
| Career and Technical Education - Basic Grants to States                                        | 84.048                                        | 151,161                       | 242,059.47                 |
| Safe and Drug-Free Schools and Communities - State Grants                                      | 84.186                                        | 103                           | 3,982.50                   |
| Rural Education                                                                                | 84.358                                        | 110                           | 131,505.03                 |
| English Language Acquisition Grants                                                            | 84.365                                        | 102                           | 100,499.09                 |
| Improving Teacher Quality State Grants                                                         | 84.367                                        | 224                           | 346,140.64                 |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395                                        | R111                          | 63,530.23                  |
| Education Jobs Fund                                                                            | 84.410                                        | 541                           | <u>1,359,879.00</u>        |
| <b>Total Indirect</b>                                                                          |                                               |                               | <u>10,677,981.65</u>       |
| <b>Total United States Department of Education</b>                                             |                                               |                               | <u>10,697,580.31</u>       |
| <b>United States Department of Homeland Security</b>                                           |                                               |                               |                            |
| Indirect:                                                                                      |                                               |                               |                            |
| Florida Department of Education:                                                               |                                               |                               |                            |
| Homeland Security Grant Program                                                                | 97.067                                        | 532                           | <u>38,964.64</u>           |
| <b>United States Department of Defense:</b>                                                    |                                               |                               |                            |
| Direct:                                                                                        |                                               |                               |                            |
| Army Junior Reserve Officers Training Corps                                                    | None                                          | N/A                           | <u>19,979.92</u>           |
| <b>Total Expenditures of Federal Awards</b>                                                    |                                               |                               | <u>\$ 13,507,655.47</u>    |

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

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okeechobee County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors and to address the other auditors' qualification of opinion on the schools internal funds due their inability to substantiate the completeness of cash collected and deposited in the bank. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Okeechobee County District School Board's financial statements. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Findings No. 1 and 2 to be material weaknesses.

### 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 13, 2012



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

### Compliance

We have audited the Okeechobee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011.

### Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,



David W. Martin, CPA  
March 13, 2012

**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

|                                                                                               |                                                                                                                                            |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Type of auditor's report issued:                                                              | Except for the effects of adjustments to the school internal funds, there was no modification to the opinions on the financial statements. |
| Internal control over financial reporting:                                                    |                                                                                                                                            |
| Material weakness(es) identified?                                                             | Yes                                                                                                                                        |
| Significant deficiency(ies) identified that are not considered to be a material weakness(es)? | None reported                                                                                                                              |
| Noncompliance material to financial statements noted?                                         | No                                                                                                                                         |

**Federal Awards**

|                                                                                                                        |                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Internal control over major programs:                                                                                  |                                                                                                                                                                                                                                                                                                                            |
| Material weakness(es) identified?                                                                                      | No                                                                                                                                                                                                                                                                                                                         |
| Significant deficiency(ies) identified that are not considered to be a material weakness(es)?                          | None reported                                                                                                                                                                                                                                                                                                              |
| Type of report the auditor issued on compliance for major programs:                                                    | Unqualified for all major programs                                                                                                                                                                                                                                                                                         |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No                                                                                                                                                                                                                                                                                                                         |
| Identification of major programs:                                                                                      | Migrant Education (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 – ARRA); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 – ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 – ARRA and 84.397 – ARRA); and Education Jobs Fund (CFDA No. 84.410) |
| Dollar threshold used to distinguish between Type A and Type B programs:                                               | \$405,229                                                                                                                                                                                                                                                                                                                  |
| Auditee qualified as low-risk auditee?                                                                                 | No                                                                                                                                                                                                                                                                                                                         |

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**OKEECHOBEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**FINANCIAL STATEMENT FINDINGS**

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|                            |
|----------------------------|
| <b>MATERIAL WEAKNESSES</b> |
|----------------------------|

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

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School internal funds provide an accounting for various school club and class activities and are reported by the District in its financial statements as Fiduciary Funds. The financial activities of the school internal funds represent approximately 30 percent of the assets and 68 percent of the liabilities, respectively, of the aggregate remaining fund information.

