

ORANGE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Bill Sublette, Chair	Districtwide
Joie W. Cadle	1
Daryl Flynn, Vice Chair to 11-12-12	2
Judge “Rick” Roach	3
Vicky Bell to 11-12-12	4
Pam Gould from 11-13-12	4
Kathleen “Kat” Gordon	5
Nancy Robinson	6
Christine Moore, Vice Chair from 11-13-12	7

Dr. Barbara M. Jenkins, 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 Jeffrey M. Brizendine, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the audit team leader was Deidre Melton, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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

**ORANGE 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 Standards*, 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 could enhance controls to ensure proper reporting of its discretely presented component units on the District's financial statements.

Finding No. 2: Controls could be enhanced to ensure budgets are prepared, advertised, presented at public hearings for Board approval, and submitted to Florida Department of Education (FDOE) in the prescribed format pursuant to State Board of Education Rule 6A-1.002(1), Florida Administrative Code.

Finding No. 3: Controls over electronic funds transfers could be enhanced.

Finding No. 4: The District had not properly allocated rebate revenue received on e-Payables payments.

Finding No. 5: The Superintendent's employment agreement included a severance pay provision that did not appear to be consistent with Section 215.425(4)(a), Florida Statutes.

Finding No. 6: Controls over monitoring school bus drivers could be enhanced.

Finding No. 7: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the FDOE.

Finding No. 8: Contracts with FDOE-approved virtual instruction program (VIP) providers did not include all provisions required by State law.

Finding No. 9: The District needed to enhance its procedures to ensure timely notification to parents regarding student opportunities to participate in a VIP.

Finding No. 10: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 11: District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement.

Finding No. 12: The District lacked written policies and procedures for certain IT functions.

Summary of Report on Federal Awards

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

Audit Objectives and Scope

Our audit objectives were to determine whether the Orange 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 previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 4 percent of the assets and 18 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, as described in note I to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports 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.

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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Orange County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Effective for the 2012-13 fiscal year, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, modified the criteria for determining financial reporting entity component units. As discussed in note II.A(2) to the financial statements, certain component units included in the financial statements for the 2012-13 fiscal year were excluded from the financial statements for the 2011-12 fiscal year.

As discussed in note II.A(4) to the basic financial statements, the District adopted new accounting guidance GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

As discussed in note II.C to the financial statements, the District changed the funds it used to report American Recovery and Reinvestment Act debt service and capital projects financial information for the 2012-13 fiscal year.

These matters affect the comparability of amounts reported for the 2011-12 fiscal year with amounts reported for the 2012-13 fiscal year. Our opinion is not modified with respect to these matters.

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 **COMBINING STATEMENT OF NET POSITION COMPONENT UNITS** and **COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS**, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, 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 **COMBINING STATEMENT OF NET POSITION COMPONENT UNITS**, **COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS**, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** are the responsibility of management and were derived from and relate 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 **COMBINING STATEMENT OF NET POSITION COMPONENT UNITS**, **COMBINING STATEMENT OF ACTIVITIES COMPONENT UNITS**, and **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** are 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 Orange County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

March 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the District School Board of Orange County (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,210,253,440 (net position). Of this amount, \$294,758,705 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$192,239,636. This increase is primarily attributable to the ongoing investment of the District in new schools and the renovation of existing schools supported by sales tax proceeds and other capital outlay revenues.
- Total revenues of \$1,878,707,622 were comprised of general revenues in the amount of \$1,735,287,487, or 92.4 percent, and program specific revenues from charges for services, grants and contributions in the amount of \$143,420,135, or 7.6 percent.
- For the fiscal year ended June 30, 2013, the District had \$1,686,467,986 in expenses related to governmental activities; \$143,420,135 of which were offset by program specific revenues from charges or services, grants and other sources. General revenues (primarily taxes and State funding programs) of \$1,735,287,487 were sufficient to provide for the District's programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,543,265,265, an increase of \$110,449,589 in comparison with the prior fiscal year. Approximately 4 percent of this total amount, \$61,799,654, is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance). The remaining balance in the amount of \$1,481,465,611 has been classified as nonspendable, restricted, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$61,799,654, or 4.9 percent of total General Fund expenditures.
- The District's total long-term debt for bonds, Certificates of Participation, and capital leases decreased by \$31,642,565, or 2.3 percent, during the current fiscal year due to scheduled maturities.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities, equals net position, which is a measure of the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, other postemployment benefits, and earned but unused vacation and sick leave).

All of the District's activities and services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State assistance finance most of these activities. Additionally, all capital and debt financing activities are reported here. The District currently does not report any business-type activities, which would include functions that are intended to recover all or a significant portion of their cost through user fees and charges.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Foundation for Orange County Public Schools, Inc., and the combined activities of 28 legally separate charter schools for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government. The School Board of Orange County Employee Benefits Trust (Trust) and the Orange County School Board Leasing Corporation (Corporation), although also legally separate, were formed to administer the District's group health and life insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust and Corporation, their financial activities have been included as an integral part of the primary government.

Fund 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 13 individual governmental funds. Information is presented separately in the governmental balance sheets and in the governmental statements of revenues, expenditures and changes in fund balances for the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service - ARRA Economic Stimulus Fund, Capital Projects – Other Fund, and the Capital Projects - ARRA

Economic Stimulus Fund, which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General and major special revenue Funds to demonstrate compliance with the budget.

Proprietary Funds: The District maintains one type of proprietary fund – internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its self-insurance programs, employee benefits trust, and printing services. Because these services benefit the District's governmental functions, they have been included within governmental activities in the government-wide financial statements.

The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in condensed form in note III.R to the financial statements.

Fiduciary Funds: Fiduciary funds, which for the District consist solely of agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds, except that agency funds do not report changes in fiduciary net assets, as agency fund assets should equal liabilities.

Notes to Financial Statements

The notes provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the report also presents required supplementary information (RSI) concerning the Districts' progress in funding its obligation to provide other postemployment benefits to employees and combining schedules for the District's discretely presented component units, considered supplementary information, are presented immediately following the RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial health. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$3,210,253,440 at the close of the most recent fiscal year.

The following is a summary of the District's net position as of June 30, 2013, compared to net assets as of June 30, 2012:

Summary of Net Position			
	Governmental		Percentage Change
	Activities		
	6-30-13	6-30-12	
Current and Other Assets	\$ 1,759,990,862	\$ 1,622,793,161	8.5%
Capital Assets	3,184,957,617	3,126,706,685	1.9%
Deferred Outflows	41,351,853	60,771,750	-32.0%
Total Assets and Deferred Outflows	4,986,300,332	4,810,271,596	3.7%
Long-Term Liabilities	1,611,131,257	1,651,705,459	-2.5%
Other Liabilities	164,915,635	140,552,333	17.3%
Total Liabilities	1,776,046,892	1,792,257,792	-0.9%
Net Position:			
Net Investment in Capital Assets	1,839,939,385	1,810,552,810	1.6%
Restricted	1,075,555,350	1,004,657,537	7.1%
Unrestricted	294,758,705	202,803,457	45.3%
Total Net Position	\$ 3,210,253,440	\$ 3,018,013,804	6.4%

The largest portion of the District's net position (57.3 percent) reflects its investment in existing capital assets (e.g., land; buildings; machinery, and equipment), net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the District's net position (30.4 percent) reflects its restricted net position for capital projects. The District will use these resources in a continuing effort to build and refurbish sufficient classroom space for the growing student population in Orange County, Florida.

An additional portion of the District's net position (9.2 percent) represents resources that are not subject to external restrictions on how they may be used. Unrestricted net position of \$294,758,705 may be used to meet the District's ongoing obligations to citizens and creditors.

