

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Joe Arnold, Chair from 11-12-13	1
Malissa Morgan	2
Gay Carlton, Vice Chair from 11-12-13	3
India Riedel, Vice Chair to 11-11-13	4
David Williams, Chair to 11-11-13	5

Ken Kenworthy, Superintendent

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

The audit team leader was Gary B. Wright, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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

**OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

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 Standard* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

ADDITIONAL MATTERS

Finding No. 1: The District needed to strengthen its controls to ensure that required background screenings are timely performed for contractor workers.

Finding No. 2: The District needed to enhance its procedures to require the verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, and Migrant Education 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. 2014-169.

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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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, 2014, 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 26 percent of the assets and 68 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

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

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Okeechobee County District School Board as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED 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 **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 11, 2015

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, 2014. 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 2013-14 fiscal year are as follows:

- In total, net position decreased by \$2,084,625.84, which represents a 3 percent decrease from the 2012-13 fiscal year.
- General revenues total \$53,509,003.76, 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 \$4,393,342.99, or 8 percent of all revenues.
- Expenses total \$59,986,972.59. Only \$4,393,342.99 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$2,084,625.84.
- The assigned and unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$5,780,605.65 at June 30, 2014, or 13 percent of total General Fund revenues. The prior fiscal year assigned and unassigned fund balances in the General Fund totaled \$5,282,001.24 or 12 percent of General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, 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, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year	
	Governmental	
	Activities	
	<u>6-30-14</u>	<u>6-30-13</u>
Current and Other Assets	\$ 9,412,762.63	\$ 8,880,557.94
Capital Assets	<u>67,940,240.64</u>	<u>70,251,698.92</u>
Total Assets	<u>77,353,003.27</u>	<u>79,132,256.86</u>
Long-Term Liabilities	5,519,836.49	5,174,115.46
Other Liabilities	<u>1,935,120.76</u>	<u>1,975,469.54</u>
Total Liabilities	<u>7,454,957.25</u>	<u>7,149,585.00</u>
Net Position:		
Net Investment in Capital Assets	67,170,240.64	69,311,698.92
Restricted	1,495,007.70	1,490,472.55
Unrestricted	<u>1,232,797.68</u>	<u>1,180,500.39</u>
Total Net Position	<u>\$ 69,898,046.02</u>	<u>\$ 71,982,671.86</u>

The largest portion of the District’s net position (96 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

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

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

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 923,882.01	\$ 997,777.18
Operating Grants and Contributions	3,210,631.34	3,136,503.75
Capital Grants and Contributions	258,829.64	260,958.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,297,820.41	10,062,746.88
Property Taxes, Levied for Capital Projects	2,386,424.42	2,357,607.94
Grants and Contributions Not Restricted to Specific Programs	40,312,652.10	38,205,498.33
Unrestricted Investment Earnings	35,899.30	81,110.81
Miscellaneous	1,476,207.53	782,173.41
Total Revenues	57,902,346.75	55,884,376.33
Functions/Program Expenses:		
Instruction	31,151,850.69	30,664,708.42
Student Personnel Services	2,618,451.96	2,797,012.81
Instructional Media Services	453,304.94	592,586.63
Instruction and Curriculum Development Services	1,152,526.36	1,292,627.25
Instructional Staff Training Services	1,314,847.06	1,079,756.79
Instruction Related Technology	801,962.63	850,104.39
School Board	319,392.11	316,616.35
General Administration	778,744.78	831,120.51
School Administration	3,086,386.46	3,040,591.80
Facilities Acquisition and Construction	735,600.17	610,298.56
Fiscal Services	410,715.45	396,394.11
Food Services	3,772,550.26	3,825,864.22
Central Services	625,457.84	595,311.03
Student Transportation Services	3,508,529.68	3,387,851.79
Operation of Plant	3,897,765.27	4,031,009.10
Maintenance of Plant	1,274,575.70	1,263,980.76
Administrative Technology Services	124,612.85	134,646.73
Community Services	315,670.09	307,386.47
Unallocated Interest on Long-Term Debt	50,801.37	58,960.34
Unallocated Depreciation Expense	3,593,226.92	3,872,880.25
Total Functions/Program Expenses	59,986,972.59	59,949,708.31
Change in Net Position	(2,084,625.84)	(4,065,331.98)
Net Position - Beginning	71,982,671.86	76,048,003.84
Net Position - Ending	\$ 69,898,046.02	\$ 71,982,671.86

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. Changes in the FEFP funding formula and related appropriations had an impact on total FEFP funding. Overall, revenues increased \$2,017,970.42 or 4 percent compared to the previous fiscal year primarily as a result of increases in FEFP funding.

