STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-090
February 2016

OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Ken Kenworthy served as Superintendent and the following individuals served as Board members:

	District No.
Joe Arnold, Chair	1
Malissa Morgan, Vice Chair from 11-18-14	2
Gay Carlton to 11-17-14, Vice Chair	3
Dixie Ball from 11-18-14	3
India Riedel	4
David Williams to 11-17-14	5
Jill Holcomb from 11-18-14	5

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 team leader was Mark D. Kenny, CPA, and the audit was supervised by Tim L. Tucker, CPA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

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OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

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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 as summarized below.

Additional Matters

Finding 1: The Board could enhance policies and procedures for the mitigation, detection, and reporting of fraud.

Finding 2: The District needs to establish a mechanism for administrative contracted employees to report time worked and procedures requiring supervisors to document the review and approval of such time.

Finding 3: Some unnecessary or inappropriate information technology access privileges existed.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that 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. 2015-115.

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, 2015. 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, in both 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.

Sherrill F. Norman, 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

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, 2015, 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 50 percent of the assets and 79 percent of the liabilities of the aggregate remaining fund information. Those 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 from 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 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 of the Okeechobee County District School Board, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

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, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 accompanying **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 accompanying **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 District'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 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,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 12, 2016

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, 2015. 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 2014-15 fiscal year are as follows:

- The assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by $46,313,505.71 at fiscal year ending June 30, 2015.
- Net position of the District decreased by $23,584,540.31, in comparison to the 2013-14 fiscal year, primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, which resulted in a decrease in beginning net position of $22,002,333. For more information on this adjustment, please refer to notes to the financial statements, Note II.
- General revenues total $53,860,436.20, 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 $4,578,272.74, or 8 percent of all revenues.
- Expenses total $60,020,916.25. Only $4,578,272.74 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by $1,582,207.31.
- At the end of the current fiscal year, the fund balance of the General Fund totals $6,092,351.81, which is $100,617.06 less than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was $5,839,603.86, or 13 percent of total 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, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, 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, student 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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 Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's net pension liability and its 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, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities	
	6-30-15	**6-30-14**
Current and Other Assets	$ 8,999,497.96	$ 9,412,762.63
Capital Assets	65,023,380.40	67,940,240.64
Total Assets	74,022,878.36	77,353,003.27
Deferred Outflows of Resources	3,714,966.00	-
Long-Term Liabilities	20,903,647.77	5,519,836.49
Other Liabilities	1,202,509.08	1,935,120.76
Total Liabilities	22,106,156.85	7,454,957.25
Deferred Inflows of Resources	9,318,181.80	-
Net Position:		
Net Investment in Capital Assets	64,462,380.40	67,170,240.64
Restricted	1,798,220.26	1,495,007.70
Unrestricted (Deficit)	(19,947,094.95)	1,232,797.68
Total Net Position	$46,313,505.71	$ 69,898,046.02

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

The District's net position decreased by $23,584,540.31, from $69,898,046.02 at June 30, 2014, to $46,313,505.71 at June 30, 2015. The change is primarily attributable to the adoption of the GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	**6-30-14**
Program Revenues:		
Charges for Services	$ 782,209.03	$ 923,882.01
Operating Grants and Contributions	3,404,798.41	3,210,631.34
Capital Grants and Contributions	391,265.30	258,829.64
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,435,307.75	9,297,820.41
Property Taxes, Levied for Capital Projects	2,401,041.87	2,386,424.42
Grants and Contributions Not Restricted to Specific Programs	41,045,201.34	40,312,652.10
Unrestricted Investment Earnings	33,502.28	35,899.30
Miscellaneous	945,382.96	1,476,207.53
Total Revenues	58,438,708.94	57,902,346.75
Functions/Program Expenses:		
Instruction	31,251,360.29	31,151,850.69
Student Personnel Services	2,403,583.43	2,618,451.96
Instructional Media Services	424,886.79	453,304.94
Instruction and Curriculum Development Services	1,204,890.48	1,152,526.36
Instructional Staff Training Services	1,394,320.81	1,314,847.06
Instructional-Related Technology	1,041,505.06	801,962.63
Board	317,959.57	319,392.11
General Administration	789,944.92	778,744.78
School Administration	3,001,148.14	3,086,386.46
Facilities Acquisition and Construction	1,208,766.93	611,379.76
Fiscal Services	416,343.40	410,715.45
Food Services	3,791,045.51	3,772,550.26
Central Services	629,495.33	625,457.84
Student Transportation Services	3,390,029.87	3,508,529.68
Operation of Plant	3,841,944.76	3,897,765.27
Maintenance of Plant	1,211,331.21	1,274,575.70
Administrative Technology Services	112,343.26	124,612.85
Community Services	322,368.16	315,670.09
Unallocated Interest on Long-Term Debt	25,630.62	50,801.37
Unallocated Depreciation/Amortization Expense	3,242,017.71	3,717,447.33
Total Functions/Program Expenses	60,020,916.25	59,986,972.59
Change in Net Position	(1,582,207.31)	(2,084,625.84)
Net Position, Beginning of Year	69,898,046.02	71,982,671.86
Adjustments to Beginning Net Position (1)	(22,002,333.00)	-
Net Position - Beginning, as Restated	47,895,713.02	71,982,671.86
Net Position - Ending	$46,313,505.71	$69,898,046.02

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.