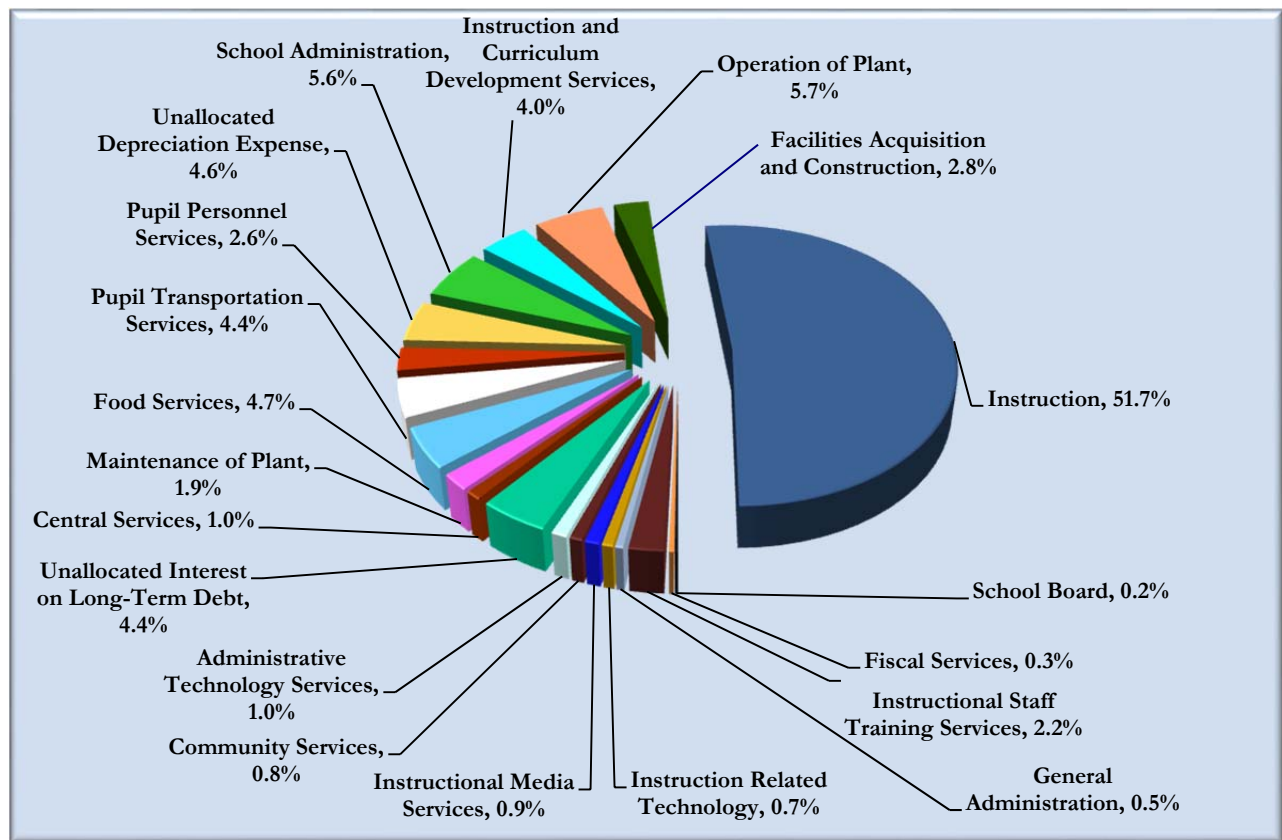
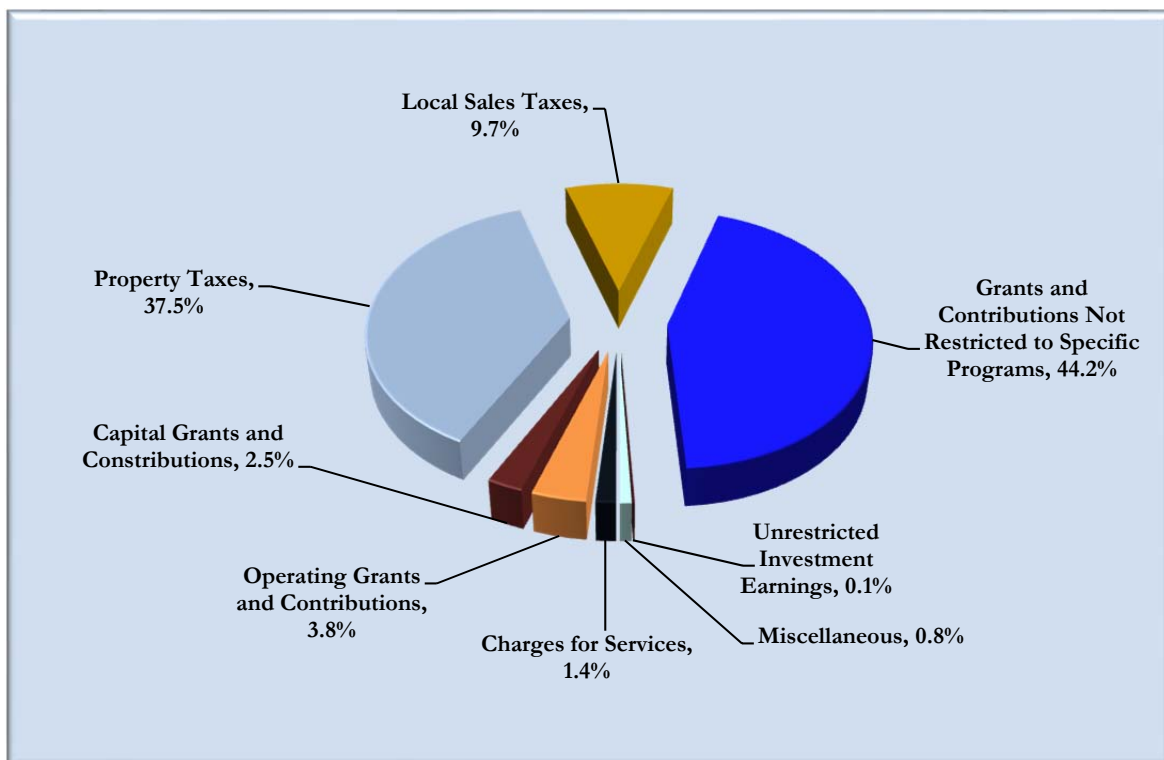
At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position. The District's net position increased in total by \$192,239,636 during the current fiscal year, primarily as a result of a referendum providing an additional revenue source for construction and renovation of school buildings. Also contributing to the increase was other capital revenues invested in school buildings.

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

Operating Results for the Fiscal Year Ended			
	Governmental Activities		Percentage Change
	6-30-13	6-30-12	
Program Revenues:			
Charges for Services	\$ 25,398,955	\$ 27,462,087	-7.5%
Operating Grants and Contributions	70,655,248	63,679,682	11.0%
Capital Grants and Contributions	47,365,932	30,156,218	57.1%
General Revenues:			
Property Taxes	704,853,276	710,708,248	-0.8%
Local Sales Taxes	181,301,579	170,826,443	6.1%
Grants and Contributions Not Restricted to Specific Programs	831,027,580	766,531,137	8.4%
Unrestricted Investment Earnings	2,551,553	28,165,739	-90.9%
Miscellaneous	15,553,499	27,862,418	-44.2%
Total Revenues	1,878,707,622	1,825,391,972	2.9%
Functions/Program Expenses:			
Instruction	872,344,750	835,193,445	4.4%
Pupil Personnel Services	43,356,959	43,138,545	0.5%
Instructional Media Services	15,303,137	15,127,197	1.2%
Instruction and Curriculum Development Services	67,893,336	67,985,800	-0.1%
Instructional Staff Training Services	37,878,658	37,211,322	1.8%
Instruction Related Technology	11,608,854	10,650,123	9.0%
School Board	3,314,563	3,209,298	3.3%
General Administration	7,728,937	7,322,849	5.5%
School Administration	94,678,038	92,097,454	2.8%
Facilities Acquisition and Construction	47,001,572	29,546,203	59.1%
Fiscal Services	5,814,923	5,789,064	0.4%
Food Services	79,241,915	72,567,053	9.2%
Central Services	16,224,684	15,421,025	5.2%
Pupil Transportation Services	74,242,614	68,703,132	8.1%
Operation of Plant	96,008,891	96,304,524	-0.3%
Maintenance of Plant	31,346,974	30,262,636	3.6%
Administrative Technology Services	17,259,825	17,651,492	-2.2%
Community Services	13,234,981	11,326,270	16.9%
Unallocated Interest on Long-Term Debt	74,385,824	72,868,673	2.1%
Unallocated Depreciation Expense	77,598,551	107,710,692	-28.0%
Total Functions/Program Expenses	1,686,467,986	1,640,086,797	2.8%
Increase in Net Position	192,239,636	185,305,175	3.7%
Net Position - Beginning	3,018,013,804	2,832,708,629	6.5%
Net Position - Ending	\$ 3,210,253,440	\$ 3,018,013,804	6.4%

The District's net position increased by \$192,239,636 during the current fiscal year. Key elements of the increase are as follows:

- Sales tax referendum revenues received for the entire fiscal year for construction and renovation of school buildings.
- Increase in impact fee revenues utilized for the construction of schools.

Expenses – Statement of Activities:**Revenues by Source – Statement of Activities:**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,543,265,265, an increase of \$110,449,589 in comparison with the prior fiscal year. Approximately 4 percent of this total amount (\$61,799,654) constitutes unassigned fund balance. The remainder of fund balance is nonspendable (\$6,136,857), restricted (\$1,143,725,081), or assigned (\$331,603,673) to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$61,799,654, while total fund balance was \$413,567,868. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 4.9 percent of total General Fund expenditures, while total fund balance represents 32.7 percent of that same amount.

The fund balance of the District's General Fund increased by \$33,337,517 during the current fiscal year. Key factors in this increase are as follows:

- Planned expenditures for several major initiatives were delayed and expended after the end of the fiscal year.
- Some positions were vacant longer than planned during the hiring process.
- Strategic fiscal management of resources.
- Revenues accumulated for future planned expenditures.

The Special Revenue – Other Fund had total revenues and expenditures of \$128,603,709 each for Federal grants administered primarily through the State cash advance system. Since Federal grant revenue is recognized to the extent that eligible expenditures have been incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Economic Stimulus Fund accounted for Federal stimulus money received for the State Fiscal Stabilization Fund program. This fund had total revenues and expenditures of \$7,956,868 each. Since Federal grant revenue is recognized to the extent that eligible expenditures have been incurred, this fund generally does not accumulate a fund balance.

The Debt Service - ARRA Economic Stimulus Fund, which is used to account for debt service activity for Qualified School Construction Bonds (QSCB), has a total fund balance of \$60,314,898, which is restricted for the payment of debt.

The Capital Projects - Other Fund, which is used to account for capital project activity funded sources such as certificates of participation, sales tax and impact fees, has a total fund balance of \$863,297,973, which is restricted for specific capital projects. The net increase in fund balance during the current fiscal year in the Capital Projects - Other Fund was \$99,710,806 and resulted primarily from major construction projects not completed in the current fiscal year. It should be noted that \$74,898,246 of fund balance is encumbered for specific projects.

The Capital Projects – ARRA Economic Stimulus Fund is used to account for proceeds of the District's QSCB issues. Fund balance fell to zero at year-end as the QSCB construction projects were completed.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the total final amended General Fund budget in total.

The General Fund actual revenues exceeded the budgeted revenues by approximately \$14.2 million. Other local revenue exceeded the budget by \$13.7 million. The State revenue was lower by approximately \$8.3 million. The General Fund actual expenditures were less than the budgeted appropriations by approximately \$305.8 million. This was due to the postponement of several major initiatives, positions remaining vacant longer than planned during the hiring process, enhanced fiscal management of resources, as well as funds reserved for future planned expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2013, amounts to \$3,184,957,617 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials; and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$58,250,932 (1.9 percent).

