REPORT NO. 2014-169
MARCH 2014

OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2012-13 fiscal year are listed below:

	District No.
Joe Arnold	1
Kelly Owens to 11-19-12, Chair	2
Malissa Morgan from 11-20-12	2
Gay Carlton	3
India Riedel, Vice Chair from 11-20-12	4
David Williams, Chair from 11-20-12	5

Ken Kenworthy, Superintendent

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

The audit team leader was Gary B. Wright, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District did not timely obtain required background screenings for instructional and non-instructional personnel.

Finding No. 2: Controls over facilities maintenance activities could be enhanced.

Finding No. 3: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 4: District IT security controls related to data loss prevention need improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2013-148.**

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, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 25 percent of the assets and 89 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 solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Okeechobee County District School Board as of June 30, 2013, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 SUPPLEMENTAL 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.

Supplementary Information

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

accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
February 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Okeechobee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- In total, net position decreased $4,065,331.98, which represents a 5 percent decrease from the 2011-12 fiscal year.
- General revenues total $51,489,137.37, or 92 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $4,395,238.96, or 8 percent of all revenues.
- Expenses total $59,949,708.31. Only $4,395,238.96 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by $4,065,331.98.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $5,282,001.24 at June 30, 2013, or 12 percent of total General Fund revenues. The prior fiscal year assigned and unassigned fund balances in the General Fund totaled $6,806,472.37 or 16 percent of General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 position 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 position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position 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 the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This 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 balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

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

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

Net Position, End of Year

	Governmental Activities	
	6-30-13	6-30-12
Current and Other Assets	$ 8,880,557.94	$ 9,439,026.11
Capital Assets	70,251,698.92	73,046,511.96
Total Assets	79,132,256.86	82,485,538.07
Long-Term Liabilities	5,174,115.46	4,836,186.55
Other Liabilities	1,975,469.54	1,601,348.68
Total Liabilities	7,149,585.00	6,437,535.23
Net Position:		
Net Investment in Capital Assets	69,311,698.92	71,941,511.96
Restricted	1,490,472.55	922,564.04
Unrestricted	1,180,500.39	3,183,927.84
Total Net Position	$ 71,982,671.86	$ 76,048,003.84

The largest portion of the District's net position (96 percent) is 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (2 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (2 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental activities. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	$ 997,777.18	$ 1,022,806.56
Operating Grants and Contributions	3,136,503.75	2,988,914.32
Capital Grants and Contributions	260,958.03	281,971.60
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,062,746.88	9,917,026.10
Property Taxes, Levied for Capital Projects	2,357,607.94	2,317,446.47
Grants and Contributions Not Restricted to Specific Programs	38,205,498.33	38,048,089.93
Unrestricted Investment Earnings	81,110.81	62,597.14
Miscellaneous	782,173.41	1,177,599.87
Total Revenues	55,884,376.33	55,816,451.99
Functions/Program Expenses:		
Instruction	30,664,708.42	31,205,295.81
Pupil Personnel Services	2,797,012.81	2,874,273.59
Instructional Media Services	592,586.63	607,136.90
Instruction and Curriculum Development Services	1,292,627.25	1,205,088.26
Instructional Staff Training Services	1,079,756.79	1,020,744.84
Instruction Related Technology	850,104.39	1,034,033.28
School Board	316,616.35	294,166.37
General Administration	831,120.51	720,871.60
School Administration	3,040,591.80	3,175,607.81
Facilities Acquisition and Construction	610,298.56	520,401.86
Fiscal Services	396,394.11	409,680.71
Food Services	3,825,864.22	3,605,479.95
Central Services	595,311.03	630,978.04
Pupil Transportation Services	3,387,851.79	3,342,338.79
Operation of Plant	4,031,009.10	4,070,024.91
Maintenance of Plant	1,263,980.76	1,111,661.19
Administrative Technology Services	134,646.73	188,169.58
Community Services	307,386.47	290,968.21
Unallocated Interest on Long-Term Debt	58,960.34	63,149.30
Unallocated Depreciation Expense	3,872,880.25	3,924,967.62
Loss on Disposal of Capital Assets		114,344.32
Total Functions/Program Expenses	59,949,708.31	60,409,382.94
Change in Net Position	(4,065,331.98)	(4,592,930.95)
Net Position - Beginning	$ 76,048,003.84	80,640,934.79
Net Position - Ending	$ 71,982,671.86	$ 76,048,003.84

The largest revenue source is the State of Florida (58 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula.

The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. The

decreases in local property values, along with changes in the FEFP funding formula and related appropriations have had an impact on total FEFP funding. Overall, revenues were consistent with the previous fiscal year.