The largest revenue source is the State of Florida (60 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.

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 increased by $310,438.21 during the fiscal year to $7,788,080.08 at June 30, 2015. Approximately 72 percent of this amount is unassigned fund balance ($5,626,583.03), 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 ($257,404.07), (2) restricted for particular purposes ($1,691,072.15), or (3) assigned for particular purposes ($213,020.83).

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 $5,626,583.03, while the total fund balance is $6,092,351.81. 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 13 percent of total General Fund revenues.

The Special Revenue – Other Fund is used to account for certain Federal grant program resources. Expenditures were for the continuation of Federal-related education programs, primarily Title I, Improving Teacher Quality, and Special Education programs. Because grant revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

The Capital Projects – Local Capital Improvement Fund, which is used to account for revenues produced by an ad valorem (property) tax levy authorized by the Board to support capital improvements, has a total fund balance of $1,255,281.61 compared to $666,232.02 in the preceding fiscal year. This increase in fund balance is due to the anticipation of future construction of a new high school facility. It should be noted that $206,591.53 of fund balance has been encumbered for specific projects.

General Fund Budgetary Highlights

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of $15,538.38, or less than 1 percent. At the same time, final appropriations were more than the original budgeted amounts by $66,056.96. 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 $381,451.68, or less than 1 percent more than the final budgeted amounts while expenditures were $2,615,870.80, or 5 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $2,904,380.37. 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 100 percent employee participation in health benefits, which did not occur.

Capital Assets and Long-Term Debt

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, is $65,023,380.40 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Capital asset events included Freshman Campus Auditorium heating, ventilation, and air conditioning replacement, school bus purchases, and equipment purchases.

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

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of $561,000, comprised of State Board of Education bonds payable. The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2014B to refund callable portions of the District's State School Bonds, Series 2005B.

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

Other Matters of Significance

Approximately 60 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 economic 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 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, FL 34974.

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Okeechobee County District School Board
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 7,528,754.45
Investments	15,953.55
Accounts Receivable	15,296.59
Due from Other Agencies	1,182,089.30
Inventories	257,404.07
Capital Assets:	
Nondepreciable Capital Assets	5,543,898.62
Depreciable Capital Assets, Net	59,479,481.78
TOTAL ASSETS	74,022,878.36
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	3,714,966.00
LIABILITIES	
Accrued Salaries and Benefits	494,810.81
Payroll Deductions and Withholdings	254,949.80
Accounts Payable	452,748.47
Long-Term Liabilities:	
Portion Due Within One Year	676,726.29
Portion Due After One Year	20,226,921.48
TOTAL LIABILITIES	22,106,156.85
DEFERRED INFLOWS OF RESOURCES	
Pensions	9,309,273.00
Deferred Revenues	8,908.80
TOTAL DEFERRED INFLOWS OF RESOURCES	9,318,181.80
NET POSITION	
Net Investment in Capital Assets	64,462,380.40
Restricted for:	
State Required Carryover Programs	102,491.99
Debt Service	15,953.55
Capital Projects	1,425,870.84
Food Service	253,903.88
Unrestricted	(19,947,094.95)
TOTAL NET POSITION	$ 46,313,505.71

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, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 31,251,360.29	$ 85,703.75	$ -
Student Personnel Services	2,403,583.43	-	-
Instructional Media Services	424,886.79	-	-
Instruction and Curriculum Development Services	1,204,890.48	-	-
Instructional Staff Training Services	1,394,320.81	-	-
Instructional-Related Technology	1,041,505.06	-	-
Board	317,959.57	-	-
General Administration	789,944.92	-	-
School Administration	3,001,148.14	-	-
Facilities Acquisition and Construction	1,208,766.93	-	-
Fiscal Services	416,343.40	-	-
Food Services	3,791,045.51	444,171.31	3,404,798.41
Central Services	629,495.33	-	-
Student Transportation Services	3,390,029.87	99,627.87	-
Operation of Plant	3,841,944.76	-	-
Maintenance of Plant	1,211,331.21	-	-
Administrative Technology Services	112,343.26	-	-
Community Services	322,368.16	152,706.10	-
Unallocated Interest on Long-Term Debt	25,630.62	-	-
Unallocated Depreciation Expense*	3,242,017.71	-	-
Total Governmental Activities	$ 60,020,916.25	$ 782,209.03	$ 3,404,798.41

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning
Adjustment to Beginning Net Position
Net Position - Beginning, as Restated