Major capital asset events during the current fiscal year included the following:

- Rebuilding of Aloma Elementary School
- Rebuilding of Arbor Ridge K-8
- Rebuilding of Brookshire Elementary School
- Rebuilding of Cypress Springs Elementary School
- Rebuilding of Dr. Phillips High School
- Rebuilding of Eccleston Elementary School
- Construction of a new elementary school at the Hackney Prairie Road Area site
- Rebuilding of Lancaster Elementary School
- Rebuilding of Oak Ridge High School
- Rebuilding of Princeton Elementary School
- Rebuilding of Rock Elementary School
- Construction of Sun Blaze Elementary School
- Construction of Westridge Middle School
- Rebuilding of Winegard Elementary School
- Rebuilding of Zellwood Elementary School

Summary of Capital Assets
(net of depreciation)

	Governmental Activities	
	June 30, 2013	June 30, 2012
Land	\$ 257,051,407	\$ 252,770,456
Construction in Progress	52,969,918	123,554,695
Improvements Other Than Buildings	8,889,715	8,426,327
Buildings and Fixed Equipment	2,773,779,609	2,645,146,543
Furniture, Fixtures, and Equipment	52,379,514	51,091,160
Motor Vehicles	34,337,822	39,831,123
Audio Visual Materials		325
Computer Software	5,549,632	5,886,056
Total Capital Assets	<u>\$ 3,184,957,617</u>	<u>\$ 3,126,706,685</u>

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

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$1,375,514,259, none of which is considered to be general "bonded debt" (i.e., backed by the full faith and credit of the District). The District's debt consisted of State school bonds payable, backed by the full faith and credit of the State of Florida, certificates of participation payable, and obligations under capital leases. The capital leases and certificates of participation are not secured by any specific revenue sources; however, the capital leases and certificates of participation are secured by the underlying assets.

Summary of Outstanding Debt

	Governmental Activities	
	June 30, 2013	June 30, 2012
Certificates of Participation Payable	\$ 1,338,804,434	\$ 1,358,421,365
State School Bonds Payable	20,320,000	24,115,000
Obligations Under Capital Leases	16,389,825	24,620,459
Total Debt	<u>\$ 1,375,514,259</u>	<u>\$ 1,407,156,824</u>

During the current fiscal year, the District's total long-term debt decreased by \$31,642,565 (2.2 percent).

The District's Moody's rating changed for its certificates of participation from an "Aa3" to a "Aa2" rating. Fitch's rating remained the same ("AA"). The Standard & Poor's rating remained at "AA-".

Additional information on the District's long-term debt can be found in the notes III.D through III.I to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

Unemployment rates affect property tax and sales tax collections. The unemployment rate in June 2013 for the District (Orlando, Florida) was 6.9 percent, a decrease of 1.9 percent from the prior year rate of 8.8 percent. The

State's average unemployment rate as of June 2013 was 7.1 percent. Florida's unemployment rate has decreased 1.5 percent since last year while the nation's also decreased 1.0 percent during the same time period from 8.6 to 7.6 percent.

Florida's Education Funding Program is based upon enrollment. Residential housing has rebounded over the past year, with more housing developments being approved. Related to the District's student population, it is expected to slightly increase over the next few fiscal years.

Per student funding has increased in the last two fiscal years but has not yet been restored to the 2005-06 fiscal year amounts. Although current estimates indicated that no subsequent reductions will be required, the District has been proactive and has set aside adequate reserves to deal with funding reductions should they materialize.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Orange County Public Schools, 445 W. Amelia Street, Orlando, Florida, 32801.

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Units Charter Schools/Foundation
ASSETS		
Cash	\$ 204,478,249	\$ 9,266,125
Investments	1,468,424,936	973,699
Accounts Receivable	1,430,671	3,240,682
Interest Receivable	1,054,746	
Deposits Receivable	55,000	1,391,168
Due from Other Agencies	66,322,533	807,775
Inventories	6,172,236	16,715
Deferred Charges	12,052,491	
Prepaid Expenses		618,718
Capital Assets:		
Nondepreciable Capital Assets	310,021,325	2,039,702
Depreciable Capital Assets, Net	2,874,936,292	26,092,968
TOTAL ASSETS	4,944,948,479	44,447,552
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives	41,351,853	
LIABILITIES		
Salaries and Benefits Payable	24,196,598	389,767
Payroll Deductions and Withholdings	579	
Accounts Payable	33,663,900	3,468,515
Construction Contracts Payable	8,864,392	
Construction Contracts Payable - Retainage	6,178,668	
Due to Other Agencies	1,617,097	207,070
Estimated Unpaid Claims	12,500,000	
Matured Debt Payable	2,116,047	
Unearned Revenue	39,955,172	772,725
Accrued Interest Payable	35,823,182	4,093
Long-Term Liabilities:		
Portion Due or Payable Within One Year	52,983,374	702,534
Portion Due or Payable After One Year	1,558,147,883	23,937,430
TOTAL LIABILITIES	1,776,046,892	29,482,134
NET POSITION		
Net Investment in Capital Assets	1,839,939,385	3,133,597
Restricted for:		
Capital Projects	976,465,902	163,246
Debt Service	54,942,591	500,707
Food Services	21,193,228	994,571
State Categorical Programs	22,953,629	
Scholarships, Endowments, and Other Programs		
Unrestricted	294,758,705	10,173,297
TOTAL NET POSITION	\$ 3,210,253,440	\$ 14,965,418

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

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**ORANGE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 872,344,750	\$ 5,184,149	\$	\$
Pupil Personnel Services	43,356,959			
Instructional Media Services	15,303,137			
Instruction and Curriculum Development Services	67,893,336			
Instructional Staff Training Services	37,878,658			
Instruction Related Technology	11,608,854			
School Board	3,314,563			
General Administration	7,728,937			
School Administration	94,678,038			
Facilities Acquisition and Construction	47,001,572			42,384,356
Fiscal Services	5,814,923			
Food Services	79,241,915	12,592,161	70,655,248	
Central Services	16,224,684			
Pupil Transportation Services	74,242,614	597,560		
Operation of Plant	96,008,891			
Maintenance of Plant	31,346,974			
Administrative Technology Services	17,259,825			
Community Services	13,234,981	7,025,085		
Unallocated Interest on Long-Term Debt	74,385,824			4,981,576
Unallocated Depreciation Expense*	77,598,551			
Total Primary Government	\$ 1,686,467,986	\$ 25,398,955	\$ 70,655,248	\$ 47,365,932
Charter Schools/Foundation	\$ 50,252,041	\$ 395,053	\$ 1,484,685	\$ 857,718

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Miscellaneous

Unrestricted Investment Earnings

Total General Revenues**Change in Net Position**

Net Position - Beginning

Adjustment to Beginning Net Position

Adjusted Net Position - Beginning

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Units
Governmental Activities	Charter Schools/Foundation
\$ (867,160,601)	\$
(43,356,959)	
(15,303,137)	
(67,893,336)	
(37,878,658)	
(11,608,854)	
(3,314,563)	
(7,728,937)	
(94,678,038)	
(4,617,216)	
(5,814,923)	
4,005,494	
(16,224,684)	
(73,645,054)	
(96,008,891)	
(31,346,974)	
(17,259,825)	
(6,209,896)	
(69,404,248)	
(77,598,551)	
(1,543,047,851)	
	(47,514,585)
580,088,306	
124,764,970	
181,301,579	
831,027,580	49,237,858
15,553,499	562,591
2,551,553	20,596
1,735,287,487	49,821,045
192,239,636	2,306,460
3,018,013,804	11,453,563
	1,205,395
3,018,013,804	12,658,958
\$ 3,210,253,440	\$ 14,965,418

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$ 186,427,466	\$	\$	\$
Investments	247,179,110		17,579	60,088,579
Accounts Receivable	178,672			
Interest Receivable				226,319
Due from Other Funds	10,265,109			
Due from Other Agencies	12,282,478	12,546,399	775,843	
Inventories	3,293,508			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 459,626,343</u>	<u>\$ 12,546,399</u>	<u>\$ 793,422</u>	<u>\$ 60,314,898</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 22,264,798	\$ 1,302,875	\$ 90,714	\$
Payroll Deductions and Withholdings	579			
Accounts Payable	22,291,029	1,464,254	101,841	
Construction Contracts Payable				
Construction Contracts Payable - Retainage				
Due to Other Funds		9,664,242	600,867	
Due to Other Agencies	1,502,069	115,028		
Matured Debt Payable				
Deferred Revenue				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>46,058,475</u>	<u>12,546,399</u>	<u>793,422</u>	<u> </u>
Fund Balances:				
Nonspendable	3,293,508			
Restricted	27,647,503			60,314,898
Assigned	320,827,203			
Unassigned	61,799,654			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>413,567,868</u>	<u> </u>	<u> </u>	<u>60,314,898</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 459,626,343</u>	<u>\$ 12,546,399</u>	<u>\$ 793,422</u>	<u>\$ 60,314,898</u>

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

Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
852,931,821	644,653	8,050,783	194,478,249
		190,856,189	1,351,717,931
		2,407	181,079
820,868	17	5,580	1,052,784
			10,265,109
27,769,757		12,130,070	65,504,547
		2,843,349	6,136,857
<u>\$ 881,522,446</u>	<u>\$ 644,670</u>	<u>\$ 213,888,378</u>	<u>\$ 1,629,336,556</u>
\$	\$	\$	\$
		522,547	24,180,934
			579
3,383,858	644,670	4,250,569	32,136,221
8,662,947		201,445	8,864,392
6,177,668		1,000	6,178,668
			10,265,109
			1,617,097
		2,116,047	2,116,047
		712,244	712,244
<u>18,224,473</u>	<u>644,670</u>	<u>7,803,852</u>	<u>86,071,291</u>
		2,843,349	6,136,857
863,297,973		192,464,707	1,143,725,081
		10,776,470	331,603,673
			61,799,654
<u>863,297,973</u>	<u></u>	<u>206,084,526</u>	<u>1,543,265,265</u>
<u>\$ 881,522,446</u>	<u>\$ 644,670</u>	<u>\$ 213,888,378</u>	<u>\$ 1,629,336,556</u>

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

Total Fund Balances - Governmental Funds \$ 1,543,265,265

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.

Non-Depreciable Assets	\$ 310,021,325	
Depreciable Assets	2,874,936,292	
		3,184,957,617

Interest on long-term debt is accrued as a liability in the government-wide statements but is not recognized in the governmental funds until due, except for accrued interest received as part of a debt issue.

Accrued Interest Payable - Government-Wide Statement of Net Position		(35,823,182)
--	--	--------------

Impact fees earned but not available to pay for current expenses are not recognized as revenue in the governmental funds, but increase Due from Other Agencies in the statement of net position.

817,986

Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.

12,052,491

Internal service funds are used by management to charge the costs of its self-insurance programs and the print shop. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position, less furniture and equipment, net of accumulated depreciation.