State Board of Education Rule (SBE) 6A-1.087(2), Florida Administrative Code (FAC), requires an annual audit of the school internal funds and the Board obtained the required audit, dated December 13, 2011, for the 2010-11 fiscal year; however, the audit disclosed material weaknesses in controls over cash collections at five of the District's ten schools. The auditor noted the weaknesses at Okeechobee High School, Osceola Middle School, Seminole Elementary School, South Elementary School, and Yearling Middle School, resulting in a qualified opinion on the school internal funds' financial statements. For example, although District procedures require completion of student activity reports to evidence cash collections from fundraisers, the auditor noted several instances in which student activity reports were not prepared or were incomplete. In addition, although procedures require that money from fundraisers be deposited timely, the auditor noted several instances where deposits were untimely. Without appropriate evidence to document cash collections, District personnel's ability to substantiate the completeness of cash collected and related deposits may be limited.

Further, professional auditing standards require that when other auditors report on a significant portion of an entity's financial statements, and the opinions contained in the reports are not unqualified, appropriate disclosures (qualifications) should be made in the auditor's report. Therefore, our report on the District's financial statements includes a qualification to that effect. Similar findings were noted in our previous audit reports, most recently in our report No. 2011-143.

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

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**Finding No. 2: Financial Reporting**

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Our review of the District's 2010-11 fiscal year annual financial report presented for audit indicated that financial reporting procedures could be improved. Specifically, we noted the following:

- 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 a major when the fund's liabilities represent at least 10 percent of the

total governmental funds' liabilities. However, District procedures did not identify and report certain construction and retainage payables at fiscal year-end, resulting in underreported facilities acquisition and construction expenditures and construction-related payables totaling \$492,896 each in the Capital Projects – Local Capital Improvement Fund (LCIF). In addition, because the District did not properly report these amounts, it did not identify and consider that LCIF met the 10 percent liabilities threshold requirement 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, and ensures compliance with GAAP.

- District personnel inadvertently reported in the Special Revenue Fund – Federal Economic Stimulus Programs Fund the same account balances in due from other agencies, due to other funds, and accounts payable liabilities categories as reported in the respective categories for the previous fiscal year. District personnel indicated that this error occurred because personnel used a previous fiscal year's trial balance report. As a result, the Fund had understatements of due from other agencies, due to other funds, and accounts payable accounts of \$145,308, \$134,723, and \$10,585, respectively, potentially causing financial statement users to misunderstand the District's Federal program account balances at fiscal year-end.
- 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. One required disclosure is of significant construction contract commitments outstanding at fiscal year-end; however, the District's notes omitted a description of \$980,946 of commitments outstanding at June 30, 2011, for the Okeechobee Achievement Academy building. Without such disclosures, financial statement users may make incorrect conclusions about the District's construction activities.

The above deficiencies occurred mainly because of oversights by District personnel. We extended our procedures to determine the revisions necessary to properly report the account balances, transactions, and note disclosures, and District personnel accepted these revisions. Similar findings were noted in previous audit reports, most recently in our report No. 2011-143.

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**Recommendation:** The District should enhance procedures to ensure that information is properly reported on the financial statements.

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## ADDITIONAL MATTERS

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### Finding No. 3: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),<sup>1</sup> required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an

<sup>1</sup> Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators generally based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010). Instructional personnel typically maintained records, in consultation with their school administrator, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests, and met periodically with their school administrator throughout the school year to assess the progress in meeting the projected goals. Similarly, school administrators maintained a leadership portfolio with goals and met with the Superintendent or their immediate supervisors to assess their progress. However, for instructional personnel and school administrators, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessment, nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that revisions to performance assessments were delayed until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our report No. 2011-143.

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**Recommendation:** The District should document that performance assessments of instructional personnel and school administrators consider student performance as required by law.

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#### **Finding No. 4: Construction Management**

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Section 1013.45(1)(c), Florida Statutes, authorizes the District to contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may also be required to offer a guaranteed maximum price (GMP). A GMP contract allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. A GMP contract requires District personnel to closely monitor construction costs and the award of bids to subcontractors.