Instruction expenses represent 52 percent of total governmental expenses in the 2013-14 fiscal year. Expenses are consistent with the previous fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$572,553.47 during the fiscal year to \$7,477,641.87 at June 30, 2014. Approximately 74 percent of this amount is unassigned fund balance (\$5,560,713.98), 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 (\$327,147.44), 2) restricted for particular purposes (\$1,369,888.78), or 3) assigned for particular purposes (\$219,891.67).

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 \$5,560,713.98, while the total fund balance is \$6,192,968.87. 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 the total General Fund revenues, while total fund balance represents 14 percent of total General Fund revenues.

Total fund balance increased by \$711,526.49 during the fiscal year, primarily due to an increase in FEFP funding partially offset by a reduction in local property tax collections, and an increase in expenditures for instructional staff positions.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$309,258.73, or less than 1 percent. At the same time, final appropriations were more than the original budgeted amounts by \$711,573.94. 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 \$402,315.21, or less than 1 percent more than the final budgeted amounts while actual expenditures were \$2,376,954.65, 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 \$2,824,972.62. The significant variance in the General Fund final amended budget amounts to actual amounts is due to the District budgeting for open positions that were not filled and for budgeting 100 percent of employee participation of health benefits.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is \$67,940,240.64 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events included the completion of the Yearling Middle School data and electrical upgrade, replacement of the Okeechobee High School gym air handler, school bus purchases, and equipment purchases.

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

Long-Term Debt

At June 30, 2014, the District had total long-term debt outstanding of \$770,000, comprised of State Board of Education bonds payable. During the current fiscal year, retirement of debt was \$170,000.

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

OTHER MATTERS OF SIGNIFICANCE

Approximately 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 financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Joi Turbeville, Director of Finance, Okeechobee County School Board, 700 SW 2nd Avenue, Okeechobee, Florida 34974.

BASIC FINANCIAL STATEMENTS

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 7,434,760.07
Investments	64,891.29
Accounts Receivable	2,392.01
Due from Other Agencies	1,628,271.15
Inventories	282,448.11
Capital Assets:	
Nondepreciable Capital Assets	5,543,898.62
Depreciable Capital Assets, Net	<u>62,396,342.02</u>
TOTAL ASSETS	<u>77,353,003.27</u>
LIABILITIES	
Salaries and Benefits Payable	470,587.08
Payroll Deductions and Withholdings	211,588.42
Accounts Payable	1,252,945.26
Long-Term Liabilities:	
Portion Due Within One Year	400,056.94
Portion Due After One Year	<u>5,119,779.55</u>
TOTAL LIABILITIES	<u>7,454,957.25</u>
NET POSITION	
Net Investment in Capital Assets	67,170,240.64
Restricted for:	
State Required Carryover Programs	210,334.70
Debt Service	20,191.96
Capital Projects	943,179.02
Food Service	321,302.02
Unrestricted	<u>1,232,797.68</u>
TOTAL NET POSITION	<u>\$ 69,898,046.02</u>