Total Assets - Internal Service Funds	\$ 128,074,415	
Less, Total Liabilities - Internal Service Funds	(65,554,074)	
Less, Depreciable Assets Reported Above	(25,477)	
		62,494,864

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

Obligations Under Capital Lease	\$ (16,389,825)	
Bonds Payable	(20,320,000)	
Certificates of Participation	(1,338,804,434)	
Compensated Absences Payable	(109,843,634)	
Other Postemployment Benefits Payable	(72,153,708)	
		(1,557,511,601)

Net Position - Governmental Activities **\$ 3,210,253,440**

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 1,290,063	\$ 15,002,962	\$ 7,956,868
Federal Through State	4,307,201	113,561,895	
State	684,453,880		
Local:			
Ad Valorem Taxes	580,088,306		
Local Sales Taxes			
Impact Fees			
Food Service			
Interest Income	1,817,651		
Postsecondary Vocational Course Fees	5,145,296	38,852	
Other Local Revenue	15,679,726		
Total Local Revenues	<u>602,730,979</u>	<u>38,852</u>	
Total Revenues	<u>1,292,782,123</u>	<u>128,603,709</u>	<u>7,956,868</u>
Expenditures			
Current - Education:			
Instruction	820,174,368	46,382,308	2,098,902
Pupil Personnel Services	29,755,383	13,413,062	
Instructional Media Services	14,811,546	438,905	
Instruction and Curriculum Development Services	41,924,497	23,869,792	1,769,098
Instructional Staff Training Services	10,637,201	25,100,435	1,882,636
Instruction Related Technology	11,388,957	166,231	
School Board	3,187,675	114,523	
General Administration	5,156,342	2,320,261	222,135
School Administration	93,887,175	311,682	
Facilities Acquisition and Construction	8,082,757	5,258	
Fiscal Services	5,617,606	174,181	
Food Services	475	30,528	
Central Services	15,162,313	529,245	457,045
Pupil Transportation Services	58,368,620	6,429,996	61,095
Operation of Plant	95,616,511	342,224	
Maintenance of Plant	31,011,100	42,714	
Administrative Technology Services	15,751,539	289,360	1,191,586
Community Services	1,030,708	6,573,442	139,178
Fixed Capital Outlay:			
Facilities Acquisition and Construction	375,032	93,235	
Other Capital Outlay	3,506,864	1,976,327	135,193
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>1,265,446,669</u>	<u>128,603,709</u>	<u>7,956,868</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,335,454</u>		
Other Financing Sources (Uses)			
Transfers In	11,655,922		
Proceeds from Sale of Capital Assets	940,368		
Insurance Loss Recoveries	75,773		
Transfers Out	<u>(6,670,000)</u>		
Total Other Financing Sources (Uses)	<u>6,002,063</u>		
Net Change in Fund Balances	<u>33,337,517</u>		
Fund Balances, Beginning	<u>380,230,351</u>		
Fund Balances, Ending	<u>\$ 413,567,868</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,789,713	\$	\$	\$	\$ 18,082,738
			69,505,688	195,331,652
			10,477,136	694,931,016
			124,764,970	704,853,276
	181,301,579			181,301,579
	39,446,508			39,446,508
	617,660		12,592,160	12,592,160
			444,465	2,879,776
				5,184,148
62,227	162,227	(10,111)	6,612,788	22,506,857
62,227	221,527,974	(10,111)	144,414,383	968,764,304
1,851,940	221,527,974	(10,111)	224,397,207	1,877,109,710
			631,113	869,286,691
			6,860	43,175,305
			1,919	15,252,370
			30,390	67,593,777
			105,262	37,725,534
			17,047	11,572,235
				3,302,198
			5,660	7,704,398
			138,746	94,337,603
	16,130,518	45,418	1,613,219	25,877,170
				5,791,787
			79,288,989	79,319,992
			14,067	16,162,670
			15,919	64,875,630
			78,728	96,037,463
			6,248	31,060,062
				17,232,485
			5,472,519	13,215,847
	103,300,755	33,341,827	21,812,771	158,923,620
			2,091,807	7,710,191
2,251,828			29,392,238	29,392,238
2,251,828	119,431,273	33,387,245	63,372,953	65,624,781
(399,888)	102,096,701	(33,397,356)	20,300,752	115,935,663
7,000			104,683,350	116,346,272
	167,785			1,108,153
	(2,553,680)		(113,792,592)	75,773
7,000	(2,385,895)		(9,109,242)	(123,016,272)
(392,888)	99,710,806	(33,397,356)	11,191,510	110,449,589
60,707,786	763,587,167	33,397,356	194,893,016	1,432,815,676
\$ 60,314,898	\$ 863,297,973	\$ 0.00	\$ 206,084,526	\$ 1,543,265,265

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013**

Net Change in Fund Balances - Governmental Funds **\$ 110,449,589**

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 capital outlays in excess of depreciation expense and gain on sale of capital assets in the current period.

Capital Outlay - Facilities and Construction	\$ 158,923,620	
Capital Outlay - Other Capital Outlay	7,710,191	
Undepreciated Costs of Disposed Capital Assets	(21,167,936)	
Less, Depreciation Expense	(87,214,944)	
		58,250,931

Amortized expenses for prior year deferred charges and premiums on debt issues not reported in the governmental funds.

Deferred Charges on Certificates of Participation	\$ (931,380)	
Premium on Certificates of Participation	2,250,326	
		1,318,946

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds Payable	\$ 3,795,000	
Obligations Under Capital Leases	8,230,634	
Certificates of Participation	17,366,605	
		29,392,239

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities.

Prior Year Accrual	\$ 25,743,191	
Less, Current Year Accrual	35,823,182	
		(10,079,991)

Impact fees earned but not available to pay for current expenses are not recognized as revenue in the governmental funds, but accrued in the statement of net position.

817,986

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

(252,694)

Other Postemployment Benefits (OPEB) costs are recorded in the governmental funds under the pay-as-you-go method, but under the full accrual method in the government-wide statements.

Prior Year Accrual	\$ 61,813,352	
Less, Current Year Accrual	72,153,708	
		(10,340,356)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities plus the depreciation reported above, less capital acquisitions.

12,682,986

Change in Net Position - Governmental Activities **\$ 192,239,636**

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

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
June 30, 2013**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	\$ 10,000,000
Investments	116,707,005
Accounts Receivable	1,249,592
Interest Receivable	1,962
Deposits Receivable	55,000
Inventories	35,379
Total Current Assets	128,048,938
Noncurrent Assets:	
Furniture and Equipment	167,006
Less Accumulated Depreciation	(141,529)
Computer Software	1,100
Less Accumulated Depreciation	(1,100)
Total Noncurrent Assets	25,477
TOTAL ASSETS	128,074,415
LIABILITIES	
Current Liabilities:	
Salaries and Benefits Payable	15,664
Accounts Payable	1,527,679
Unearned Revenue	39,242,928
Estimated Insurance Claims Payable	18,091,180
Total Current Liabilities	58,877,451
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	6,676,623
Total Noncurrent Liabilities	6,676,623
Total Liabilities	65,554,074
NET POSITION	
Investment in Capital Assets	25,477
Unrestricted	62,494,864
TOTAL NET POSITION	\$ 62,520,341

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

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Funds
	<u> </u>
OPERATING REVENUES	
Charges for Services	\$ 5,220,871
Premium Revenues	176,656,901
Other Operating Revenues	<u>1,013,560</u>
Total Operating Revenues	<u>182,891,332</u>
OPERATING EXPENSES	
Salaries	695,713
Employee Benefits	227,735
Purchased Services	13,251,881
Energy Services	82,500
Materials and Supplies	491,567
Claims Expenses	161,790,649
Depreciation	<u>9,127</u>
Total Operating Expenses	<u>176,549,172</u>
Operating Income	<u>6,342,160</u>
NONOPERATING REVENUES	
Investment Earnings	<u>(328,225)</u>
Income Before Transfers	6,013,935
Transfers In	<u>6,670,000</u>
Change in Net Position	12,683,935
Total Net Position - Beginning	<u>49,836,406</u>
Total Net Position - Ending	<u><u>\$ 62,520,341</u></u>

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

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Interfund Services Provided	\$ 181,861,745
Payments for Insurance Claims	(159,895,439)
Payments to Suppliers for Goods and Services	(11,836,038)
Payments to Employees for Services	(919,234)
Other Operating Cash Receipts	1,013,560
Net Cash Provided by Operating Activities	10,224,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments from Other Funds	6,670,000
Net Cash Provided by Noncapital Financing Activities	6,670,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(10,076)
Net Cash Used by Capital and Related Financing Activities	(10,076)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings, net	(285,991)
Purchase of Investments	(11,598,527)
Net Cash Used by Investing Activities	(11,884,518)
Net Increase in Cash	5,000,000
Cash, Beginning	5,000,000
Cash, Ending	\$ 10,000,000
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 6,342,160
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	9,127
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(16,027)
Increase in Inventories	(17,948)
Decrease in Accounts Payable	(604,939)
Increase in Salaries and Benefits Payable	4,214
Increase in Unearned Revenue	2,612,797
Increase in Estimated Unpaid Claims	1,895,210
Total Adjustments	3,882,434
Net Cash Provided by Operating Activities	\$ 10,224,594
Noncash Investing Activities	
Net Decrease in the Fair Value of Investments	\$ (1,782,155)

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

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2013**

		<u>Agency Funds</u> <u>Student and Club</u> <u>Activities Funds</u>
ASSETS		
Cash	\$	12,207,967
Investments		2,796,271
Accounts Receivable		107,935
Inventory		546,108
TOTAL ASSETS	\$	15,658,281
LIABILITIES		
Accounts Payable	\$	1,100,877
Internal Accounts Payable		14,557,404
TOTAL LIABILITIES	\$	15,658,281

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Orange 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 School Board of Orange County, Florida (District) is considered part of the Florida system of public 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 eight elected members, seven board members elected by district and one Board Chairman elected at large. The appointed Superintendent of Schools (Superintendent) is the executive officer of the Board. Geographic boundaries of the District correspond with those of Orange County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the District School Board is financially accountable and other organizations that the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading.