Instruction expenses represent 51 percent of total governmental expenses for the 2012-13 fiscal year. Expenses are consistent with the previous fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by $932,589.03 during the fiscal year to $6,905,088.40 at June 30, 2013. Approximately 73 percent of this amount is unassigned fund balance ($5,058,428.15), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form ($237,501.13), 2) restricted for particular purposes ($1,385,586.03), or 3) assigned for particular purposes ($223,573.09).

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 $5,058,428.15, while the total fund balance is $5,481,442.38. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 12 percent of the total General Fund revenues, while total fund balance represents approximately 13 percent of total General Fund revenues.

Total fund balance decreased by $1,508,200.71 during the fiscal year, due primarily to the General Fund sustaining salaries and benefit costs of instructional personnel paid by Federal stimulus programs in prior fiscal years.

The Special Revenue – Other Funds and Special Revenue - Federal Economic Stimulus Fund are used to account for certain Federal grant program resources. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the funds do not maintain a fund balance. Activities of these funds did not significantly change from the previous fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2012-13 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of $784,271.56, or 2 percent. At the same time, final appropriations are less than the original budgeted amounts by $723,965.20. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues received were $645,571.25, or 2 percent more than the final budgeted amounts while actual expenditures are $2,656,448.35, or 6 percent, less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $3,320,481.09. The significant

variance in the General Fund final amended budget amounts to actual amounts is due to the District budgeting for open positions that were not filled and for budgeting 100 percent of employee participation of health benefits.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is $70,251,698.92 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events included the completion of Central Elementary data and electrical upgrade, school bus purchases, and equipment purchases.

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

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of $940,000, comprised of State Board of Education bonds payable. During the current fiscal year, retirement of debt was $165,000.

Additional information on the District's long-term debt can be found in note II.H to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Approximately 58 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 affected by cconomic conditions, such as consumer spending both nationally and especially in the State of Florida. 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 District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Joi Turbeville, Director of Finance, Okeechobee County School Board 700 SW 2nd Avenue, Okeechobee, Florida 34974.

BASIC FINANCIAL STATEMENTS

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 7,618,648.44
Investments	144,228.02
Accounts Receivable	7,140.15
Due from Other Agencies	873,040.20
Inventories	237,501.13
Capital Assets:	
Nondepreciable Capital Assets	5,566,825.62
Depreciable Capital Assets, Net	64,684,873.30
TOTAL ASSETS	79,132,256.86
LIABILITIES	
Salaries and Benefits Payable	435,745.96
Payroll Deductions and Withholdings	212,209.86
Accounts Payable	1,327,513.72
Long-Term Liabilities:	
Portion Due Within One Year	452,259.94
Portion Due After One Year	4,721,855.52
TOTAL LIABILITIES	7,149,585.00
NET POSITION	
Net Investment in Capital Assets	69,311,698.92
Restricted for:	
State Required Carryover Programs	66,826.53
Debt Service	28,017.16
Capital Projects	1,063,398.35
Food Service	332,230.51
Unrestricted	1,180,500.39
TOTAL NET POSITION	$ 71,982,671.86

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, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 30,664,708.42	$ 66,850.70	$	$	$ (30,597,857.72)
Pupil Personnel Services	2,797,012.81				(2,797,012.81)
Instructional Media Services	592,586.63				(592,586.63)
Instruction and Curriculum Development Services	1,292,627.25				(1,292,627.25)
Instructional Staff Training Services	1,079,756.79				(1,079,756.79)
Instruction Related Technology	850,104.39				(850,104.39)
School Board	316,616.35				(316,616.35)
General Administration	831,120.51				(831,120.51)
School Administration	3,040,591.80				(3,040,591.80)
Facilities Acquisition and Construction	610,298.56			44,326.75	(565,971.81)
Fiscal Services	396,394.11				(396,394.11)
Food Services	3,825,864.22	670,969.95	3,136,503.75		(18,390.52)
Central Services	595,311.03				(595,311.03)
Pupil Transportation Services	3,387,851.79	96,042.03			(3,291,809.76)
Operation of Plant	4,031,009.10				(4,031,009.10)
Maintenance of Plant	1,263,980.76				(1,263,980.76)
Administrative Technology Services	134,646.73				(134,646.73)
Community Services	307,386.47	163,914.50			(143,471.97)
Unallocated Interest on Long-Term Debt	58,960.34			216,631.28	157,670.94
Unallocated Depreciation Expense*	3,872,880.25				(3,872,880.25)
Total Governmental Activities	$ 59,949,708.31	$ 997,777.18	$ 3,136,503.75	$ 260,958.03	(55,554,469.35)