Net Position - Ending

* 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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
$ -	$ (31,165,656.54)
-	(2,403,583.43)
-	(424,886.79)
-	(1,204,890.48)
-	(1,394,320.81)
-	(1,041,505.06)
-	(317,959.57)
-	(789,944.92)
-	(3,001,148.14)
189,242.88	(1,019,524.05)
-	(416,343.40)
-	57,924.21
-	(629,495.33)
-	(3,290,402.00)
-	(3,841,944.76)
-	(1,211,331.21)
-	(112,343.26)
-	(169,662.06)
202,022.42	176,391.80
-	(3,242,017.71)
$ 391,265.30	(55,442,643.51)
	9,435,307.75
	2,401,041.87
	41,045,201.34
	33,502.28
	945,382.96
	53,860,436.20
	(1,582,207.31)
	69,898,046.02
	(22,002,333.00)
	47,895,713.02
	$ 46,313,505.71

Okeechobee County District School Board
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	$ 6,028,814.46	$ -	$ 1,268,904.36
Investments	-	-	-
Accounts Receivable	15,237.50	29.09	-
Due from Other Funds	534,675.47	-	-
Due from Other Agencies	314,606.65	610,661.26	2,655.65
Inventories	150,255.96	-	-
TOTAL ASSETS	$ 7,043,590.04	$ 610,690.35	$ 1,271,560.01
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 494,810.81	$ -	$ -
Payroll Deductions and Withholdings	254,949.80	-	-
Accounts Payable	201,477.62	121,774.09	16,278.40
Due to Other Funds	-	488,916.26	-
Total Liabilities	951,238.23	610,690.35	16,278.40
Deferred Inflows of Resources:			
Unavailable Revenues - Capital Outlay and Debt Service	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	150,255.96	-	-
Restricted for:			
State Required Carryover Programs	102,491.99	-	-
Debt Service	-	-	-
Capital Projects	-	-	1,255,281.61
Food Service	-	-	-
Total Restricted Fund Balance	102,491.99		1,255,281.61
Assigned for:			
Local Project Carryforward	138,236.36	-	-
Other Purposes	74,784.47	-	-
Total Assigned Fund Balance	213,020.83	-	-
Unassigned Fund Balance	5,626,583.03	-	-
Total Fund Balances	6,092,351.81	-	1,255,281.61
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,043,590.04	$ 610,690.35	$ 1,271,560.01

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

Other Governmental Funds	Total Governmental Funds
$ 231,035.63	$ 7,528,754.45
15,953.55	15,953.55
30.00	15,296.59
-	534,675.47
254,165.74	1,182,089.30
107,148.11	257,404.07
$ 608,333.03	$ 9,534,173.43
$ -	$ 494,810.81
-	254,949.80
113,218.36	452,748.47
45,759.21	534,675.47
158,977.57	1,737,184.55
8,908.80	8,908.80
8,908.80	8,908.80
107,148.11	257,404.07
-	102,491.99
15,953.55	15,953.55
170,589.23	1,425,870.84
146,755.77	146,755.77
333,298.55	1,691,072.15
-	138,236.36
-	74,784.47
-	213,020.83
-	5,626,583.03
440,446.66	7,788,080.08
$ 608,333.03	$ 9,534,173.43

Okeechobee County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds		$ 7,788,080.08
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.		65,023,380.40
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ 561,000.00	
Compensated Absences Payable	2,318,446.77	
Other Postemployment Benefits Payable	2,811,280.00	
Net Pension Liability	15,212,921.00	(20,903,647.77)
The deferred outflows and deferred inflows related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to pensions	$ 3,714,966.00	
Deferred inflows related to pensions	(9,309,273.00)	(5,594,307.00)
Net Position - Governmental Activities		$ 46,313,505.71

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

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Okeechobee County District School Board
Statement of Revenues, Expenditures, and Changes
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 65,484.19	$ 1,664.73	$ -
Federal Through State and Local	379,118.46	5,359,426.07	-
State	34,871,060.48	-	-
Local:			
Property Taxes	9,435,307.75	-	2,401,041.87
Charges for Services - Food Service	-	-	-
Miscellaneous	1,231,870.04	-	5,008.21
Total Local Revenues	10,667,177.79	-	2,406,050.08
Total Revenues	45,982,840.92	5,361,090.80	2,406,050.08
Expenditures			
Current - Education:			
Instruction	29,316,822.52	2,046,653.46	-
Student Personnel Services	1,832,154.44	741,065.92	-
Instructional Media Services	436,943.09	-	-
Instruction and Curriculum Development Services	379,451.76	850,919.07	-
Instructional Staff Training Services	318,469.24	1,024,863.27	-
Instructional - Related Technology	714,145.67	105,102.38	-
Board	327,030.36		-
General Administration	526,834.01	266,972.19	-
School Administration	3,086,257.08	2,055.83	-
Facilities Acquisition and Construction	-	-	806,292.67
Fiscal Services	427,310.47	-	-
Food Services	-	-	-
Central Services	633,123.65	-	-
Student Transportation Services	2,915,346.74	159,419.51	-
Operation of Plant	3,927,210.24	-	-
Maintenance of Plant	1,234,915.28	-	-
Administrative Technology Services	114,157.42	-	-
Community Services	324,182.33	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	158,311.53	164,039.17	445,474.44
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	46,672,665.83	5,361,090.80	1,251,767.11
Excess (Deficiency) of Revenues Over Expenditures	(689,824.91)	-	1,154,282.97
Other Financing Sources (Uses)			
Transfers In	565,233.38	-	-
Proceeds of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Sale of Capital Assets	27,200.00	-	-
Loss Recoveries	624.51	-	-
Transfers Out	(3,850.04)	-	(565,233.38)
Total Other Financing Sources (Uses)	589,207.85	-	(565,233.38)
Net Change in Fund Balances	(100,617.06)		589,049.59
Fund Balances, Beginning	6,192,968.87	-	666,232.02
Fund Balances, Ending	$ 6,092,351.81	$ 0.00	$ 1,255,281.61