Based on the application of these criteria, the following component units are included within the District School Board's reporting entity:

Blended Component Units. The District's employee group health and life insurance program, described in a subsequent note, is administered through the School Board of Orange County Employee Benefits Trust (Trust). Assets necessary to fund the program are transferred to the Trust; however, under the terms of the Trust Agreement, the School Board retains control of the assets. Due to the substantive economic relationship between the District and the Trust, the financial activities of the Trust are reported in the accompanying basic financial statements as an internal service fund.

The Orange School Board Leasing Corporation, Inc., (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note. The governing board of the Leasing Corporation is the District School Board. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The Foundation for Orange County Public Schools, Inc. (Foundation) is a not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to raise funds; receive, hold, invest, and administer property; and to make expenditures for the benefit of the District. Section 1001.453, Florida Statutes, requires the Foundation to be authorized and approved by the District. The stated mission of the Foundation is to

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

identify, develop and focus community resources to make a meaningful impact on the success of students and teachers of Orange County Public Schools. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

Access Charter School, Inc., Sunshine High School – Central Orange County Campus, Inc. (d/b/a Aloma High School), Aspire Charter Academy, Inc., Central Florida Leadership Academy Charter School, Sunshine High School – Orlando Campus, Inc. (d/b/a Chancery High School), Hope Charter School, Inc., Innovations Middle Charter School, Kid's Community College Orange County Charter School, Lake Eola Charter School, Inc., Legacy High School, Inc., Montessori of Winter Garden Charter, Nap Ford Community School, Inc., Orlando Science Elementary Charter School, Inc., Orlando Science Middle/High Charter School, Inc., The Passport School, Inc., Pinecrest Creek, Pinecrest Preparatory Charter School (Orlando Campus), Princeton House Charter School, Inc., Prosperitas Leadership Academy, Inc., Renaissance Charter School at Chickasaw Trail, Sunshine High School – Orange County (d/b/a Sheeler Charter High School), Sunshine High School – Greater Orlando Campus, Inc. (d/b/a Sunshine High School), United Cerebral Palsy (UCP) East Orange Charter School, UCP Transitional Learning Academy Charter School, UCP Transitional Learning High School Charter School, UCP Orange Charter School, UCP Pine Hills Charter School, and Workforce Advantage Academy Charter High School, Inc. (Charter Schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. These charter schools operate under charters approved by their sponsor, the Orange County District School Board.

The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools based on the State's educational structure as established by statutory and constitutional provisions. The District is also financially accountable for the charter schools as the District established the charter schools by approval of the charters and there is the potential for the charter schools to impose specific financial burdens on the District.

The following charter schools are organized under governmental entities and are therefore not included in the District's basic financial statements in accordance with generally accepted accounting principles: Oakland Avenue Charter School, Cornerstone Charter Academy, and Cornerstone Charter High School. These charter schools are organized under the Town of Oakland (Oakland Avenue), and the City of Belle Isle (both Cornerstone Charter Schools).

Audits of the financial statements of the charter schools and the Foundation for the fiscal year ended June 30, 2013, are conducted by independent certified public accountants and are filed in the District's administrative office at 445 West Amelia Street, Orlando, Florida.

B. Measurement Focus, Basis of Accounting and Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

C. Basis of Presentation: Government-wide Financial Statements

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the government in its entirety, except for those that are fiduciary. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which are generally supported by fees charged. The District currently does not have any business-type activities.

The Statement of Net Position includes all assets, deferred outflows, liabilities, and deferred inflows of the District. The Statement of Activities presents a comparison between the 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 program or function and, therefore, are clearly identifiable to a particular function. Depreciation expenses associated with the District's transportation and maintenance departments are allocated to the pupil transportation services and maintenance of plant functions, while remaining depreciation expenses are not readily associated with a particular function and are reported as unallocated.

Amounts reported as program revenues include 1) charges for services provided to students for tuition, fees, rental, material, supplies, or other services, 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Each charter school follows the same accounting model as the District's governmental activities or the not-for-profit basis of accounting that uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

D. Basis of Presentation: Fund Financial Statements

The Governmental Fund Financial Statements are prepared utilizing the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues “susceptible to accrual” include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers revenues from ad valorem taxes as available if they are collected within sixty (60) days after year-end. Expenditures are recorded when the fund liability is incurred. However, exceptions include unmatured principal and interest on general long-term debt and accumulated sick and vacation pay, which are recorded when payment is due.

In applying the “susceptible to accrual” concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one type, moneys must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of the expenditure. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the “susceptible to accrual” criteria are met. In all cases, moneys received before the revenue recognition criteria have been met, are reported as deferred revenue.

The Agency (Fiduciary) funds are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

The Proprietary Fund Financial Statements are prepared under the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service funds are for self-insurance (property, casualty, liability, and workers’ compensation), employee benefits (health and prescription), and printing provided to other funds. Operating expenses for the internal service funds include salaries, employee benefits, purchased services, energy services, materials and supplies, claims expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund statements provide information about the District’s funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining

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

governmental funds are aggregated and reported as nonmajor funds. The District reports the following major 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. The General Fund is the District's operating fund.
- Special Revenue – Other Fund – to account for funds from the State or Federal Government which are restricted for Federal programs.
- Special Revenue – Federal Economic Stimulus Fund - to account for the financial resources of the American Recovery and Reinvestment Act (ARRA) grant program resources.
- Debt Service – ARRA Economic Stimulus Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related debt issuance costs for the Qualified School Construction Bonds (QSCB) certificates of participation issues.
- Capital Projects – Other Fund – to account for the financial resources generated by certificates of participation, impact fees, lottery, sales tax and other local sources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.
- Capital Projects – ARRA Economic Stimulus Fund - to account for the financial resources generated by the QSCB certificates of participation to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

Additionally, the District reports the following nonmajor fund types:

- Special Revenue Funds – to account for the financial resources of the school food service program, certain grant program resources, the extended day childcare program, and other such restricted resources.
- Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related debt issuance costs.
- Capital Projects Funds – to account for the financial resources generated from allocations of State revenues that are to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Internal Service Funds – to account for the District's limited self-insurance programs and printing service operations.
- Agency Funds – to account for resources of the school internal funds that are used to administer moneys collected at all schools in connection with school, student athletic, class, and club activities.

E. Assets, Liabilities, Deferred Outflows of Resources, and Net Position/Fund Balance

1. Cash

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool required by Sections 280.07 and 280.08, Florida Statutes. For the Internal Service Funds, the statement of cash flows considers cash as those accounts used as demand deposit accounts.

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

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

2. Investments

Investments consist of amounts placed with various intergovernmental investment pools, which hold a majority of United States government securities, municipal securities, and repurchase agreements. The investment earnings are allocated to each fund based on end of month investment balances in that fund. Investments also consist of the State of Florida's Special Purpose Investment Account (SPIA) authorized in Section 17.61(1), Florida Statutes, Florida PRIME (formerly Local Government Investment Pool), Florida Education Investment Trust Fund (FEITF), corporate bonds, municipal bonds, commercial paper, and United States instrumentality securities. All investments are reported at fair value based on quoted market prices. The District's investment in SPIA is part of an investment pool managed by the Florida Department of Treasury, where the District owns a share of the pool, not the underlying shares of the assets in the pool. The District relies on policies developed by the State Treasury for managing interest and credit risk for this external investment pool.

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. The District's investments in the Florida Education Investment Trust Fund (FEITF), which FEITF 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.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Transportation, custodial, and school supply inventories are stated at cost on a weighted average basis. Food service inventories are stated at cost on the last invoice basis, 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 costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets and Depreciation

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 \$1,000 for furniture, fixtures, and equipment; motor vehicles; audio visual materials and computer software; improvements other than buildings; buildings and fixed equipment; and construction in progress and which have an estimated life of two or more years. All land purchases are capital assets

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

regardless of cost. 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.

The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets lives are not capitalized and are expensed as incurred. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets of the primary government, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	20 - 40 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	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. Debt premiums and discounts, as well as issuance costs and deferred amounts on refunding, are deferred and amortized over the life of the debt using the effective interest method. Debt is reported net of the applicable premium or discount and deferred amounts on refunding. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs and deferred amounts on refunding, during the current period. The face amount of debt issued is reported as another financing source while discounts on debt issuances and deferred amounts on refunding are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 is reported in the governmental fund financial statements only for the portion due and payable at year-end.

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

Other Postemployment Benefits (OPEB) are reported in the government-wide financial statements. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the health plan at the blended group premium rates for both active and retired employees. The OPEB liability is recorded by the District for the implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the District than those of active employees. The District funds OPEB on a pay-as-you-go basis. Additional information on OPEB is described in a subsequent note.

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

6. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future periods and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the Accumulated Decrease in Fair Value of Hedging Derivatives reported in the government-wide statement of net position. An accumulated decrease in fair value of hedging derivatives represents the fair value of the derivative instrument taking into account the prevailing interest rate environment and the specific terms and conditions of the District's interest rate swaps.

7. 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 and proprietary 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.

8. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted sources (the total of restricted, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, 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 procedure to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, assigned fund balance is depleted first followed by unassigned fund balance.

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

9. 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 government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The Board does not have a policy regarding the commitment or assignment of fund balances; however, by resolution, the Board has given the ability to assign fund balance to the Superintendent and the Chief Financial Officer.

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 did not have any committed fund balances at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes. The District also assigns fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

F. 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

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

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

Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State of Florida (the State) provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental funds financial statements for the balance of categorical and earmarked educational program resources.

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

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

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. The Orange County Property Appraiser determines the real and personal property values within the District. The Orange County Tax Collector then collects the taxes and remits them to the District.

The Board adopted the 2012 tax levy on September 11, 2012. Taxes become an enforceable lien on property as of January 1. 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 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 the District receives taxes, except the revenue that is accrued for taxes collected by the Orange County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

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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. Capital Outlay Surtax

The citizens of Orange County, in 2002, with an effective date of January 1, 2003, approved a half-penny sales tax authorized under Section 212.055(6), Florida Statutes, for a period of 13 years to pay construction costs of certain school facilities and related costs.

II. ACCOUNTING CHANGES

A. Newly Adopted Accounting Pronouncements.

1. GASB Statement No. 60.

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District’s financial statements.