General Revenues:	
Taxes:	
Property Taxes, Levied for Operational Purposes	10,062,746.88
Property Taxes, Levied for Capital Projects	2,357,607.94
Grants and Contributions Not Restricted to Specific Programs	38,205,498.33
Unrestricted Investment Earnings	81,110.81
Miscellaneous	782,173.41
Total General Revenues	51,489,137.37
Change in Net Position	(4,065,331.98)
Net Position - Beginning	76,048,003.84
Net Position - Ending	$ 71,982,671.86

* 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, 2013

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 6,314,644.28	$	$	$ 1,304,004.16	$ 7,618,648.44
Investments	116,210.86			28,017.16	144,228.02
Accounts Receivable	5,162.82	1,085.76	140.00	751.57	7,140.15
Due from Other Funds	635,823.82				635,823.82
Due from Other Agencies	73,704.12	707,443.14	41,677.64	50,215.30	873,040.20
Inventories	132,614.61			104,886.52	237,501.13
TOTAL ASSETS	$ 7,278,160.51	$ 708,528.90	$ 41,817.64	$ 1,487,874.71	$ 9,516,381.76
LIABILITIES					
Liabilities:					
Salaries and Benefits Payable	$ 435,745.96	$	$	$	$ 435,745.96
Payroll Deductions and Withholdings	212,209.86				212,209.86
Accounts Payable	1,148,762.31	108,670.29	5,852.43	64,228.69	1,327,513.72
Due to Other Funds		599,858.61	35,965.21		635,823.82
Total Liabilities	1,796,718.13	708,528.90	41,817.64	64,228.69	2,611,293.36
Fund Balances:					
Nonspendable:					
Inventories	132,614.61			104,886.52	237,501.13
Restricted for:					
State Required Carryover Programs	66,826.53				66,826.53
Debt Service				28,017.16	28,017.16
Capital Projects				1,063,398.35	1,063,398.35
Food Service				227,343.99	227,343.99
Total Restricted Fund Balance	66,826.53			1,318,759.50	1,385,586.03
Assigned for:					
Local Project Carryforward	79,093.47				79,093.47
Other Purposes	144,479.62				144,479.62
Total Assigned Fund Balance	223,573.09				223,573.09
Unassigned Fund Balance	5,058,428.15				5,058,428.15
Total Fund Balances	5,481,442.38			1,423,646.02	6,905,088.40
TOTAL LIABILITIES AND FUND BALANCES	$ 7,278,160.51	$ 708,528.90	$ 41,817.64	$ 1,487,874.71	$ 9,516,381.76

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds		$ 6,905,088.40
Amounts reported for governmental activities in the statement of net position 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.		70,251,698.92
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 940,000.00	
Compensated Absences Payable	2,354,427.46	
Other Postemployment Benefits Payable	1,879,688.00	(5,174,115.46)
Net Position - Governmental Activities		$ 71,982,671.86

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Direct	$ 89,835.07	$ 12,188.00	$	$	$ 102,023.07
Federal Through State and Local	286,036.43	5,633,343.65	342,232.25	3,079,304.75	9,340,917.08
State	31,815,169.72			338,768.08	32,153,937.80
Local:					
Property Taxes	10,062,746.88			2,357,607.94	12,420,354.82
Charges for Services - Food Service				670,969.95	670,969.95
Miscellaneous	1,137,004.59			18,625.37	1,155,629.96
Total Local Revenues	11,199,751.47			3,047,203.26	14,246,954.73
Total Revenues	43,390,792.69	5,645,531.65	342,232.25	6,465,276.09	55,843,832.68
Expenditures					
Current - Education:					
Instruction	27,846,985.21	2,238,692.35	90,161.82		30,175,839.38
Pupil Personnel Services	1,993,663.10	801,596.86			2,795,259.96
Instructional Media Services	580,276.29		12,043.60		592,319.89
Instruction and Curriculum Development Services	489,985.60	774,586.96	27,445.00		1,292,017.56
Instructional Staff Training Services	91,028.88	787,408.51	200,938.35		1,079,375.74
Instruction Related Technology	725,882.86	123,764.27			849,647.13
School Board	316,425.82				316,425.82
General Administration	653,940.06	165,308.34	11,643.48		830,891.88
School Administration	3,037,102.12	1,622.52			3,038,724.64
Facilities Acquisition and Construction	20,936.40			467,028.99	487,965.39
Fiscal Services	396,203.59				396,203.59
Food Services				3,823,158.74	3,823,158.74
Central Services	595,158.61				595,158.61
Pupil Transportation Services	2,811,281.95	166,563.47			2,977,845.42
Operation of Plant	4,028,940.73	125.00			4,029,065.73
Maintenance of Plant	1,263,447.29				1,263,447.29
Administrative Technology Services	134,608.62				134,608.62
Community Services	307,386.47				307,386.47
Fixed Capital Outlay:					
Facilities Acquisition and Construction				100,764.77	100,764.77
Other Capital Outlay	110,201.29	585,863.37		804,751.57	1,500,816.23
Debt Service:					
Principal				165,000.00	165,000.00
Interest and Fiscal Charges				58,960.34	58,960.34
Total Expenditures	45,403,454.89	5,645,531.65	342,232.25	5,419,664.41	56,810,883.20
Excess (Deficiency) of Revenues Over Expenditures	(2,012,662.20)			1,045,611.68	(967,050.52)
Other Financing Sources (Uses)					
Transfers In	470,000.00				470,000.00
Proceeds from Sale of Capital Assets	30,950.00				30,950.00
Insurance Loss Recoveries	3,511.49				3,511.49
Transfers Out				(470,000.00)	(470,000.00)
Total Other Financing Sources (Uses)	504,461.49			(470,000.00)	34,461.49
Net Change in Fund Balances	(1,508,200.71)			575,611.68	(932,589.03)
Fund Balances, Beginning	6,989,643.09			848,034.34	7,837,677.43
Fund Balances, Ending	$ 5,481,442.38	$ 0.00	$ 0.00	$ 1,423,646.02	$ 6,905,088.40