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

Other Governmental Funds	Total Governmental Funds
$ -	$ 67,148.92
3,666,627.98	9,405,172.51
468,238.54	35,339,299.02
-	11,836,349.62
444,171.31	444,171.31
5,736.00	1,242,614.25
449,907.31	13,523,135.18
4,584,773.83	58,334,755.63
-	31,363,475.98
-	2,573,220.36
-	436,943.09
-	1,230,370.83
69,212.02	1,412,544.53
245,923.20	1,065,171.25
-	327,030.36
3,395.35	797,201.55
-	3,088,312.91
280,428.52	1,086,721.19
-	427,310.47
3,896,266.74	3,896,266.74
-	633,123.65
-	3,074,766.25
-	3,927,210.24
-	1,234,915.28
-	114,157.42
-	324,182.33
36,285.00	36,285.00
46,960.94	814,786.08
170,000.00	170,000.00
25,630.62	25,630.62
4,774,102.39	58,059,626.13
(189,328.56)	275,129.50
3,850.04	569,083.42
521,000.00	521,000.00
49,538.39	49,538.39
(581,311.01)	(581,311.01)
15,087.41	42,287.41
3,169.41	3,793.92
-	(569,083.42)
11,334.24	35,308.71
(177,994.32)	310,438.21
618,440.98	7,477,641.87
$ 440,446.66	$ 7,788,080.08

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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, 2015

Net Change in Fund Balances - Governmental Funds		$ 310,438.21
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.		(2,824,460.10)
Capital assets donated to the District increases net position in the government-wide financial statements but are not financial resources, and therefore, are not reported in the governmental funds.		29,645.60
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.		(122,045.74)
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 fiscal year.		170,000.00
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
State Board of Education Bonds, Series 2014B, Issued	$ (521,000.00)	
State Board of Education Bonds, Series 2005B, Defeased	560,000.00	39,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		57,239.72
Other postemployment 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.		(437,130.00)
Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
FRS Pension Contribution	$ 1,967,488.00	
HIS Pension Contribution	394,651.00	
FRS Pension Expense	(511,976.00)	
HIS Pension Expense	(655,058.00)	1,195,105.00
Change in Net Position - Governmental Activities		$ (1,582,207.31)

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, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 614,407
LIABILITIES	
Internal Accounts Payable	$ 614,407

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

NOTES TO FINANCIAL STATEMENTS

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 of the Okeechobee County School District (District). 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student 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 and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) 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.

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 funds, 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.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including maintenance, renovation, and repair projects, new and replacement equipment, motor vehicle purchases, and payments for property and casualty insurance premiums.

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 fiscal 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 focus 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 measurement 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 within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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, pension benefits, other postemployment benefits, and compensated absences, which are recognized when payment is due. Issuance of long-term debt is reported as an other financing source. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 3 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, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates 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.

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

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 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 Useful Lives
Improvements Other Than Buildings	10 - 15 years
Buildings and Fixed Equipment	15 - 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. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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 liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and the related debt premiums are reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The first is the deferred amount on pension reported only in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided pensions through the pension plan except earnings which are amortized over five years. The second item is unavailable revenue from the State of Florida for Capital Outlay and Debt Service.

8. 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.

9. 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.

10. 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 balances at June 30, 2015.

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 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 FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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 fiscal year to be expended for the same educational programs. The FDOE 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.

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

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

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 2014 tax levy on September 9, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection

of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

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. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 68

The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by $22,002,333 due to the adoption of this Statement.

III. 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 the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

As of June 30, 2015, the District had the following investments:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	34 Day Average	$ 1,798,736.93
Debt Service Accounts	6 Months	15,953.55
Total Investments		$ 1,814,690.48

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

Interest Rate Risk

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

Florida PRIME uses a weighted average days to maturity (WAM). 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.

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 (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to bids from qualified public depositories, as defined in Section 280.02, Florida Statutes; certificates of deposit; time deposits; securities of the United States Government; State managed cooperative investment plans; and other forms of investments as authorized by Section 218.415, Florida Statutes.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE 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.