2. GASB Statement No. 61.

The District implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year. This Statement, in part, modifies certain requirements for inclusion of component units in the financial reporting entity. The charter schools are presented as a discretely presented component unit of the District. However, in prior fiscal year, Pinecrest Creek, Pinecrest Preparatory Charter School (Orlando Campus), United Cerebral Palsy (UCP) East Orange Charter School, UCP Transitional Learning Academy Charter School, UCP Transitional Learning High School Charter, UCP Orange Charter School, UCP Pine Hills Charter School were excluded from the District’s reporting entity. During the 2012-13 fiscal year, the District added three charter schools with beginning net position balances: Orlando Science Elementary Charter School, Prosperitas Leadership Academy, Inc., and Sunshine High School – Greater Orlando Campus, Inc. (d/b/a Sunshine High School) while Passport High School, Inc. (d/b/a Northstar Charter High School) and Rio Grande Foundation of Excellence, Inc. (d/b/a Rio Grande Charter School of Excellence) schools ceased operations as charter schools of the District. These changes to

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the District's reporting entity affect the comparability of amounts reported for the 2012-13 fiscal year with amount reported for the 2011-12 fiscal year. As a result of these changes, beginning net position of the component units as a whole has been adjusted by \$1,205,395.

3. GASB Statement No. 62.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011, although the District elected to early implement GASB Statement No. 62 for the fiscal year. The adoption of GASB Statement No. 62 did not have any impact on the District's financial statements.

4. GASB Statement No. 63.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. This Statement is effective for financial statements for periods beginning after December 15, 2011. The District has implemented this statement for the 2012-13 fiscal year. These changes to the District's reporting entity affect the comparability of amounts reported for the 2012-13 fiscal year with amount reported for the 2011-12 fiscal year.

5. GASB Statement No. 64.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. GASB Statement No. 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for periods beginning after June 15, 2011. The adoption of GASB Statement No. 64 does not have any impact on the District's current financial statements.

6. GASB Statement No. 66.

In March 2012, GASB issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. GASB Statement No. 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type*

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Definitions, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is effective for periods beginning after December 15, 2012, although the District elected to early implement Statement No. 66 for the 2012-13 fiscal year. The adoption of GASB No. 66 did not have any impact on the District's financial statements.

B. Recently Issued Accounting Pronouncements

1. GASB Statement No. 65.

In March 2012, GASB issued Statement No. 65, *Items Previously Reporting as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reporting as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. GASB Statement No. 67.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement 25*. GASB Statement No. 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that were within its scope. This Statement is effective for periods beginning after June 15, 2013. This Statement will not impact the District's financial statements.

3. GASB Statement No. 68.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB Statement No. 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for periods beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

4. GASB Statement No. 69.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is effective for

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periods beginning after December 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

5. GASB Statement No. 70.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

C. Comparability of Funds.

Pursuant to the Florida Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book), the Florida Department of Education requires that the District report the Debt Service – ARRA Economic Stimulus Fund and Capital Projects – ARRA Economic Stimulus Fund separately for financial reporting transparency of ARRA debt service and capital projects transactions, respectively. In the District's 2011-12 fiscal year Comprehensive Annual Financial Report, these funds were combined within the Debt Service - Other Debt Service and Capital Projects – Other Capital Projects Funds, respectively. These variations in reporting affect the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

Investment	Fair Value	Investment Maturities				
		6 Months	1 Year	2 Years	3 Years	5 Years
Florida Special Purpose Investment Account (SPIA)*	\$ 732,395,022	\$	\$	\$	\$ 732,395,022	\$
Florida PRIME	376,709,586	376,709,586				
Florida Education Investment Trust Fund (FEITF)	100,203,940	100,203,940				
Commerical Paper	37,146,594	37,146,594				
Corporate Bonds	117,239,420		10,062,510	45,172,192	5,116,970	56,887,748
Obligations of United States Government Agencies and Instrumentalities	71,991,554	5,993,910			22,115,714	43,881,930
Municipal Bonds	32,738,820		1,000,360	1,567,110	10,597,250	19,574,100
Total Investments, Primary Government	1,468,424,936	520,054,030	11,062,870	46,739,302	770,224,956	120,343,778
Fiduciary Funds:						
Florida Special Purpose Investment Account (SPIA)*	2,796,271				2,796,271	
Total Investments, Reporting Entity	\$ 1,471,221,207	\$ 520,054,030	\$ 11,062,870	\$ 46,739,302	\$ 773,021,227	\$ 120,343,778

*The maturity is based on the underlying investment within the pool, however these funds are accesible by the Disrict on a daily basis.

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➤ Interest Rate Risk

Interest rate risk is the risk of losses due to potential changes in the prevailing interest rates. Maturities of investments are major factors in interest rate risk as the longer an investment's maturity the greater the chance there will be a change in the interest rate. District policies limit the maturity of investments to six years or less as a means of limiting its exposure to fair value losses arising from rising interest rates. Also, at least three months of average disbursements should be invested in highly liquid funds with a maturity range of 0-90 days.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days, FEITF had a WAM of 44 days, and SPIA had a WAM of 2.65 years at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

The District has \$104,730,374 in obligations of the United States Government Sponsored Agencies/Federal Instrumentalities and Municipal Bonds and \$117,239,420 in Corporate Bonds. These securities included embedded options to call the entire security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rate, until final maturity. These securities have various call dates with final maturity dates being December 2018.

➤ Credit Risk

Credit risk is the risk of losses due to credit worthiness of the issuer of security investments. Investments authorized by District policy are:

- Direct Obligations of United States Treasury;
- United States Federal Government Agency Securities;
- Florida Local Government Investment Pool or other similar common trust;
- Florida Education Investment Trust Fund;
- Certificates of Deposit and Savings Accounts;
- Repurchase Agreements fully collateralized at 102 percent of market value, by United States Treasuries, United States Government Agencies, United States Government Sponsored Agencies/Federal Instrumentalities;
- State and/or Local Government Taxable or Tax-Exempt Debt rated at least Aa or AA;
- Corporate Notes with a Minimum AA Rating;
- Commercial Paper Rated P1 or A1;
- Money Market Mutual Funds Rated AAA;
- Bankers Acceptance Rated P1 or A1; and
- Money Market Deposit Accounts.

As of June 30, 2013, the District investments in the State of Florida Special Purpose Investment Account (SPIA) totaled \$735,191,293 which is rated A+f by Standard & Poors (S & P). These funds allocate investment earnings monthly.

As of June 30, 2013, the District investments in two SBA accounts totaled \$376,709,586 are AAA rated by S & P. These funds allocate investment earnings monthly.

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As of June 30, 2013, the District investments in the Florida Education Investment Trust Fund totaled \$100,203,940 and are rated AAAm by S&P.

As of June 30, 2013, the District investments in commercial paper were \$37,146,594. These funds are rated A1, P1 as required by the district's investment policy. The District holds these funds under a trust indenture in connection with the Certificates of Participation, Series 1999, 2002 QZAB, 2007, 2009A, 2009B QSCB, 2010A QSCB, 2012A, and 2012B for unspent construction proceeds.

As of June 30, 2013, the District investments in corporate and municipal bonds were rated Aa or AA by Moody's and S&P, respectively.

➤ **Custodial Credit Risk**

Custodial credit risk is the risk of losses due to the failure of a counterparty that is in possession of investments or collateral securities. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's \$104,730,374 investments in obligations of United States Government Agencies Instrumentalities and \$117,239,420 in Corporate Bonds are held by the safekeeping agent in the name of the District.

➤ **Concentration of Credit Risk**

Concentration of credit risk is the risk of losses due to too high a concentration of investments in a single investment. Composition of investment portfolio is limited by District policy to:

- Direct Obligations of the United States Treasury to 100 percent;
- United States Government Sponsored Agencies (Federal Instrumentalities) to 80 percent;
- Florida Local Government Investment Pool or other similar common trust to 100 percent;
- Florida Education Investment Trust Fund to 100 percent;
- Certificates of Deposit and Savings Accounts to 100 percent;
- Repurchase Agreements, fully collateralized by Direct Obligations of United States Government Securities to 30 percent;
- State and/or Local Government Taxable or Tax-Exempt Debt to 20 percent;
- Corporate Notes to 10 percent;
- Commercial Paper to 10 percent;
- Money Market Mutual Funds to 100 percent;
- Bankers Acceptances to 35 percent; and
- Money Market Deposit Account to 80 percent.

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All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and concentration of credit risk.

B. Receivables

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible accounts receivable is accrued.

The following is a schedule of due from other agencies at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
Major Governmental Funds:	
General Fund:	
Orange County Tax Collector	
Unremitted Property Taxes	\$12,265,302
Miscellaneous State Agencies	17,176
Special Revenue - Other Fund:	
United States Department of Education	
Federal Grant Reimbursements	1,143,280
Florida Department of Education	
Federal Grant Reimbursements	10,565,195
Miscellaneous Grantor Agencies	837,924
Special Revenue - Federal Economic Stimulus Fund	
Florida Department of Education	
Federal Grant Reimbursements	775,843
Capital Projects - Other Fund:	
State of Florida Department of Revenue	
Unremitted Sales Tax Collections	15,914,887
Orange County Board of County Commissioners	
Unremitted Impact Fee Collections	4,003,928
City of Orlando - Unremitted Impact Fee Collections	6,294,307
Miscellaneous Cities Impact Fee Collections	1,556,635
Nonmajor Governmental Funds:	
Special Revenue - Food Service Fund:	
Meal Reimbursements	9,500,998
Capital Projects - Capital Improvement Tax Fund:	
Orange County Tax Collector	
Unremitted Property Taxes	2,629,072
Governmental Activities:	
City of Ocoee Impact Fee Collections	817,986
Total Due From Other Agencies	<u>\$66,322,533</u>