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 31,151,850.69	\$ 85,227.39			\$ (31,066,623.30)
Student Personnel Services	2,618,451.96				(2,618,451.96)
Instructional Media Services	453,304.94				(453,304.94)
Instruction and Curriculum Development Services	1,152,526.36				(1,152,526.36)
Instructional Staff Training Services	1,314,847.06				(1,314,847.06)
Instruction Related Technology	801,962.63				(801,962.63)
School Board	319,392.11				(319,392.11)
General Administration	778,744.78				(778,744.78)
School Administration	3,086,386.46				(3,086,386.46)
Facilities Acquisition and Construction	735,600.17			45,997.64	(689,602.53)
Fiscal Services	410,715.45				(410,715.45)
Food Services	3,772,550.26	568,958.20	3,210,631.34		7,039.28
Central Services	625,457.84				(625,457.84)
Student Transportation Services	3,508,529.68	104,227.32			(3,404,302.36)
Operation of Plant	3,897,765.27				(3,897,765.27)
Maintenance of Plant	1,274,575.70				(1,274,575.70)
Administrative Technology Services	124,612.85				(124,612.85)
Community Services	315,670.09	165,469.10			(150,200.99)
Unallocated Interest on Long-Term Debt	50,801.37			212,832.00	162,030.63
Unallocated Depreciation Expense*	3,593,226.92				(3,593,226.92)
Total Governmental Activities	\$ 59,986,972.59	\$ 923,882.01	\$ 3,210,631.34	\$ 258,829.64	(55,593,629.60)
General Revenues:					
Taxes:					
					9,297,820.41
					2,386,424.42
					40,312,652.10
					35,899.30
					1,476,207.53
Total General Revenues					53,509,003.76
Change in Net Position					(2,084,625.84)
Net Position - Beginning					71,982,671.86
Net Position - Ending					\$ 69,898,046.02

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

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 6,485,086.04	\$	\$
Investments	44,699.33		
Accounts Receivable	2,392.01		
Due from Other Funds	791,255.00		
Due from Other Agencies	131,510.35	986,492.36	63,475.65
Inventories	157,329.19		
	<u>7,612,271.92</u>	<u>986,492.36</u>	<u>63,475.65</u>
TOTAL ASSETS	\$ 7,612,271.92	\$ 986,492.36	\$ 63,475.65
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 470,587.08	\$	\$
Payroll Deductions and Withholdings	211,588.42		
Accounts Payable	737,127.55	448,197.04	7,423.44
Due to Other Funds		538,295.32	56,052.21
	<u>1,419,303.05</u>	<u>986,492.36</u>	<u>63,475.65</u>
Total Liabilities	1,419,303.05	986,492.36	63,475.65
Fund Balances:			
Nonspendable:			
Inventories	157,329.19		
Other Not in Spendable Form	44,699.33		
Total Nonspendable Fund Balance	<u>202,028.52</u>		
Restricted for:			
State Required Carryover Programs	210,334.70		
Debt Service			
Capital Projects			
Food Service			
Total Restricted Fund Balance	<u>210,334.70</u>		
Assigned for:			
Local Project Carryforward	150,834.47		
Other Purposes	69,057.20		
Total Assigned Fund Balance	<u>219,891.67</u>		
Unassigned Fund Balance	<u>5,560,713.98</u>		
Total Fund Balances	6,192,968.87		
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,612,271.92	\$ 986,492.36	\$ 63,475.65

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

Other Governmental Funds	Total Governmental Funds
\$ 949,674.03	\$ 7,434,760.07
20,191.96	64,891.29
446,792.79	2,392.01
125,118.92	791,255.00
<u>1,541,777.70</u>	<u>1,628,271.15</u>
<u>\$ 1,541,777.70</u>	<u>\$ 10,204,017.63</u>
\$	\$ 470,587.08
60,197.23	211,588.42
196,907.47	1,252,945.26
<u>257,104.70</u>	<u>791,255.00</u>
<u>257,104.70</u>	<u>2,726,375.76</u>
125,118.92	282,448.11
<u>125,118.92</u>	44,699.33
<u>125,118.92</u>	<u>327,147.44</u>
20,191.96	210,334.70
943,179.02	20,191.96
196,183.10	943,179.02
<u>1,159,554.08</u>	196,183.10
<u>1,159,554.08</u>	<u>1,369,888.78</u>
1,284,673.00	150,834.47
<u>1,284,673.00</u>	69,057.20
<u>1,284,673.00</u>	219,891.67
<u>1,284,673.00</u>	<u>5,560,713.98</u>
<u>1,284,673.00</u>	<u>7,477,641.87</u>
<u>\$ 1,541,777.70</u>	<u>\$ 10,204,017.63</u>

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balances - Governmental Funds	\$ 7,477,641.87
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.	67,940,240.64
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:	
Bonds Payable	\$ 770,000.00
Compensated Absences Payable	2,375,686.49
Other Postemployment Benefits Payable	<u>2,374,150.00</u>
	<u>(5,519,836.49)</u>
Net Position - Governmental Activities	\$ <u>69,898,046.02</u>