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

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, 2013

Net Change in Fund Balances - Governmental Funds	$ (932,589.03)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.	(2,678,562.03)
Capital assets are recorded as expenditures in the governmental funds when purchased. Thus, the change in net position differs from the change in fund balances by the undepreciated cost of assets sold.	(122,333.17)
Capital assets donated to the District increase net position in the government-wide financial statements but are not financial resources, and therefore, are not reported in the governmental funds.	6,082.16
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current period.	165,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.	(30,712.91)
Other post employment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.	(472,217.00)
Change in Net Position - Governmental Activities	$ (4,065,331.98)

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2013

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 506,902
LIABILITIES	
Internal Accounts Payable	$ 506,902

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Okeechobee County School District's (District) 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.

B. Reporting Entity

The Okeechobee County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. 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 legally separate 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. Based on these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement and 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.

The governmental fund financial statements are reported using the current financial resources focus and 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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting, 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.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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.

2. Investments

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

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, 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 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

3. 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 the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The cost of supply inventories are recorded as expenditures when used rather than purchased. Transportation and food service inventories are recorded as expenditures when purchased and are adjusted at fiscal year-end based on physical counts of the inventories.

4. 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 position 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.

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

Description	Estimated Lives
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	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.

5. 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 position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

6. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by adoption of Board Policy 7.101 authorized the Superintendent and finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the District has adopted Board Policy 7.10, which provides at least 5 percent of the current year's annual estimated General Fund revenues to be reserved for contingency purposes, including unforeseen events, revenue shortfalls, and student enrollment under-projections.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

2. 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 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.

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

3. 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 2012 tax levy on September 6, 2012. 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 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.

4. 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.

5. Compensated Absences

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. The liability for compensated absences includes salary-related benefits, where applicable.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk.

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance based on average daily balances.

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 1,402,450.83
Fund B	3.98 Year Average	116,210.86
Debt Service Accounts	6 Months	28,017.16
Total Investments, Reporting Entity		$ 1,546,678.85

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

- Interest Rate Risk

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

  Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. 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, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- Credit Risk

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

The District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,825,229.21	$	$	$ 3,825,229.21
Land Improvements	1,695,292.41	23,377.00		1,718,669.41
Construction in Progress	47,927.00	77,387.77	102,387.77	22,927.00
Total Capital Assets Not Being Depreciated	5,568,448.62	100,764.77	102,387.77	5,566,825.62
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,182,449.50			2,182,449.50
Buildings and Fixed Equipment	85,866,543.56	102,387.77		85,968,931.33
Furniture, Fixtures, and Equipment	11,884,091.27	927,248.39	892,486.72	11,918,852.94
Motor Vehicles	6,066,306.23	565,367.00	398,102.00	6,233,571.23
Audio Visual Materials and Computer Software	3,094,294.74	14,283.00		3,108,577.74
Total Capital Assets Being Depreciated	109,093,685.30	1,609,286.16	1,290,588.72	109,412,382.74
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	921,814.31	209,408.78		1,131,223.09
Buildings and Fixed Equipment	27,762,305.28	2,000,402.51		29,762,707.79
Furniture, Fixtures, and Equipment	8,264,808.52	1,318,553.47	870,104.51	8,713,257.48
Motor Vehicles	2,200,533.23	407,262.78	298,151.04	2,309,644.97
Audio Visual Materials and Computer Software	2,466,160.62	344,515.49		2,810,676.11
Total Accumulated Depreciation	41,615,621.96	4,280,143.03	1,168,255.55	44,727,509.44
Total Capital Assets Being Depreciated, Net	67,478,063.34	(2,670,856.87)	122,333.17	64,684,873.30
Governmental Activities Capital Assets, Net	$ 73,046,511.96	$ (2,570,092.10)	$ 224,720.94	$ 70,251,698.92

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 407,262.78
Unallocated	3,872,880.25
Total Depreciation Expense - Governmental Activities	$ 4,280,143.03

D. Florida Retirement System

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled $3,249,410, $2,121,243, and $2,183,928 respectively, which were equal to the required contributions for each fiscal year.