**ORANGE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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	\$ 252,770,456	\$ 4,280,951	\$	\$ 257,051,407
Construction in Progress	123,554,695	143,543,126	214,127,903	52,969,918
Total Capital Assets Not Being Depreciated	376,325,151	147,824,077	214,127,903	310,021,325
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	18,624,530	1,444,760		20,069,290
Buildings and Fixed Equipment	3,210,855,686	214,130,903	36,025,702	3,388,960,887
Furniture, Fixtures, and Equipment	141,495,778	13,740,831	11,712,464	143,524,145
Motor Vehicles	119,601,369	3,619,787	8,219,488	115,001,668
Audio Visual Materials	6,928			6,928
Computer Software	7,622,746	1,357	94,042	7,530,061
Total Capital Assets Being Depreciated	3,498,207,037	232,937,638	56,051,696	3,675,092,979
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	10,198,203	981,372		11,179,575
Buildings and Fixed Equipment	565,709,143	65,384,969	15,912,834	615,181,278
Furniture, Fixtures, and Equipment	90,404,618	11,405,319	10,665,306	91,144,631
Motor Vehicles	79,770,246	9,105,179	8,211,579	80,663,846
Audio Visual Materials	6,603	325		6,928
Computer Software	1,736,690	337,780	94,041	1,980,429
Total Accumulated Depreciation	747,825,503	87,214,944	34,883,760	800,156,687
Total Capital Assets Being Depreciated, Net	2,750,381,534	145,722,694	21,167,936	2,874,936,292
Governmental Activities Capital Assets, Net	<u>\$3,126,706,685</u>	<u>\$ 293,546,771</u>	<u>\$ 235,295,839</u>	<u>\$3,184,957,617</u>

All depreciation expense was charged to functions/programs of the primary government as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 9,372,128
Maintenance of Plant	244,265
Unallocated	77,598,551
Total Depreciation Expense - Governmental Activities	<u>\$ 87,214,944</u>

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D. Obligations Under Capital Leases

The classes and amounts of property being acquired by the District under capital leases are as follows:

<u>Asset Description</u>	<u>Asset Balance</u>
Buses	<u>\$ 50,715,495</u>

The amortization of assets recorded under capital leases is included with depreciation expense in the accompanying financial statements.

The following are the future minimum lease payments and the present value of the minimum lease payments as of June 30, 2013:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 7,682,946	\$ 6,986,450	\$ 696,496
2015	6,105,578	5,681,237	424,341
2016	1,978,843	1,822,878	155,965
2017	1,978,843	1,899,260	79,583
Total Minimum Lease Payments	17,746,210	<u>\$16,389,825</u>	<u>\$ 1,356,385</u>
Less Interest	<u>(1,356,385)</u>		
Present Value of Minimum Payments	<u>\$16,389,825</u>		

The stated and imputed interest rates range from 4.16 percent to 4.57 percent.

E. Certificates of Participation

The District entered into a master financing arrangement on May 1, 1997, which was characterized as a lease-purchase agreement, with the Orange County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities, vehicles, and equipment. The financing was accomplished through the issuance of Certificates of Participation (COPs):

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Series	Amount Issued	Amount Outstanding	Remaining Interest Rates (Percent) (16)	Facility Lease Term Maturity (17)
1997A	\$ 351,057,075	\$ 6,817,073	6.0	2013
2002 - QZAB (1)	3,900,000	846,419	None	2016
2003	11,720,000	1,460,000	3.5	2013
2004	91,300,000	91,300,000	3.75 - 5.0	2029
2005A (2)	125,460,000	114,055,000	3.7 - 5.0	2022
2005B (3)	66,585,000	60,475,000	3.7 - 5.0	2025
2006A (4)	145,215,000	145,215,000	5.0	2031
2006B (5)	111,165,000	111,165,000	4.25 - 5.0	2024
2007A (6)	165,425,000	148,025,000	4.0 - 5.0	2032
2008B (7)	105,000,000	105,000,000	Synthetic 4.412	2032
2008C (8)	47,845,000	41,045,000	Synthetic 4.615	2025
2008D (9)	49,255,000	46,485,000	4.0 - 5.0	2027
2008E (10)	51,020,000	51,020,000	Synthetic 5.112	2022
2009A (11)	185,000,000	185,000,000	4.0 - 5.5	2034
2009B-QSCB (12)	35,820,000	35,820,000	1.15	2024
2010A-QSCB (13)	36,229,000	36,229,000	None	2029
2012A (14)	71,500,000	56,445,000	5.0	2019
2012B (15)	80,910,000	78,730,000	3.0 - 5.0	2027
Total		<u>\$ 1,315,132,492</u>		

(1) On December 11, 2002, the master financing agreement was amended and the Leasing Corporation issued COPs Series 2002 – Qualified Zone Academy Bonds (QZAB). Under the terms of this lease agreement, the District is required to make 13 annual payments of \$211,605, which are deposited with a Trustee and are to be invested with a qualified financial institution until maturity date and, when combined with interest earnings and net appreciation in market value, will be sufficient to pay off the principal balance, in full, at maturity on December 11, 2016.

(2) On March 14, 2005, the Leasing Corporation issued COPs Series 2005A to advance refund with crossover debt a portion of COPs Series 1997A and Series 1999A.

(3) On March 14, 2005, the Leasing Corporation issued COPs Series 2005B to advance refund with crossover debt a portion of COPs Series 2000A.

(4) On March 9, 2006, the Leasing Corporation issued COPs Series 2006A to finance the cost of the acquisition and construction of certain educational facilities and related furniture, fixtures, equipment and technology; and costs associated with the issuance of Series 2006A COPs.

(5) On March 9, 2006, the Leasing Corporation issued COPs Series 2006B to advance refund a portion of COPs Series 1999A and Series 2002A.

(6) On June 29, 2007, the Leasing Corporation issued COPs Series 2007A and Series 2007B to finance the cost of the acquisition and construction of certain educational facilities and related furniture, fixtures, equipment and technology; and costs associated with the issuance of Series 2007A and Series 2007B COPs.

(7) On April 11, 2008, the Leasing Corporation issued COPs Series 2008B to advance refund COPs Series 2007B.

(8) On June 30, 2008, the Leasing Corporation issued COPs Series 2008C to advance refund COPs Series 2000B.

(9) On September 8, 2008, the Leasing Corporation issued COPs Series 2008D to advance refund COPs Series 2002B.

(10) On September 8, 2008, the Leasing Corporation issued COPs Series 2008E to advance refund COPs Series 2007C.

(11) On March 11, 2009, the Leasing Corporation issued COPs Series 2009A to finance the cost of the acquisition and construction of certain educational facilities and related furniture, fixtures, equipment and technology; and costs associated with the issuance of Series 2009A COPs.

(12) On November 24, 2009, the Leasing Corporation issued COPs Series 2009B – Qualified School Construction Bond (QSCB). The proceeds from the issue will be used for comprehensive updates for one middle school.

(13) On November 15, 2010, the Leasing Corporation issued COPs Series 2010A – Qualified School Construction Bond (QSCB). The proceeds from the issue will be used for comprehensive updates for two elementary schools and one new construction elementary school.

(14) On May 3, 2012, the Leasing Corporation issued COPs Series 2012A to advance refund COPs Series 2001A.

(15) On May 3, 2012, the Leasing Corporation issued COPs Series 2012B to advance refund COPs Series 2002A.

(16) The lease payments are payable by the District, semiannually, on July 25 and January 25, except for the Series 2002 QZAB which is paid annually on December 10, and interest is paid by the Federal government in the form of annual tax credits to the bank or other eligible financial institution that holds the Certificates.

(17) As a condition of the financing arrangements, the District has given ground leases on District property to the Leasing Corporation, with a rental fee of \$1 per year. The properties covered by the ground lease are, together with the improvement constructed thereon (facilities) and the vehicles and equipment purchased from the financing proceeds, leased back to the District. The lease agreements are automatically renewable through varying dates unless early terminated following the occurrence of an event of default or a nonappropriation of funds to make lease payments, all as described and defined in the leases. If the District fails to renew the lease and to provide for rent payments through to term, it may be required to surrender all facilities, vehicles, and equipment included under terms of the lease agreements for the benefit of the securers of the COPs.

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The District properties funded by the above-financing arrangement include the following:

Certificates	Description of Property
Series 1997A	Renovation and remodeling at eighteen elementary schools, four middle schools, two high schools, and two 9th grade centers.
Series 1999A	Three new elementary schools and one new middle school, replacment of modular buildings, and a high school expansion/replacement.
Series 2000A	Three elementary schools.
Series 2000B	One high school.
Series 2001A	Refunding of COPs, Series 1997A and 2000A.
Series 2002A	Two alternative education schools; the replacement of one elementary, one middle, and one high school; an addition at one middle school; and concrete modular buildings at various sites.
Series 2002-QZAB	Comprehensive needs and renovation at one elementary school.
Series 2003	Financing and refinancing 295 premanufactured concrete modular structures.
Series 2004	Two middle schools, two elementary schools, portable classrooms to meet immediate needs and portable replacements.
Series 2005A	Refunding of COPs, Series 1997A and 1999A.
Series 2005B	Refunding of COPs, Series 2000A.
Series 2006A	One replacement high school and four elementary schools.
Series 2006B	Refunding of COPs, Series 1999A and 2002A.
Series 2007A/B	One replacement high school, one replacement middle school, one technical center, one high school, and two elementary schools.
Series 2007C	Refunding of COPs, Series 1997A.
Series 2008B	Refunding of COPs, Series 2007B.
Series 2008C	Refunding of COPs, Series 2000B.
Series 2008D	Refunding of COPs, Series 2002B.
Series 2008E	Refunding of COPs, Series 2007C.
Series 2009A	Two replacement high schools.
Series 2009B-QSCB	Comprehensive needs and renovation at one middle school.
Series 2010A-QSCB	Comprehensive needs at two elementary schools and one new elementary school.
Series 2012A	Refunding of COPs, Series 2001A.
Series 2012B	Refunding of COPs, Series 2002A.