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

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**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 56,954.59	\$ 10,961.62	\$
Federal Through State and Local State	329,247.75	5,113,124.34	321,581.24
	34,450,194.85		
Local:			
Property Taxes	9,297,820.41		
Charges for Services - Food Service			
Miscellaneous	1,596,354.54		
Total Local Revenues	10,894,174.95		
Total Revenues	45,730,572.14	5,124,085.96	321,581.24
Expenditures			
Current - Education:			
Instruction	28,536,240.86	2,060,713.02	49,233.50
Student Personnel Services	1,806,550.61	810,493.86	
Instructional Media Services	453,129.00		
Instruction and Curriculum Development Services	389,916.64	762,199.20	
Instructional Staff Training Services	253,867.73	807,536.30	253,091.16
Instruction Related Technology	671,973.14	129,637.62	
School Board	319,245.50		
General Administration	485,484.67	273,886.24	19,256.58
School Administration	3,083,922.54	1,085.75	
Facilities Acquisition and Construction			
Fiscal Services	410,510.19		
Food Services			
Central Services	625,340.55		
Student Transportation Services	2,919,717.28	167,995.97	
Operation of Plant	3,895,526.69	831.09	
Maintenance of Plant	1,274,253.15		
Administrative Technology Services	124,583.53		
Community Services	315,640.75		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	204,845.58	109,706.91	
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	45,770,748.41	5,124,085.96	321,581.24
Excess (Deficiency) of Revenues Over Expenditures	(40,176.27)		
Other Financing Sources (Uses)			
Transfers In	672,730.00		
Proceeds from Sale of Capital Assets	77,620.53		
Insurance Loss Recoveries	1,352.23		
Transfers Out			
Total Other Financing Sources (Uses)	751,702.76		
Net Change in Fund Balances	711,526.49		
Fund Balances, Beginning	5,481,442.38		
Fund Balances, Ending	\$ 6,192,968.87	\$ 0.00	\$ 0.00

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
	67,916.21
3,152,802.34	8,916,755.67
347,246.35	34,797,441.20
2,386,424.42	11,684,244.83
568,958.20	568,958.20
16,645.02	1,612,999.56
<u>2,972,027.64</u>	<u>13,866,202.59</u>
<u>6,472,076.33</u>	<u>57,648,315.67</u>
	30,646,187.38
	2,617,044.47
	453,129.00
	1,152,115.84
	1,314,495.19
	801,610.76
	319,245.50
	778,627.49
	3,085,008.29
611,379.76	611,379.76
	410,510.19
3,770,702.92	3,770,702.92
	625,340.55
	3,087,713.25
	3,896,357.78
	1,274,253.15
	124,583.53
	315,640.75
562,585.58	562,585.58
772,849.72	1,087,402.21
170,000.00	170,000.00
50,801.37	50,801.37
<u>5,938,319.35</u>	<u>57,154,734.96</u>
<u>533,756.98</u>	<u>493,580.71</u>
	672,730.00
	77,620.53
	1,352.23
<u>(672,730.00)</u>	<u>(672,730.00)</u>
<u>(672,730.00)</u>	<u>78,972.76</u>
(138,973.02)	572,553.47
<u>1,423,646.02</u>	<u>6,905,088.40</u>
<u>\$ 1,284,673.00</u>	<u>\$ 7,477,641.87</u>

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balances - Governmental Funds \$ 572,553.47

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. (2,362,296.19)

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. 175,058.32

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. (124,220.41)

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

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (21,259.03)

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. (494,462.00)

Change in Net Position - Governmental Activities \$ (2,084,625.84)

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, 2014**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 550,180</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 550,180</u>

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 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.

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 fund, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

Additionally, the District reports the following proprietary and fiduciary fund types:

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

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

E. Basis of Accounting

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

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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, other postemployment benefits and compensated absences, which are recognized when payment is due. 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, Net Position/Fund Balance

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. General Fund supply inventories are stated at cost on the first-in, first-out basis. General Fund transportation parts inventories are stated at cost based upon the last invoice price, which approximates the first-in, first-out basis. Special Revenue Fund – Food Service inventories are stated at cost, which approximates the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District’s food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The cost of supply inventories are recorded as expenditures when used rather than purchased. Transportation and food service inventories are recorded as expenditures when purchased and are adjusted at fiscal year-end based on physical counts of the inventories.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
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. 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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2014.