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	1,718,669.41	-	-	1,718,669.41
Total Capital Assets Not Being Depreciated	5,543,898.62	-	-	5,543,898.62
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,182,449.50	-	-	2,182,449.50
Buildings and Fixed Equipment	86,724,359.91	36,285.00	-	86,760,644.91
Furniture, Fixtures, and Equipment	11,593,664.67	393,936.43	653,930.11	11,333,670.99
Motor Vehicles	6,566,686.23	403,604.00	246,367.00	6,723,923.23
Audio Visual Materials and Computer Software	3,112,980.74	46,890.25	-	3,159,870.99
Total Capital Assets Being Depreciated	110,180,141.05	880,715.68	900,297.11	110,160,559.62
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,332,695.07	201,055.21	-	1,533,750.28
Buildings and Fixed Equipment	31,773,564.14	2,011,592.80	-	33,785,156.94
Furniture, Fixtures, and Equipment	9,175,327.76	935,366.33	610,241.09	9,500,453.00
Motor Vehicles	2,521,311.66	433,512.47	168,010.28	2,786,813.85
Audio Visual Materials and Computer Software	2,980,900.40	94,003.37	-	3,074,903.77
Total Accumulated Depreciation	47,783,799.03	3,675,530.18	778,251.37	50,681,077.84
Total Capital Assets Being Depreciated, Net	62,396,342.02	(2,794,814.50)	122,045.74	59,479,481.78
Governmental Activities Capital Assets, Net	$ 67,940,240.64	$ (2,794,814.50)	$ 122,045.74	$ 65,023,380.40

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 433,512.47
Unallocated	3,242,017.71
Total Depreciation Expense - Governmental Activities	$ 3,675,530.18

D. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to

provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The District's pension expense totaled $1,167,034 for the fiscal year ended June 30, 2015.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in the Plan 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 to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled $1,967,488 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $5,248,857 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.086026097 percent, which was an increase of 0.000583261 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $511,976. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 324,815
Change of assumptions	909,015	-
Net difference between projected and actual earnings on FRS pension plan investments	-	8,755,965
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	84,468	-
District FRS contributions subsequent to the measurement date	1,967,488	-
Total	$ 2,960,971	$ 9,080,780

The deferred outflows of resources related to pensions, totaling $1,967,488, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (2,062,827)
2017	(2,062,827)
2018	(2,062,827)
2019	(2,062,827)
2020	126,163
Thereafter	37,848
Total	$ (8,087,297)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 22,450,059	$ 5,248,857	$ (9,059,261)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $117,595 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended

by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $394,651 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $9,964,064 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.106564750 percent, which was a decrease of 0.003047754 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of $655,058. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 354,561	$ -
Net difference between projected and actual earnings on HIS pension plan investments	4,783	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	228,493
District contributions subsequent to the measurement date	394,651	-
Total	$ 753,995	$ 228,493

The deferred outflows of resources, totaling $394,651, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 21,529
2017	21,529
2018	21,529
2019	21,529
2020	20,334
Thereafter	24,401
Total	$ 130,851

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 11,333,316	$ 9,964,064	$ 8,821,131

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $26,765 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled $250,228 for the fiscal year ended June 30, 2015.

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, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or 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 2014-15 fiscal year, 46 retirees received other postemployment benefits. The District provided required contributions of $334,404 toward the annual OPEB cost, net of retiree contributions totaling $433,260, 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 1 year)	$ 289,276
Amortization of Unfunded Actuarial Accrued Liability	562,809
Annual Required Contribution	852,085
Interest on Net OPEB Obligation	89,031
Adjustment to Annual Required Contribution	(169,582)
Annual OPEB Cost (Expense)	771,534
Contribution Toward the OPEB Cost	(334,404)
Increase in Net OPEB Obligation	437,130
Net OPEB Obligation, Beginning of Year	2,374,150
Net OPEB Obligation, End of Year	$ 2,811,280

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, 2015, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 782,926	39.7%	$ 1,879,688
2013-14	$ 809,127	38.9%	$ 2,374,150
2014-15	$ 771,534	43.3%	$ 2,811,280

Funded Status and Funding Progress. As of January 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $7,735,621, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $7,735,621, and a funded ratio of 0 percent. The

covered payroll (annual payroll of active participating employees) was $25,007,172, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.9 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, 2015, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 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 to 7.25 percent, and an annual healthcare cost trend rate of 7.5 percent initially beginning October 1, 2015, reduced by various decrements annually, to an ultimate rate of 4.65 percent in calendar year 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 20-year period. The remaining amortization period at June 30, 2015, was 14 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 fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2015:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$ 135,792.08	$ 279,348.81	$ 206,591.53	$ 65,443.38	$ 687,175.80

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 District participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks relating to property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members are included in the group program. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

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

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 40,000	5	2019
Series 2014B, Refunding	521,000	2 - 5	2020
Total Bonds Payable	$ 561,000		

The various bonds were issued to finance capital outlay projects of the District. These bonds are issued by the State Board of Education (SBE) on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	$ 182,445	$ 159,000	$ 23,445
2017	186,195	171,000	15,195
2018	181,545	175,000	6,545
2019	36,295	35,000	1,295
2020	21,210	21,000	210
Total State School Bonds	$ 607,690	$ 561,000	$ 46,690

2. Defeased Debt

On December 2, 2014, the FDOE issued SBE Capital Outlay Refunding Bonds, Series 2014B, with an average interest rate of 5 percent, to refund the callable portions of the SBE Capital Outlay Bonds, Series 2005B. The District's portion of Series 2014B bonds, totaling $521,000, were used to refund the $560,000 principal amount of the District's Capital Outlay Bonds, 2005B, that mature on or after January 1, 2016. The District's pro rata share of the net proceeds of the Series 2014B bonds was $569,644.34 (including a premium at issuance of $49,538.39 and after deduction of $894.05 by the FDOE for the District's pro rata share of underwriting fees, insurance, and other issuance cost) was placed in an irrevocable trust to provide for future debt service payments. As a result, State School Bonds Series 2005B totaling $560,000 are considered to be in-substance defeased.