The District entered into a GMP contract with a CME for construction of Okeechobee Achievement Academy with a total project cost of \$5,857,122, exclusive of architect fees. However, District personnel did not attend bid openings of any of the project's subcontractors nor initially obtain subcontractor bids and contracts. District personnel indicated that they and the architect reviewed summary spreadsheets provided by the CME of bid amounts by subcontractor. Upon our request, District personnel obtained the subcontractor bids and related contracts from the CME, and our comparisons disclosed that the terms of the subcontractor bids were consistent with the terms of the contracts. However, without District involvement in the subcontractor selection process and reconciling CME pay requests to detailed supporting documentation from subcontractors, subcontractor services may not be obtained at the lowest and best price consistent with acceptable quality, the CME may be overpaid for subcontractor services, and the District has limited assurance that it has realized maximum cost savings.

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**Recommendation:** For guaranteed maximum price contracts, the District should establish procedures to ensure District personnel properly monitor the subcontractor selection process, review and approve detailed records supporting subcontractor payments, and maintain records evidencing this.

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**Follow-up to Management's Response:**

*The District's response indicates that the statute referenced does not support the finding and is silent in reference to selection, review, and approval of subcontractors. However, we are not questioning the District's compliance with Section 1013.45(1)(c), Florida Statutes, and it is not our intent to suggest that the District should select, review, and approve the subcontractors. Rather, the point of our finding is that when the GMP contract allows the District to recover the difference between the actual cost of the project and the GMP amount, without monitoring the CME's awarding of bids to subcontractors, the District has limited assurance that it has realized maximum cost savings.*

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**Finding No. 5: Electronic Funds Transfers**

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Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, SBE Rule 6A-1.0012, FAC, authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

On July 13, 2010, the Board approved an EFT bank agreement, signed by the Board chair and superintendent, identifying one finance department employee as the EFT system administrator. As system administrator, the employee could electronically revise EFT information such as adding or deleting the employees identified to initiate or authorize EFTs. Also, the original EFT agreement provided that EFTs must be initiated by an employee who was not the same employee who authorized the EFT. In addition, District personnel indicated that revisions to the original EFT bank agreement were subsequently made that identified a second employee who could also authorize EFTs.

During the 2010-11 fiscal year, the District did not use EFTs to make vendor payments, but regularly made electronic disbursements for its direct deposit of employee pay and other payroll related activity, such as annuities and credit union accounts. While the District used informal processes including oral instructions, e-mail directions, and other reviews to monitor and control electronic transmission of funds, the Board had not adopted written policies prescribing the accounting and control procedures for EFTs, contrary to Section 1010.11, Florida Statutes. Also, the Board did not approve revisions to the original EFT bank agreement nor were revisions documented by updating the original EFT agreement to include the manual signature of the employees authorized to make EFTs, contrary to SBE Rule 6A-1.0012, FAC. In addition, allowing the system administrator to designate the employees who initiate or authorize EFTs, without secondary authorization of these designations, does not provide for an appropriate separation of duties. Upon our request, District personnel provided bank wire transfer correspondence or confirmed

to us that the initiator and authorizer of tested EFT transactions were not the same employees; however, neither of the employees initially executed signed confirmations to authorize the EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that the financial director approves journal entries, bank reconciliations, and EFT transactions to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management's responsibility to establish effective internal controls. Without properly established policies and procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

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**Recommendation:** The Board should adopt formal written policies and procedures to ensure the integrity, and security of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules. Such procedures should ensure that agreements identify appropriate personnel authorized to make EFTs; secondary authorization is made to designate employees who initiate and authorize EFTs; and the employees who make EFTs execute signed confirmations to authenticate the EFTs.