There were 99 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled $298,219, which was equal to the required contribution for the 2012-13 fiscal year.

Effective July 1, 2012, all members of the 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 the FRS.

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes,

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 45 retirees received other postemployment benefits. The District provided required contributions of $310,709 toward the annual OPEB cost, net of retiree contributions totaling $426,879, which represents 1.7 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for one year)	$ 313,231
Amortization of Unfunded Actuarial Accrued Liability	504,882
Interest on Normal Cost and Amortization	
Annual Required Contribution	818,113
Interest on Net OPEB Obligation	52,780
Adjustment to Annual Required Contribution	(87,967)
Annual OPEB Cost (Expense)	782,926
Contribution Toward the OPEB Cost	(310,709)
Increase in Net OPEB Obligation	472,217
Net OPEB Obligation, Beginning of Year	1,407,471
Net OPEB Obligation, End of Year	$ 1,879,688

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 749,980	43.5%	$ 995,655
2011-12	779,810	47.2%	1,407,471
2012-13	782,926	39.7%	1,879,688

Funded Status and Funding Progress. As of January 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $7,930,777, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $7,930,777, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $24,911,191, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.8 percent.

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

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

The District's OPEB actuarial valuation as of January 1, 2013, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.8 percent per year, projected salary increase of 3.0-7.25 percent, and an annual healthcare cost trend rate of 8.5 percent initially beginning January 1, 2013, reduced by various decrements annually, to an ultimate rate of 5.45 percent in calendar year 2020. The investment rate of return and projected salary rates include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 16 years.

F. 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, 2013:

Major Funds			
General	Special Revenue - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 145,526.82	$ 138,794.80	$ 274,207.13	$ 558,528.75

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Okeechobee County District School Board is a member of the Florida School Boards Insurance Trust (FSBIT), a protected self-insurance fund for Florida school boards. The FSBIT was established for the purpose of pooling property, casualty, and workers' compensation exposure, purchasing and procuring insurance coverage of various types or providing self-insurance; and providing risk management services for the Florida school boards. Insurance coverage for fiduciary, petroleum tanks, student accident, student nurse malpractice, and sports injury are provided by commercial insurance through the FSBIT.

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

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 60,000	5.0	2019
Series 2005B, Refunding	880,000	5.0	2018
Total Bonds Payable	$ 940,000		

The various bonds were issued 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, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	$ 216,625	$ 170,000	$ 46,625
2015	208,375	170,000	38,375
2016	214,750	185,000	29,750
2017	215,500	195,000	20,500
2018	215,875	205,000	10,875
2019	15,375	15,000	375
Total State School Bonds	$ 1,086,500	$ 940,000	$ 146,500

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 1,105,000.00	$	$ 165,000.00	$ 940,000.00	$ 170,000.00
Compensated Absences Payable	2,323,714.55	312,972.85	282,259.94	2,354,427.46	282,259.94
Other Postemployment Benefits Payable	1,407,471.00	782,926.00	310,709.00	1,879,688.00	
Total Governmental Activities	$ 4,836,185.55	$ 1,095,898.85	$ 757,968.94	$ 5,174,115.46	$ 452,259.94

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

I. Fund Balance Reporting

In addition to committed assigned fund balance categories discussed in the **Fund Balance Priorities** note disclosure fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is 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.
- **Unassigned Fund Balance**. The unassigned fund balance is 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.

J. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 635,823.82	$
Special Revenue:		
Other		599,858.61
Federal Economic Stimulus		35,965.21
Total	$ 635,823.82	$ 635,823.82

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The majority of interfund balances relate to amounts due between funds for workers' compensation costs and indirect costs due at fiscal year-end. All amounts will be repaid within the 2013-14 fiscal year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

Source	Amount
Florida Education Finance Program	$ 24,481,838.00
Categorical Educational Program - Class Size Reduction	6,915,412.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	260,958.03
Voluntary Prekindergarten	125,170.86
Food Service Supplement	57,199.00
Mobile Home License Tax	37,242.03
Miscellaneous	276,117.88
Total	$ 32,153,937.80

Accounting policies relating to certain State revenue sources are described in note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.650	$ 9,047,558
Basic Discretionary Local Effort	0.748	1,197,801
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,402,007
Total	7.898	$ 12,647,366

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

L. Interfund Transfer

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 470,000	$
Nonmajor Governmental		470,000
Total	$ 470,000	$ 470,000

The purpose of the transfer was for property and casualty insurance costs.

III. JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual agreement, and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain: (a) an ongoing financial interest or (b) ongoing financial responsibility. As discussed below, the District participates in a joint venture.

By a resolution adopted on October 14, 1986, the District 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. The BCC contributed $657,000 to the project and agreed to operate and maintain the facilities. The BCC maintains insurance on the facility and accounts for the entire cost of the facility on its records. The District is responsible for 50 percent of all operating costs reduced by operating revenues. During the 2012-13 fiscal year, the District paid a total of $138,851.61 to the BCC for such costs attributable to the 2011-12 fiscal year.

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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, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 89,835.07	$ 39,835.07
Federal Through State and Local	250,000.00	267,290.00	286,036.43	18,746.43
State	32,630,906.00	31,795,116.34	31,815,169.72	20,053.38
Local:				
Property Taxes	9,694,807.00	9,694,807.00	10,062,746.88	367,939.88
Miscellaneous	903,780.00	938,008.10	1,137,004.59	198,996.49
Total Local Revenues	10,598,587.00	10,632,815.10	11,199,751.47	566,936.37
Total Revenues	43,529,493.00	42,745,221.44	43,390,792.69	645,571.25
Expenditures				
Current - Education:				
Instruction	29,577,584.68	29,110,942.14	27,846,985.21	1,263,956.93
Pupil Personnel Services	1,757,807.19	2,045,424.33	1,993,663.10	51,761.23
Instructional Media Services	617,505.40	639,123.60	580,276.29	58,847.31
Instruction and Curriculum Development Services	383,321.20	495,808.73	489,985.60	5,823.13
Instructional Staff Training Services	92,906.23	130,267.86	91,028.88	39,238.98
Instruction Related Technology	685,355.00	726,258.57	725,882.86	375.71
School Board	452,288.86	444,883.91	316,425.82	128,458.09
General Administration	1,601,330.95	836,909.06	653,940.06	182,969.00
School Administration	3,375,652.64	3,107,918.92	3,037,102.12	70,816.80
Facilities Acquisition and Construction	21,417.00	20,936.40	20,936.40	
Fiscal Services	419,306.79	432,291.77	396,203.59	36,088.18
Food Services				
Central Services	668,421.00	678,124.43	595,158.61	82,965.82
Pupil Transportation Services	3,124,123.00	3,090,700.71	2,811,281.95	279,418.76
Operation of Plant	3,858,396.29	4,247,748.30	4,028,940.73	218,807.57
Maintenance of Plant	1,444,007.01	1,333,742.58	1,263,447.29	70,295.29
Administrative Technology Services	244,902.00	145,718.68	134,608.62	11,110.06
Community Services	312,500.00	362,309.55	307,386.47	54,923.08
Fixed Capital Outlay:				
Other Capital Outlay	147,043.20	210,793.70	110,201.29	100,592.41
Total Expenditures	48,783,868.44	48,059,903.24	45,403,454.89	2,656,448.35
Excess (Deficiency) of Revenues Over Expenditures	(5,254,375.44)	(5,314,681.80)	(2,012,662.20)	3,302,019.60
Other Financing Sources (Uses)				
Transfers In	470,000.00	470,000.00	470,000.00	
Proceeds from Sale of Capital Assets	15,000.00	15,000.00	30,950.00	15,950.00
Insurance Loss Recoveries	1,000.00	1,000.00	3,511.49	2,511.49
Total Other Financing Sources (Uses)	486,000.00	486,000.00	504,461.49	18,461.49
Net Change in Fund Balances	(4,768,375.44)	(4,828,681.80)	(1,508,200.71)	3,320,481.09
Fund Balances, Beginning	6,989,643.09	6,989,643.09	6,989,643.09	
Fund Balances, Ending	$ 2,221,267.65	$ 2,160,961.29	$ 5,481,442.38	$ 3,320,481.09