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the 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 year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 2013 tax levy on September 5, 2013. 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. 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

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

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

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	40 Day Average	\$ 1,617,834.30
Fund B	2.86 Year Average	44,699.33
Debt Service Accounts	6 Months	<u>20,191.96</u>
Total Investments		<u>\$ 1,682,725.59</u>

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 had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

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

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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. Fund B is unrated.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,825,229.21	\$	\$	\$ 3,825,229.21
Land Improvements	1,718,669.41			1,718,669.41
Construction in Progress	22,927.00	562,585.58	585,512.58	
Total Capital Assets Not Being Depreciated	5,566,825.62	562,585.58	585,512.58	5,543,898.62
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,182,449.50			2,182,449.50
Buildings and Fixed Equipment	85,968,931.33	755,428.58		86,724,359.91
Furniture, Fixtures, and Equipment	11,918,852.94	449,839.53	775,027.80	11,593,664.67
Motor Vehicles	6,233,571.23	638,302.00	305,187.00	6,566,686.23
Audio Visual Materials and Computer Software	3,108,577.74	4,403.00		3,112,980.74
Total Capital Assets Being Depreciated	109,412,382.74	1,847,973.11	1,080,214.80	110,180,141.05
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,131,223.09	201,471.98		1,332,695.07
Buildings and Fixed Equipment	29,762,707.79	2,010,856.35		31,773,564.14
Furniture, Fixtures, and Equipment	8,713,257.48	1,210,674.30	748,604.02	9,175,327.76
Motor Vehicles	2,309,644.97	419,057.06	207,390.37	2,521,311.66
Audio Visual Materials and Computer Software	2,810,676.11	170,224.29		2,980,900.40
Total Accumulated Depreciation	44,727,509.44	4,012,283.98	955,994.39	47,783,799.03
Total Capital Assets Being Depreciated, Net	64,684,873.30	(2,164,310.87)	124,220.41	62,396,342.02
Governmental Activities Capital Assets, Net	\$ 70,251,698.92	\$(1,601,725.29)	\$ 709,732.99	\$ 67,940,240.64

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 419,057.06
Unallocated	3,593,226.92
Total Depreciation Expense - Governmental Activities	\$ 4,012,283.98

D. Florida Retirement System

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

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

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

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

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County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Senior Management Service	3.00	18.31
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,121,243, \$2,183,928, and \$2,939,462, respectively, which were equal to the required contributions for each fiscal year.

There were 96 District participants in the Investment Plan during the 2013-14 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$338,348, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department’s Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division’s Web site (www.frs.myflorida.com).

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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 2013-14 fiscal year, 45 retirees received other postemployment benefits. The District provided required contributions of \$314,665 toward the annual OPEB cost, net of retiree contributions totaling \$438,384, which represents 1.8 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 332,305
Amortization of Unfunded Actuarial Accrued Liability	523,815
Annual Required Contribution	856,120
Interest on Net OPEB Obligation	70,488
Adjustment to Annual Required Contribution	(117,481)
Annual OPEB Cost (Expense)	809,127
Contribution Toward the OPEB Cost	(314,665)
Change in Net OPEB Obligation	494,462
Net OPEB Obligation, Beginning of Year	1,879,688
Net OPEB Obligation, End of Year	\$ 2,374,150

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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 779,810	47.2%	\$ 1,407,471
2012-13	782,926	39.7%	1,879,688
2013-14	809,127	38.9%	2,374,150

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

The District’s OPEB actuarial valuation as of January 1, 2013 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District’s 2013-14 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 3.75 percent per year, projected salary increase of 3 to 7.25 percent, and an annual healthcare cost trend rate of 8.5 percent initially beginning January 1, 2014, reduced by various decrements annually, to an ultimate rate of 5.45 percent in calendar year 2020. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 15 years.

F. Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2014:

Major Funds				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$ 71,138.58	\$ 218,715.53	\$ 2,357.31	\$ 220,768.85	\$ 512,980.27

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 three 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, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 725,000	5	2018
Series 2009A, Refunding	45,000	5	2019
Total Bonds Payable	\$ 770,000		

The various bonds were issued to finance capital outlay projects of the District. These bonds are issued by the 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, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	\$ 208,375	\$ 170,000	\$ 38,375
2016	214,750	185,000	29,750
2017	215,500	195,000	20,500
2018	215,875	205,000	10,875
2019	15,375	15,000	375
Total State School Bonds	\$ 869,875	\$ 770,000	\$ 99,875

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 940,000.00	\$	\$ 170,000.00	\$ 770,000.00	\$ 170,000.00
Compensated Absences Payable	2,354,427.46	251,315.97	230,056.94	2,375,686.49	230,056.94
Other Postemployment Benefits Payable	1,879,688.00	809,127.00	314,665.00	2,374,150.00	
Total Governmental Activities	<u>\$ 5,174,115.46</u>	<u>\$ 1,060,442.97</u>	<u>\$ 714,721.94</u>	<u>\$ 5,519,836.49</u>	<u>\$ 400,056.94</u>

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

I. Fund Balance Reporting

In addition to committed 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. The District classifies amounts that are legally or otherwise restricted as restricted fund balance, including unspent State categorical and earmarked educational funding reported in the General Fund.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 791,255.00	\$
Special Revenue:		
Other		538,295.32
Federal Economic Stimulus		56,052.21
Nonmajor Governmental		196,907.47
Total	<u>\$ 791,255.00</u>	<u>\$ 791,255.00</u>

**OKEECHOBEE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 2014-15 fiscal year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 26,961,871.00
Categorical Educational Program - Class Size Reduction	6,724,846.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	258,829.64
Technology Transformation	245,991.00
Voluntary Prekindergarten	124,357.29
Discretionary Lottery Funds	60,493.00
Food Service Supplement	57,829.00
Mobile Home License Tax	30,775.03
Miscellaneous	332,449.24
	<hr/>
Total	<u>\$ 34,797,441.20</u>

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 2013 tax roll for the 2013-14 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.215	\$ 8,365,890
Basic Discretionary Local Effort	0.748	1,199,940
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,406,296
Total	<u>7.463</u>	<u>\$ 11,972,126</u>

L. Interfund Transfers

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

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Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 672,730	\$
Nonmajor Governmental		672,730
Total	\$ 672,730	\$ 672,730

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

III. JOINT VENTURES

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

By a resolution adopted on October 14, 1986, the District entered into a joint venture with the Okeechobee County Board of County Commissioners (BCC) to develop a community park and sports complex. On October 16, 1986, 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 2013-14 fiscal year, the District paid a total of \$130,915.52 to the BCC for such costs attributable to the 2012-13 fiscal year.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 58,500.00	\$ 56,954.59	\$ (1,545.41)
Federal Through State and Local	270,000.00	285,176.00	329,247.75	44,071.75
State	34,519,012.05	34,450,596.28	34,450,194.85	(401.43)
Local:				
Property Taxes	9,193,178.00	9,193,178.00	9,297,820.41	104,642.41
Miscellaneous	986,808.15	1,340,806.65	1,596,354.54	255,547.89
Total Local Revenues	10,179,986.15	10,533,984.65	10,894,174.95	360,190.30
Total Revenues	45,018,998.20	45,328,256.93	45,730,572.14	402,315.21
Expenditures				
Current - Education:				
Instruction	29,712,722.89	29,876,347.30	28,536,240.86	1,340,106.44
Student Personnel Services	1,780,231.10	1,843,274.84	1,806,550.61	36,724.23
Instructional Media Services	444,651.81	464,596.08	453,129.00	11,467.08
Instruction and Curriculum Development Services	372,539.26	407,496.37	389,916.64	17,579.73
Instructional Staff Training Services	191,677.45	278,570.03	253,867.73	24,702.30
Instruction Related Technology	634,041.00	679,644.98	671,973.14	7,671.84
School Board	434,226.00	385,446.91	319,245.50	66,201.41
General Administration	1,547,175.00	630,119.45	485,484.67	144,634.78
School Administration	3,059,874.86	3,110,985.13	3,083,922.54	27,062.59
Fiscal Services	407,233.33	445,129.48	410,510.19	34,619.29
Central Services	629,598.50	699,091.74	625,340.55	73,751.19
Student Transportation Services	3,121,455.86	3,076,108.20	2,919,717.28	156,390.92
Operation of Plant	3,758,535.84	3,998,936.95	3,895,526.69	103,410.26
Maintenance of Plant	1,411,821.82	1,446,296.38	1,274,253.15	172,043.23
Administrative Technology Services	221,722.00	132,036.94	124,583.53	7,453.41
Community Services	379,479.36	380,053.36	315,640.75	64,412.61
Fixed Capital Outlay:				
Other Capital Outlay	325,934.58	293,568.92	204,845.58	88,723.34
Total Expenditures	48,432,920.66	48,147,703.06	45,770,748.41	2,376,954.65
Deficiency of Revenues Over Expenditures	(3,413,922.46)	(2,819,446.13)	(40,176.27)	2,779,269.86
Other Financing Sources				
Transfers In	470,000.00	670,000.00	672,730.00	2,730.00
Proceeds from Sale of Capital Assets	15,000.00	35,000.00	77,620.53	42,620.53
Insurance Loss Recoveries	1,000.00	1,000.00	1,352.23	352.23
Total Other Financing Sources	486,000.00	706,000.00	751,702.76	45,702.76
Net Change in Fund Balances	(2,927,922.46)	(2,113,446.13)	711,526.49	2,824,972.62
Fund Balances, Beginning	5,481,442.38	5,481,442.38	5,481,442.38	
Fund Balances, Ending	\$ 2,553,519.92	\$ 3,367,996.25	\$ 6,192,968.87	\$ 2,824,972.62