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**Finding No. 6: McKay Scholarship Program**

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Pursuant to Section 1002.39, Florida Statutes, the John M. McKay Scholarships for Students with Disabilities Program (Program) provides funding to parents of eligible students with disabilities for their children to attend an eligible private school, or the opportunity for their children to attend a public school other than the one assigned. Further, Section 1002.39(5)(a), Florida Statutes, provides that by April 1 of each year, and within 10 days after an individual education plan meeting, the District must inform the parent of these education options and the availability of the Florida Department of Education (FDOE)'s telephone hotline and Web site for additional Program information, and offer that parent an opportunity to enroll the student in another public school within the district. During the 2010-11 fiscal year, the Program provided scholarships totaling \$141,253 for 31 Okeechobee County students.

District personnel indicated that on March 11, 2011, the District mailed notification letters, evidencing the educational opportunities provided by the Program, to eligible students. Also, District personnel indicated that prior to the students' individual education plan (IEP) meeting, parents were sent IEP meeting notifications, which apprised the parents of Program information, including the availability of the FDOE's Web site and telephone number for additional Program information. District personnel further indicated that regardless of the parent's attendance at the students' IEP meeting, the District's procedures were to include the IEP notification, with the IEP documents, and at the end of the IEP meeting, give to parents these documents if in attendance and if not in attendance, to mail or have the student deliver these to the parents. The District's notification letters included the FDOE Web site for program information; however, the District did not maintain records, such as address listings of parental notifications or other correspondence, to evidence that the District properly made the required notifications within 10 days of the IEP. While there is no statutory requirement for the District to maintain these records, without such records, the District is limited in its ability to demonstrate that parents were properly notified.

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**Recommendation:** The District should enhance its procedures to document its notifications to parents of eligible students with disabilities of the educational opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program.

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**Finding No. 7: Terminal Pay Policy**

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Section 1012.61, Florida Statutes, governs sick leave and sets forth the amount of leave an employee can earn and use, and the amount for which an employee may be paid upon termination. Pursuant to Section 1012.61(2)(a)4., Florida Statutes, the Board adopted Policy 6.31, Terminal Pay, which provides for the payment of accumulated sick leave upon termination to “instructional staff and instructional support employees” at a pay rate based on the daily rate of pay at the time of termination and years of service. Also, Section 1012.61(2)(a)5., Florida Statutes, provides for terminal pay for accumulated sick leave to employees “other than instructional staff or educational support employees,” which includes employees such as administrators, principals, and directors. Pursuant to this statute, sick leave accumulated after June 30, 2004, must be compensated at no more than the daily rate of pay applicable at the time the sick leave was earned. Accordingly, the District established a procedure to record leave earned after June 30, 2004, for employees other than instructional staff or educational support employees.

The Board also adopted Deferred Retirement Option Program Policy 6.216 (DROP Policy), which provides sick leave terminal pay policies for employees entering DROP. The DROP Policy provides that previously accumulated sick leave be paid to the DROP participant incrementally based upon the number of years the employee expects to be in DROP, but makes no distinction between instructional and educational support employees and employees other than instructional staff and educational support employees. As such, all DROP participants are compensated for terminal sick leave based on the employee’s daily rate of pay for the school year immediately preceding the payment. Pursuant to Section 1012.61(2)(a)5., Florida Statutes, employees other than instructional staff and educational support employees may be paid at the employee’s daily rate of pay at the time of termination for sick leave earned prior to June 30, 2004, but for sick leave accumulated after that date, the rate at which it is compensated is based on the employee’s rate of pay at the time the sick leave was earned. Consequently, the Board’s DROP Policy regarding the calculation for terminal sick leave payments to employees other than instructional staff or educational support employees is not consistent with Section 1012.61(2)(a)5., Florida Statutes.

The District calculated the terminal sick leave payment for employees determined to be other than instructional staff and educational support employees for accumulated sick leave earned prior to and while enrolled in DROP based on the employee’s rate of pay for the school year immediately preceding payment rather than the rate at the time the sick leave was earned, generally leading to terminal sick leave payments in excess of what is prescribed in Section 1012.61(2)(a)5., Florida Statutes. Further, District personnel indicated, because of personnel turnover, manual spreadsheets of leave earned and used that were developed, in July 2004, to track administrative employee leave earned and used had not been maintained since July 2007. Because the District did not identify and accumulate leave earned and used for employees other than instructional staff entering the DROP program, District records did not evidence the extent of any potential terminal leave overpayments for employees other than instructional staff and education support employees.