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
12,188.00	$ 12,188.00	$ 12,188.00	$	$	$	$	$
6,112,466.94	6,566,962.49	5,633,343.65	(933,618.84)	448,143.16	451,595.37	342,232.25	(109,363.12)
6,124,654.94	6,579,150.49	5,645,531.65	(933,618.84)	448,143.16	451,595.37	342,232.25	(109,363.12)
2,147,908.40	2,720,632.28	2,238,692.35	481,939.93	48,504.66	98,260.70	90,161.82	8,098.88
904,631.07	864,599.86	801,596.86	63,003.00				
2,287.50					12,043.60	12,043.60	
919,914.06	815,394.28	774,586.96	40,807.32	55,576.86	55,576.86	27,445.00	28,131.86
880,706.25	1,010,612.88	787,408.51	223,204.37	285,226.17	269,633.69	200,938.35	68,695.34
139,249.02	136,483.87	123,764.27	12,719.60				
185,230.54							
10,440.83	197,846.13	165,308.34	32,537.79	16,515.35	13,080.52	11,643.48	1,437.04
4,900.00	12,195.31	1,622.52	10,572.79				
150,459.74	173,369.97	166,563.47	6,806.50				
600.00	725.00	125.00	600.00				
				4,000.00			
778,327.53	647,290.91	585,863.37	61,427.54	38,320.12	3,000.00		3,000.00
6,124,654.94	6,579,150.49	5,645,531.65	933,618.84	448,143.16	451,595.37	342,232.25	109,363.12
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 6,484,274	$ 6,484,274	0.0%	$ 27,295,319	23.8%
January 1, 2011	0	7,696,732	7,696,732	0.0%	27,779,850	27.7%
January 1, 2013	0	7,930,777	7,930,777	0.0%	24,911,191	31.8%

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

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

I. BUDGETARY BASIS OF ACCOUNTING

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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number		Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553		321	$ 686,292.87
National School Lunch Program	10.555 (2)		300,350	2,322,854.15
Summer Food Service Program for Children	10.559		323	70,157.73
Total United States Department of Agriculture				3,079,304.75
United States Department of Education:				
Direct:				
Indian Education - Grants to Local Educational Agencies	84.060		N/A	12,188.00
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	(3)	263	1,623,977.92
Special Education - Preschool Grants	84.173		267	91,335.68
St. Lucie County District School Board:				
Special Education - Grants to States	84.027	(3)	None	12,046.00
Total Special Education Cluster				1,727,359.60
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010		212, 222, 223, 226, 228	2,376,133.96
Migrant Education - State Grant Program	84.011		217	741,727.56
Career and Technical Education - Basic Grants to States	84.048		151,161	254,013.38
Rural Education	84.358		109	131,025.70
English Language Acquisition Grants	84.365		102	102,218.41
Improving Teacher Quality State Grants	84.367		224	312,911.04
ARRA, State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(4)	RL111	322,136.25
Education Jobs Fund	84.410		541	20,096.00
Highlands County District School Board:				
ARRA, State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(4)	None	1,801.85
Total Indirect				5,989,423.75
Total United States Department of Education				6,001,611.75
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	None		N/A	89,835.07
Total Expenditures of Federal Awards				$ 9,170,751.57

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

(2) Noncash Assistance - National School Lunch Program. Includes $248,168.17 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation

(3) Special Education - Grants to States. Expenditures total $1,636,023.92 for CFDA No. 84.027.

(4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Expenditures total $323,938.10 for CFDA No. 84.395.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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111 West Madison Street
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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*

Report on the Financial Statements

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
February 27, 2014

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Okeechobee County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
February 27, 2014

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
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:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.395	ARRA - State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ADDITIONAL MATTERS

Finding No. 1: Background Screenings

Sections 1012.56(10), and 1012.465(2), Florida Statutes, require that instructional personnel and noninstructional personnel who are permitted access on school grounds when students are present, or have direct contact with students, undergo required background screenings every five years following the initial screening upon employment.

The District performed background screenings of employees alphabetically by last names; however, because of delays, many personnel were not rescreened. Our test of 15 bus drivers initially disclosed that 2 bus drivers were not rescreened within five years, contrary to law. We expanded our test to include all 76 transportation employees who may drive a bus when needed and noted 10 additional bus drivers who were not rescreened within five years. Given our test results, District personnel reviewed records and identified 27 instructional and an additional 30 noninstructional personnel, other than bus drivers, who had not been rescreened within five years. In January 2014, the District performed background screenings for the 69 employees, and no employees were identified that had inappropriate backgrounds.

Absent timely background rescreenings, there is an increased risk that personnel with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should continue its efforts to ensure that required background screenings are timely performed for all employees.

Finding No. 2: Facilities Management

The facilities and maintenance operations department (department) is responsible for managing new construction and remodeling projects and for ensuring facilities are safe and suitable for their intended use. The department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed 14 full-time employees, including a director, foreman, electrician, plumber, and air conditioning mechanic personnel, and the department's operating cost was $1.3 million. Also, during this fiscal year, the District had expenditures totaling $100,765 for new construction and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on October 8, 2013, the District planned to spend no amount on construction projects and $3.8 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was $93.7 million and, as shown in the Florida Department of Education's Florida Inventory of School Houses data, District facilities had an average age of 30 years.