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

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

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

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

I. 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 personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			\$
School Breakfast Program	10.553	13002	716,185.92
National School Lunch Program	10.555 (2)	13001, 13003	2,436,616.42
Total United States Department of Agriculture			3,152,802.34
United States Department of Education:			
Direct:			
Indian Education - Grants to Local Educational Agencies	84.060	N/A	10,961.62
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	1,590,372.78
Special Education - Preschool Grants	84.173	267	104,443.95
St. Lucie County District School Board:			
Special Education - Grants to States	84.027 (3)	None	12,489.48
University of South Florida:			
Special Education - Grants to States	84.027 (3)	None	3,130.00
Putnam County District School Board:			
Special Education - Grants to States	84.027 (3)	None	2,348.92
Brevard County District School Board:			
Special Education - Grants to States	84.027 (3)	None	327.79
Total Special Education Cluster			1,713,112.92
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	2,228,684.17
Migrant Education - State Grant Program	84.011	217	634,257.22
Career and Technical Education - Basic Grants to States	84.048	161	97,930.30
Rural Education	84.358	110	59,668.69
English Language Acquisition State Grants	84.365	102	108,890.81
Improving Teacher Quality State Grants	84.367	224	288,876.42
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
Washington County District School Board:	84.395 (4)	RL111, RD211, RG311, RG411	321,581.24
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
Highlands County District School Board:	84.395 (4)	None	2,800.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act			
Highlands County District School Board:	84.395 (4)	None	1,198.51
Total Indirect			5,457,000.28
Total United States Department of Education			5,467,961.90
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	56,954.59
Total Expenditures of Federal Awards			\$ 8,677,718.83

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 \$215,218.56 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 \$1,608,668.97 for CFDA No. 84.027.

(4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Expenditures total \$325,579.75 for CFDA No. 84.395.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Okeechobee County District School Board, as of and for the fiscal year ended June 30, 2014, 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 11, 2015, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 11, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Okeechobee County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2014. 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, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 11, 2015

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.533 and 10.555	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
84.011	Migrant Education – State Grant Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ADDITIONAL MATTERS

Finding No. 1: Background Screenings

Sections 1012.465 and 1012.467, Florida Statutes, provide that instructional and noninstructional contractors who are permitted access to school grounds when students are present or who have direct contact with students must undergo certain background screenings at least every five years. Also, Section 1012.468, Florida Statutes, provides exceptions to background screenings for noninstructional contractors who are under the direct supervision of District personnel or who have met the screening requirements.