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**Recommendation:** The Board should clarify its DROP policies to ensure that sick leave accumulated after June 30, 2004, is compensated to employees other than instructional staff or educational support employees at no more than their daily rate of pay at the time their sick leave was earned. In addition, the District should reestablish a method of identifying and accumulating sick leave earned and used after June 30, 2004, for employees other than instructional staff or educational support employees.

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**Finding No. 8: Information Technology – Security Incident Response Plan**

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

The District did not have a written information technology (IT) security incident response plan. Although District personnel concurred that a security incident response plan would be useful, the District had not initiated any efforts to develop such a plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources.

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**Recommendation:** The District should develop a written IT security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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

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**PRIOR AUDIT FOLLOW-UP**

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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. 2011-143.

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**MANAGEMENT'S RESPONSE**

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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, 2011*

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program / Area                                                                                                                                                                                | Brief Description                                                                                                                                                                                                                  | Status              | Comments                                                                                                                                                  |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008-147<br>(1)<br>2009-156<br>(1)<br>2010-149<br>(1) | Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389) / Special Tests and Provisions and Earmarking | Enhancements could be made in the administration of supplemental educational and choice-related transportation, as required. Questioned costs for the 2006-07 and 2007-08 fiscal years were \$178,656 and \$140,761, respectively. | Partially corrected | The District has corrected the deficiencies noted in the prior audit reports. The grantor agency has not made a determination regarding questioned costs. |

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**

Superintendent  
Ken Kenworthy



**School District of Okeechobee County**

863-462-5000

700 S. W. Second Avenue  
Okeechobee, Florida 34974

Fax 863-462-5151

**Board Chairperson:**  
Kelly Owens  
**Board Vice Chairperson:**  
David Williams  
**Board Members:**  
Joc Arnold  
Gay Carlton  
India Riedel

February 29, 2012

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

Re: Response to Preliminary and Tentative  
Audit Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings resulting from your audit of the Okeechobee County District School Board for the fiscal year ended June 30, 2011.

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

**Response:** *Internal audits continue to improve each year. A record five schools received perfect audits for the 2010-11. The District continues to provide training for all personnel responsible for fund-raising and internal fund collections. All aspects of District procedures, including required fund-raising applications and timeliness of deposits are included in this training.*

**Finding No. 2: Financial Reporting**

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

**Finding No. 3: Performance Assessments**

**Response:** *The District hired a consultant December, 2010, to create an evaluation instrument that is compliant with Florida Statutes. Once delivered, the District began the collective bargaining process. To date, the District has completed 24 negotiating sessions with the Union. The Union declared impasse on February 4, 2012. A memorandum of agreement on a new evaluation system meeting the requirements of Florida Statute was signed February 27, 2012. Once ratified, the District will be in compliance.*

**Finding No. 4: Construction Management**

**Response:** *The District contests this finding. The statute referenced does not support the finding. Specifically, Florida Statute 1013.45(1)(c) is silent in reference to selection, review and approval of subcontractors.*

**Finding No. 5: Electronic Funds Transfers**

**Response:** *The District is in the process of developing a Board policy and will submit it for Board approval.*

**Okeechobee County Schools: Achieving Excellence!**

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

Mr. David W. Martin, CPA

-2-

February 29, 2012

**Finding No. 6: McKay Scholarship Program**

**Response:** *The District provided notification of the McKay Scholarship at the time of the IEP meeting. In the event the parent was not at the IEP meeting, the notice was sent with the student or mailed to the parent. The District complied with the law and there is no evidence to the contrary. However, in the future we will document such communication.*

**Finding No. 7: Terminal Pay Policy**

**Response:** *The District will present a new policy for Board approval.*

**Finding No. 8: Information Technology – Security Incident Response Plan**

**Response:** *The District will develop a security incident response plan.*

Sincerely,



Ken Kenworthy  
Superintendent of Schools

/ga

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

**Okeechobee County Schools: Achieving Excellence!**