Given the significant commitment of public funds to maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least

annually using performance data and established benchmarks, and establish documented processes for evaluating maintenance techniques to determine the most cost-effective and efficient technique. In addition, performance evaluations could include established goals for maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Maintenance Techniques**. Maintenance-related jobs, such as painting, plumbing, electrical, and HVAC repairs, are routinely performed by department personnel based on safety and suitability priorities, although some jobs are outsourced to vendors using traditional competitive bid and construction manager at risk methods. District personnel indicated that they had not established written policies and procedures for evaluating the various maintenance-related job techniques and, while they consider alternative techniques, they have not documented evaluations of the various techniques to determine, for each significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial maintenance technique.
- **Accountability.** The department has established short-term and long-term goals; however, these goals did not fully address accountability for this department. For example, department goals included standardized classroom design, improving indoor air quality, conservation, cost containment, improving energy conservation measures, providing for periodic inspection of facilities, and improving the work order system and response time. However, department goals did not sufficiently identify cost-effectiveness or efficiency outcomes. To adequately establish outcome measures, the department could set goals such as completing maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a job did not initially meet building code requirements, and to compare job costs to industry standards for similar work.

  Additional goals could include setting benchmark time frames for routine jobs and progress toward meeting the goal could be measured by comparing job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether the department is operating as cost-effectively and efficiently as possible.

Recommendation: The District should consider developing written policies and procedures requiring the periodic evaluation of alternative maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing additional goals and objectives for the facilities and maintenance operations department to identify cost-effectiveness or efficiency outcomes for department personnel.

Finding No. 3: Information Technology - Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their job responsibilities. Periodic reviews of IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their job responsibilities and that assigned privileges enforce an appropriate separation of incompatible responsibilities.

Our tests of selected access privileges to the District's business application, including finance and human resources (HR) applications, and the supporting operating system disclosed access privileges that were unnecessary or permitted employees to perform incompatible duties. Specifically:

- Three employees from the HR department, and six employees from the finance department, had update privileges to one or more critical functions within the HR application, including adding an employee, changing and employee address, making time and salary adjustments, entering payroll changes, setting up direct deposit information, and processing payroll. Also, three finance department employees, had update privileges to one or more critical functions within the finance application, including adding or modifying vendors, approving requisitions, entering and approving invoices, and processing electronic funds transfers and manual checks. These privileges permitted the employees, in some instances, to perform incompatible duties, including control over the employment and vendor payment processes, or were unnecessary for the employees' assigned job responsibilities.
- Two District IT employees, and one vendor account had systemwide access privileges that allowed update access to all critical functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data files. District personnel indicated that the District chose to grant systemwide access privileges to the two District IT employees for security administration purposes. However, it was not necessary for the employees to have systemwide access privileges to perform security administration functions.

Although the District had certain compensating controls in place (e.g., supervisory monitoring of employee activities, expenditure monitoring, and annual review of user group profiles), the existence of the inappropriate or unnecessary access privileges described above indicated a need for an improved District review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. A similar finding was noted in our report No. 2013-148.

Recommendation: The District should improve its review of employee access privileges and deactivate inappropriate or unnecessary employee access privileges detected.

Finding No. 4: Information Technology – Security Controls - Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was communicated to management in connection with our report No. 2013-148.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-148. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2013-148, Finding No. 2	NA
4	Audit Report No. 2013-148, Finding No. 5	NA

NA – Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2013-148		There were no prior Federal audit findings.		

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

February 27, 2014

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

Re: Response to Preliminary and Tentative Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings from the audit of the Okeechobee County District School Board for fiscal year ending June 30, 2013.

Finding No. 1: Background Screenings

Response: *The District will ensure that all personnel who are permitted access to school grounds when students are present are rescreened every five years following the initial screening upon employment.*

Finding No. 2: Facilities Management

Response: *The District will develop written procedures for facilities management including periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques and documentation of these evaluations. In addition, we will develop procedures to establish goals and objectives and the related procedures for documentation for the facilities and maintenance department to identify cost-effectiveness and/or efficiency outcomes for department personnel.*

Finding No. 3: Information Technology – Access Privileges

Response: *Although there were no reported unauthorized disclosures, modifications or destruction of District data and IT resources, the District will review access privileges and deactivate unnecessary or inappropriate employee access privileges detected.*

Finding No. 4: Information Technology – Security Controls – Data Loss Prevention

Response: *Even though no data was lost, exposed or compromised, the District will improve its IT security controls to continue its practice of confidentiality, integrity and availability of District data and IT resources.*

Sincerely,

Ken Kenworthy
Superintendent of Schools

cc: School Board Members
Tom Conely, School Board Attorney
Joi Turbeville, Director of Finance

Okeechobee County Schools: Achieving Excellence!