3. 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	$ 770,000.00	$ 521,000.00	$ 730,000.00	$ 561,000.00	$ 159,000.00
Compensated Absences Payable	2,375,686.49	125,989.57	183,229.29	2,318,446.77	183,229.29
Other Postemployment Benefits Payable	2,374,150.00	771,534.00	334,404.00	2,811,280.00	-
Net Pension Liability (1)	24,251,725.00	2,519,861.00	11,558,665.00	15,212,921.00	334,497.00
Total Governmental Activities	$ 29,771,561.49	$ 3,938,384.57	$ 12,806,298.29	$ 20,903,647.77	$ 676,726.29

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** 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:

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 534,675.47	$ -
Special Revenue:		
Other	-	488,916.26
Nonmajor Governmental	-	45,759.21
Total	$ 534,675.47	$ 534,675.47

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 2015-16 fiscal year.

K. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

Source	Amount
Florida Education Finance Program	$ 27,588,924.00
Categorical Educational Program - Class Size Reduction	6,630,579.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	262,446.30
Gross Receipts Tax (Public Education Capital Outlay)	128,819.00
Voluntary Prekindergarten	127,737.49
School Recognition	124,659.00
Food Service Supplement	56,701.00
Mobile Home License Tax	40,423.32
Discretionary Lottery Funds	21,901.00
Miscellaneous	357,108.91
Total	$ 35,339,299.02

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 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.143	$ 8,464,054
Basic Discretionary Local Effort	0.748	1,231,015
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,468,614
Total	7.391	$12,163,683

L. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$ 565,233.38	$ 3,850.04
Capital Projects:		
Local Capital Improvement	-	565,233.38
Nonmajor Governmental	3,850.04	-
Total	$ 569,083.42	$ 569,083.42

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

IV. 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: (1) an ongoing financial interest or (2) 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, the BCC adopted a similar resolution and the two resolutions provided the basis for the agreement for the joint venture. As part of the agreement, the BCC leased the facility to the District for 40 years, or for the life of the facility, whichever is longer and provided that the District has the priority of use, over the general public, of the park and its facilities for educational purposes, and for extracurricular activities as a part of the District's normal school programs. The District 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 2014-15 fiscal year, the District paid a total of $134,133.75 to the BCC for such costs attributable to the 2013-14 fiscal year.

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 58,500.00	65,484.00	65,484.19	$ 0.19
Federal Through State and Local	334,595.40	352,022.11	379,118.46	27,096.35
State	34,991,055.05	34,858,513.15	34,871,060.48	12,547.33
Local:				
Property Taxes	9,170,585.00	9,170,585.00	9,435,307.75	264,722.75
Miscellaneous	1,062,192.17	1,154,784.98	1,231,870.04	77,085.06
Total Local Revenues	10,232,777.17	10,325,369.98	10,667,177.79	341,807.81
Total Revenues	45,616,927.62	45,601,389.24	45,982,840.92	381,451.68
Expenditures				
Current - Education:				
Instruction	30,500,150.04	30,555,961.91	29,316,822.52	1,239,139.39
Student Personnel Services	2,009,249.10	1,906,075.02	1,832,154.44	73,920.58
Instructional Media Services	445,613.99	451,146.68	436,943.09	14,203.59
Instruction and Curriculum Development Services	331,025.00	417,799.66	379,451.76	38,347.90
Instructional Staff Training Services	306,860.23	407,213.11	318,469.24	88,743.87
Instructional - Related Technology	698,554.63	719,538.52	714,145.67	5,392.85
Board	454,019.00	428,790.89	327,030.36	101,760.53
General Administration	1,484,920.77	897,188.93	526,834.01	370,354.92
School Administration	3,064,973.00	3,149,791.85	3,086,257.08	63,534.77
Fiscal Services	406,510.00	446,312.60	427,310.47	19,002.13
Central Services	632,571.00	688,015.28	633,123.65	54,891.63
Student Transportation Services	2,918,630.00	3,147,736.38	2,915,346.74	232,389.64
Operation of Plant	3,589,848.83	4,026,120.37	3,927,210.24	98,910.13
Maintenance of Plant	1,273,168.07	1,339,393.33	1,234,915.28	104,478.05
Administrative Technology Services	181,261.36	116,281.70	114,157.42	2,124.28
Community Services	367,959.45	369,435.47	324,182.33	45,253.14
Fixed Capital Outlay:				
Other Capital Outlay	557,165.20	221,734.93	158,311.53	63,423.40
Total Expenditures	49,222,479.67	49,288,536.63	46,672,665.83	2,615,870.80
Excess (Deficiency) of Revenues Over Expenditures	(3,605,552.05)	(3,687,147.39)	(689,824.91)	2,997,322.48
Other Financing Sources (Uses)				
Transfers In	670,000.00	670,000.00	565,233.38	(104,766.62)
Sale of Capital Assets	15,000.00	15,000.00	27,200.00	12,200.00
Loss Recoveries	1,000.00	1,000.00	624.51	(375.49)
Transfers Out	-	(3,850.04)	(3,850.04)	-
Total Other Financing Sources (Uses)	686,000.00	682,149.96	589,207.85	(92,942.11)
Net Change in Fund Balances	(2,919,552.05)	(3,004,997.43)	(100,617.06)	2,904,380.37
Fund Balances, Beginning	6,192,968.87	6,192,968.87	6,192,968.87	-
Fund Balances, Ending	$ 3,273,416.82	$ 3,187,971.44	$ 6,092,351.81	$ 2,904,380.37