District procedures generally require contractor workers who have access to school grounds to undergo background screenings every five years and the District issues badges for the workers to wear that identify the screening dates. Our test of 33 contractor workers (14 instructional and 19 noninstructional) disclosed 3 instructional contract workers who provided occupational therapy services had not been subjected to the required screening within five years, contrary to law. As of time of our review in June 2014, screenings for these individuals were from 273 to 307 days late. Screenings were not obtained primarily because District personnel did not have comprehensive procedures in place to monitor contractual personnel for background screenings. Such procedures could include requiring the department that issues contracts for workers to obtain evidence of background screenings prior to services being rendered and for school personnel to inspect badges prior to admission on school grounds. Subsequent to our inquiries, the District obtained the required screenings for the 3 instructional workers.

Absent timely background screenings, there is an increased risk that contractor workers with unsuitable backgrounds may be allowed access to students. A similar finding was noted in our report No. 2014-169.

Recommendation: The District should strengthen its controls to ensure that required background screenings are timely performed for all contractor workers.

Finding No. 2: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to contribute for each full-time employee amounts ranging from \$5,716 to \$6,858, depending on the health plan, towards health insurance of each employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District’s health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District’s health insurance plan upon employment and during the open enrollment period, and make changes to their coverage outside of the enrollment period for certain qualifying events such as marriage, divorce, death, or birth of a dependent. For the 2013-14 fiscal year, 693 employees contributed a total of \$1,259,000 and 45 retirees contributed a total of \$438,000 to participate in

the District's health insurance plan, and the District contributed \$4,464,000 toward the plan. Also, 125 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to current payroll records to ensure that insurance premiums were only for eligible employees. Also, for dependent insurance changes based on changes in marital status, employees were required to provide evidence of the dependents' eligibility for the changes. However, for other dependent eligibility changes, the District did not require documentation evidencing the dependent's eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for the employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2013-14 fiscal year, District records indicated enrollment of 2 full-time VIP students. The District's pupil progression plans, parent guides, and other records identified certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information. However, the District did not have comprehensive, written VIP policies and procedures to document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. District personnel indicated they were unaware that written procedures were necessary. Comprehensive, written policies and procedures would promote compliance with the VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Additionally, the absence of comprehensive, written VIP policies and procedures may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(1)(b), Florida Statutes, requires that the District, because it is located in a sparsely-populated county eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, to provide students the option of participating in a part-time or full-time VIP. Although the District provided all students the opportunity to participate in full-time virtual instruction, the District did not provide students in grades kindergarten through 12 the opportunity to participate in part-time virtual instruction. District personnel

indicated that they thought they offered the part-time option, which included courses identified as additional course offerings. However, the course offerings were not considered a viable option because the additional courses are not one of the options for the District VIP prescribed in Section 1002.45(1)(c), Florida Statutes, but are virtual education courses offered at the District level pursuant to Section 1003.498, Florida Statutes.

- Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP, and Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely, written notification of the open enrollment periods for their VIPs. For the 2013-14 fiscal year, District personnel indicated that there were several communication methods used to provide information about the District’s VIP to parents and students. Such communication included the student progression plan and the District’s Web site. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure the District offers all students at least the required minimum number of VIP options, and provides timely, written notification to all parents about student opportunities to participate in the VIP and open enrollment period dates.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-169 except that finding No. 1 was also noted in prior audit report No. 2014-169 as finding No. 1.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014*

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
2014-169		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

Superintendent
Ken Kenworthy



School District of Okeechobee County

863-462-5000

700 S. W. Second Avenue
Okeechobee, Florida 34974

Fax 863-462-5151

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

February 6, 2015

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

Re: Response to Preliminary and Tentative Findings

Dear Sir:

The following information is supplied in response to the Preliminary and Tentative Findings from the audit of the Okeechobee County District School Board for fiscal year ending June 30, 2014.

Finding No. 1: Background Screenings

Response: *The District has implemented new procedures for signing in at the school sites which includes the expiration date of badges and the Human Resources Department is monitoring the issuance and expiration of badges of contracted vendors.*

Finding No. 2: Health Insurance Plan – Participant Eligibility

Response: *The District will require a birth certificate to ensure eligibility of dependents prior to access to the health insurance plan.*

Finding No. 3: Virtual Instruction Program

Response: *The District will develop and maintain comprehensive, written policies and procedures regarding the Virtual Instruction Program.*

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