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 14,587.70	$ 14,670.13	$ 1,664.73	$ (13,005.40)
5,502,986.52	6,400,440.40	5,359,426.07	(1,041,014.33)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,517,574.22	6,415,110.53	5,361,090.80	(1,054,019.73)
2,201,128.77	2,665,814.75	2,046,653.46	619,161.29
819,339.51	775,785.06	741,065.92	34,719.14
-	-	-	-
927,169.06	931,816.50	850,919.07	80,897.43
735,054.96	1,233,874.97	1,024,863.27	209,011.70
144,767.52	149,305.41	105,102.38	44,203.03
-	-	-	-
275,558.42	326,095.72	266,972.19	59,123.53
8,646.50	4,510.00	2,055.83	2,454.17
-	-	-	-
-	-	-	-
171,556.63	163,171.70	159,419.51	3,752.19
300.00	300.00	-	300.00
-	-	-	-
-	-	-	-
-	-	-	-
234,052.85	164,436.42	164,039.17	397.25
5,517,574.22	6,415,110.53	5,361,090.80	1,054,019.73
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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]
January 1, 2011	$ -	$ 7,696,732	$ 7,696,732	0.0%	$ 27,779,850	27.7%
January 1, 2013	-	7,930,777	7,930,777	0.0%	24,911,191	31.8%
January 1, 2015	-	7,735,621	7,735,621	0.0%	25,007,172	30.9%

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

Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan (1)

	2014	2013
District's proportion of the FRS net pension liability	0.086026097%	0.085442836%
District's proportionate share of the FRS net pension liability	$ 5,248,857	$ 14,708,515
District's covered-employee payroll	$ 28,386,891	$ 28,317,208
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.49%	51.94%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Florida Retirement System Pension Plan (1)

	2015	2014
Contractually required FRS contribution	$ 1,967,488	$ 1,884,337
FRS contributions in relation to the contractually required contribution	(1,967,488)	(1,884,337)
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 28,017,720	$ 28,386,891
FRS contributions as a percentage of covered-employee payroll	7.02%	6.64%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

	2014	2013
District's proportion of the HIS net pension liability	0.106564750%	0.109612504%
District's proportionate share of the HIS net pension liability	$ 9,964,064	$ 9,543,210
District's covered-employee payroll	$ 31,663,841	$ 31,843,417
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Health Insurance Subsidy Pension Plan (1)

	2015	2014
Contractually required HIS contribution	$ 394,651	$ 365,055
HIS contributions in relation to the contractually required contribution	(394,651)	(365,055)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 31,330,768	$ 31,663,841
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation 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.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.60 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

Okeechobee County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

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:			
Florida Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	14002	$ 736,281.97
National School Lunch Program	10.555 (2)	14001, 14003	2,545,791.46
Summer Food Service Program for Children	10.559	14006, 14007	66,023.98
Total United States Department of Agriculture			3,348,097.41
United States Department of Education:			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	1,664.73
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027 (3)	263	1,548,857.94
Special Education - Preschool Grants	84.173	267	81,905.39
St. Lucie County District School Board:			
Special Education - Grants to States	84.027 (3)	None	12,046.00
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	2,046.67
Eastern Florida State College:			
Special Education - Grants to States	84.027 (3)	None	1,592.97
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	1,380.71
Brevard County District School Board:			
Special Education - Grants to States	84.027 (3)	None	140.70
Total Special Education Cluster			1,647,970.38
Title I Grants to Local Educational Agencies	84.010	212,223,226	2,332,464.35
Migrant Education-State Grant Program	84.011	217	699,854.80
Career and Technical Education - Basic Grants to States	84.048	161	157,081.87
Rural Education	84.358	110	134,361.78
English Language Acquisition State Grants	84.365	102	101,235.07
Improving Teacher Quality State Grants	84.367	224	303,664.87
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RA111,RG311,RL111	318,530.57
Osceola County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	1,137.87
Florida Gulf Coast University:			
Special Education - State Personnel Development	84.323	None	26,878.31
Total Indirect			5,723,179.87
Total United States Department of Education			5,724,844.60
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	65,484.19
Total Expenditures of Federal Awards			$ 9,138,426.20

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 $228,534.49 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 $1,566,064.99 for CFDA No. 84.027.

(4) ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants, Recovery Act. Expenditures total $319,668.44 for CFDA No. 84.395.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

Claude Denson Pepper Building, Suite G74
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Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2015, 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 12, 2016, 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 District'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 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 from 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 12, 2016

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 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, 2015. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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, 2015.

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.

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,

Sherrill F. Norman, CPA
Tallahassee, Florida
February 12, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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:
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Anti-Fraud Policy

Board policy[1] provides for individuals to communicate and report known or suspected fraud to the Superintendent, or designee, who will determine if an investigation is warranted. The policy also identifies consequences of fraudulent behavior, defines and provides examples of actions constituting fraud and, to protect the reputation of persons suspected but not found guilty of fraud, the policy requires that investigations be conducted in a confidential manner.

While the policy had many positive features, it did not include incident-reporting procedures that allow individuals to anonymously report known or suspected fraud or provide an appropriate process for communicating and reporting known or suspected fraud related to the actions of the Superintendent. Anti-fraud policies and procedures that allow for anonymity encourage persons to report policy violations and known or suspected fraud. Also, an established process for communicating and reporting directly to the Board and the Board's legal counsel any instances of known or suspected fraud related to the actions of the Superintendent promotes timely and appropriate actions to investigate the reported instances.

Recommendation: The Board should further enhance the anti-fraud policy to allow individuals to anonymously report policy violations and known or suspected fraud and establish a process requiring any instances of known or suspected fraud related to the actions of the Superintendent be communicated and reported to the Board and the Board's legal counsel.

Finding 2: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays administrative contracted employees (e.g. assistant superintendents, department directors, principals, and assistant principals) on a payroll-by-exception basis whereby the employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the District reported salary costs of approximately $2.4 million for 36 administrative contracted employees. According to District personnel, to document leave taken, administrative contracted employees submit electronic leave requests to cost center supervisors for review and approval through the District's online payroll system. While cost center supervisors review and approve payroll reports that list the leave taken by administrative contracted employees, the payroll reports do not evidence the time worked by these employees. Without evidence of time worked and documented supervisory review and approval of administrative contracted employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

[1] Board Policy 7.65, *Antifraud*.

Recommendation: The District should establish a mechanism for administrative contracted employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Finding 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 grant employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing assigned IT access privileges promotes good internal control and is necessary to ensure that employees cannot access or modify those IT resources inconsistent with their assigned job responsibilities.

Our review of selected access privileges to the District's business application, including finance and human resources (HR), disclosed some access privileges that were unnecessary or that permitted certain employees to perform incompatible functions. Specifically, we found that:

- Three payroll employees and two finance employees had the ability to add an employee and update employee addresses. The ability to update this information is appropriate only for HR personnel responsible for maintaining personnel files.
- Three HR employees had the ability to update direct deposit information. The ability to update this information is appropriate only for payroll personnel responsible for maintaining these records.
- The Finance Director had update privileges to several critical functions within the finance application, including adding or modifying vendors, creating requisitions, approving requisitions, and processing electronic funds transfers and manual checks. These privileges permitted the Finance Director to perform incompatible duties, including control over the vendor payment process.
- District records evidence a review of employee IT access privileges in July 2015; however, the review did not detect the inappropriate access privileges discussed above.

Subsequent to our inquiry, in November 2015, the District removed the inappropriate access privileges we noted. While District controls (e.g., management review of change or edit reports and budgetary restrictions) mitigate some of the risks of the access control deficiencies noted, inappropriate access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur without timely detection.

Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, appropriate review of access privileges, and timely removal or adjustment of any unnecessary or inappropriate access detected.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2015-115.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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
2015-115		There were no prior Federal audit findings.		

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:
Malissa Morgan
Board Vice Chairperson
Jill Holcomb
Board Members:
Joe Arnold
Dixie Ball
India Riedel

January 15, 2016

Mrs. Sherrill F. Norman, 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 Mrs. Norman:

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, 2015.

Finding No. 1: Anti-Fraud Policy

Response: *The District will enhance the anti-fraud policy to allow individuals to anonymously report policy violations and known or suspected fraud and establish a process requiring any instances of known or suspected fraud related to the actions of the Superintendent be communicated and reported to the Board and the Board's legal counsel.*

Finding No. 2: Payroll Processing Procedures

Response: *The District will establish a mechanism for administrative contracted employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.*

Finding No. 3: Information Technology – Access Privileges

Response: *The District will continue efforts to ensure the assignment of appropriate access privileges, appropriate review of access privileges, and timely removal or adjustment of any unnecessary or inappropriate access detected.*

Sincerely,

Ken Kenworthy
Superintendent of Schools

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

Achieving Excellence: Putting Students First