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The following is a schedule by years of future minimum lease payments under the above-referenced lease agreements together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 105,504,777	\$ 22,378,680	\$ 83,126,097
2015	94,889,418	33,236,605	61,652,813
2016	95,644,511	35,571,605	60,072,906
2017	95,399,804	37,066,605	58,333,199
2018	95,134,419	38,630,000	56,504,419
2019-2023	481,234,608	230,340,000	250,894,608
2024-2028	512,479,105	327,420,000	185,059,105
2029-2033	510,293,695	412,329,000	97,964,695
2034-2035	188,089,972	178,159,997	9,929,975
Total Minimum Lease Payments	2,178,670,309	<u>\$ 1,315,132,492</u>	<u>\$ 863,537,817</u>
Add: Unamortized Premium	23,671,942		
Less: Interest	<u>(863,537,817)</u>		
Total Certificates of Participation	<u>\$ 1,338,804,434</u>		

F. Hedged Debt and Hedging Derivative Instrument Payments

As of June 30, 2013, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Series 2008B COPs Swap Agreement - Swap Payments and Associated Debt. Assuming interest rates remain the same as at June 30, 2013, annual debt service requirements on the Series 2008B COPs and the interest rate swap would be as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2014	\$	\$ 798,000	\$ 4,569,600	\$ 5,367,600
2015		798,000	4,569,600	5,367,600
2016		798,000	4,569,600	5,367,600
2017		798,000	4,569,600	5,367,600
2018		798,000	4,569,600	5,367,600
2019-2023		3,990,000	22,848,000	26,838,000
2024-2028		3,990,000	22,848,000	26,838,000
2029-2033	<u>105,000,000</u>	<u>3,302,580</u>	<u>18,911,616</u>	<u>127,214,196</u>
Total	<u>\$ 105,000,000</u>	<u>\$15,272,580</u>	<u>\$87,455,616</u>	<u>\$ 207,728,196</u>

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Series 2008C COPs Swap Agreement - Swap Payments and Associated Debt. Assuming interest rates remain the same as at June 30, 2013, annual debt service requirements on the Series 2008C COPs and the interest rate swap would be as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2014	\$ 1,615,000	\$ 28,732	\$ 1,869,600	\$ 3,513,332
2015	1,710,000	27,601	1,796,037	3,533,638
2016	1,805,000	26,404	1,718,146	3,549,550
2017	1,920,000	25,141	1,635,928	3,581,069
2018	2,040,000	23,797	1,548,472	3,612,269
2019-2023	12,165,000	95,781	6,232,607	18,493,388
2024-2026	19,790,000	35,385	2,302,553	22,127,938
Total	<u>\$ 41,045,000</u>	<u>\$ 262,841</u>	<u>\$ 17,103,343</u>	<u>\$ 58,411,184</u>

Series 2008E COPs Swap Agreement - Swap Payments and Associated Debt. Assuming interest rates remain the same as at June 30, 2013, annual debt service requirements on the Series 2008E COPs and the interest rate swap would be as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2014	\$	\$ 25,510	\$ 2,577,530	\$ 2,603,040
2015		25,510	2,577,530	2,603,040
2016		25,510	2,577,530	2,603,040
2017	18,955,000	25,510	2,577,530	21,558,040
2018	19,975,000	16,033	1,619,924	21,610,957
2019-2023	12,090,000	30,225	3,053,935	15,174,160
Total	<u>\$ 51,020,000</u>	<u>\$ 148,298</u>	<u>\$ 14,983,979</u>	<u>\$ 66,152,277</u>

**ORANGE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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G. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, and the changes in fair value of such derivative instruments for the year then ended as reported in the financial statements are as follows:

Governmental Activities Hedging Derivatives:	Change in Fair Value		Fair Value at June 30, 2013		
	Classification	Amount	Classification	Amount	Notional
2008B Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	\$ 14,266,931	Liability	\$(25,385,239)	\$ 105,000,000
2008C Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	3,037,253	Liability	(8,507,824)	41,045,000
2008E Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	2,115,713	Liability	<u>(7,458,790)</u>	51,020,000
Total Hedging Derivative Instruments				<u><u>\$(41,351,853)</u></u>	

The fair values of the hedging derivatives take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Objective and Term of Derivative Instruments. The following table displays the objective and terms of the District's derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty:

Governmental Activities Hedging Derivatives:	Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty
								Credit Ratings
	Hedge changes in cash flows on the 2008B					Pay 4.412% receive SIFMA Swap Index	Citibank, NA New York	
2008 B Interest Rate Swap	Certificates	\$105,000,000	6/29/2007	8/1/2032	N/A			A3,A,A
	Hedge changes in cash flows on the 2008C					Pay 4.615% receive SIFMA Swap Index	UBS AG Stamford Branch	
2008C Interest Rate Swap	Certificates	41,045,000	6/16/2002	8/1/2025	N/A			A2,A,A
	Hedge changes in cash flows on the 2008B					Pay 5.112% receive SIFMA Swap Index	UBS AG Stamford Branch	
2008E Interest Rate Swap	Certificates	51,020,000	8/1/2007	8/1/2022	N/A			A2,A,A

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JUNE 30, 2013**

➤ Credit Risk.

The District is exposed to credit risk on hedging derivative instruments. The swap's fair value represented the District's credit exposure to the counterparty. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the District is left with variable rate bonds. As of June 30, 2013, the swap counterparties' credit ratings are noted in the above table.

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with the counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no hedging derivative instruments in asset positions at June 30, 2013.

➤ Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the District's financial instruments or the District's cash flows. The District is exposed to interest rate risk on its interest rate swaps. As the SIFMA swap index decreases, the District's net payment on the swap increases, which is offset by the variable rate paid on the hedged debt.

➤ Basis Risk.

Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. The District is exposed to basis risk should the variable rate it receives under the agreement be different than the rate it pays on its COPs. Under the requirements of the swap, the District receives a variable payment based on the SIFMA index from the counterparty. The 2008B and 2008C COPs are currently priced in a weekly mode and the SIFMA index reflects weekly interest rates. The 2008E COPs are currently priced in a daily mode and the SIFMA index reflects weekly interest rates. Should the weekly rates become higher than daily rates, the District maintains the option to change the mode on the COPs from a weekly mode to a daily mode.

➤ Termination Risk.

Termination risk is that a hedging derivative instrument's unscheduled end will affect the District's asset and liability strategy or will present the District with potentially significant unscheduled termination payments to the counterparty. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties' credit rating falls below designated levels.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

H. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	\$ 5,005,000	5.0	2016
Series 2005B	11,490,000	5.0	2020
Series 2009A	1,475,000	5.0	2019
Series 2010A	<u>2,350,000</u>	4.0 - 5.0	2022
Total Bonds Payable	<u><u>\$ 20,320,000</u></u>		

The State Board of Education on behalf of the District to finance capital outlay projects of the District. The bonds mature serially and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. The State Board of Education and the State Board of Administration are responsible for administering principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements.

Annual requirements to amortize all debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	\$ 5,008,100	\$ 3,995,000	\$1,013,100
2015	5,003,350	4,190,000	813,350
2016	5,018,850	4,415,000	603,850
2017	3,278,100	2,895,000	383,100
2018	3,288,350	3,050,000	238,350
2019-2022	<u>1,956,600</u>	<u>1,775,000</u>	<u>181,600</u>
Total	<u><u>\$23,553,350</u></u>	<u><u>\$20,320,000</u></u>	<u><u>\$3,233,350</u></u>

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DISTRICT SCHOOL BOARD
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JUNE 30, 2013**

I. Changes in Long-Term Liabilities

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

Description	Balance 6-30-12	Additions	Deductions	Balance 6-30-13	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 1,332,499,097	\$	\$ 17,366,605	\$ 1,315,132,492	\$ 22,378,680
Less: Net Unamortized COP Discounts and (Premium)	(25,922,268)		(2,250,326)	(23,671,942)	(2,250,326)
Total Certificates of Participation Payable	1,358,421,365		19,616,931	1,338,804,434	24,629,006
Bonds Payable	24,115,000		3,795,000	20,320,000	3,995,000
Obligations Under Capital Leases	24,620,459		8,230,634	16,389,825	6,986,450
Estimated Insurance Claims Payable	12,372,593	5,831,156	5,935,946	12,267,803	5,591,180
Compensated Absences Payable	109,590,940	11,261,006	11,008,312	109,843,634	11,781,738
Other Postemployment Benefits Payable	61,813,352	14,615,227	4,274,871	72,153,708	
Total Governmental Activities	\$ 1,590,933,709	\$ 31,707,389	\$ 52,861,694	\$ 1,569,779,404	\$ 52,983,374

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds as described in note III.R.

J. Fund Balance Reporting

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB Statement No. 54 provides for two major types of fund balances for governmental funds, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District reports its inventories as nonspendable and does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of spendable fund balances, based on spending constraints.

- **Restricted.** Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed.** Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority such as school board resolutions.
- **Assigned.** Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

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- **Unassigned.** Fund balance of the General Fund that does not have a constraint for any particular purpose.

The District has classified its fund balances with the following hierarchy:

- **Nonspendable.** The District has inventories totaling \$6,136,857 that are classified as nonspendable.
- **Spendable.** The District has classified the spendable fund balances as Restricted, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The District does not have a policy regarding the commitment or assignment of fund balances, however, by resolution, the Board has given the ability to assign fund balance to the Superintendent and the Chief Financial Officer. As such, the District does not report any Committed fund balance. When restricted, assigned, and unassigned funds are available for use, the District's procedures are to use the restricted funds first, followed by the assigned funds and then the unassigned funds last.

Restricted for State Categorical Programs, State Grants, Food Service, Debt Service and Capital Projects:

Federal Laws, Florida Statutes, and local ordinances require that certain revenues be specifically designated for the purposes of state categorical programs, food service, debt service, and capital projects. These funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$1,143,725,081 and represented \$23,494,153 in State categorical programs, \$4,153,350 in State Grants, \$18,349,878 in food service, \$90,765,772 in debt service and \$1,006,961,928 in capital projects.

Assigned for School Operations and Capital Projects:

The assigned fund balances totaled \$331,603,673. The Chief Financial Officer of the Board has assigned in the General Fund the OPEB liability of \$72,153,708; Board Projects of \$14,478,841; and School Rollover Budgets of \$76,110,877. In addition, in accordance with GASB 54, the District reports outstanding purchase obligations, of \$2,098,370, that have not been previously reported as restricted or assigned and \$155,985,407 in the current year General Funds unassigned fund balance needed to eliminate expected expenditures over expected revenues, in the subsequent year budget approved by the Board, as assigned fund balance of the General Fund. In addition, \$10,776,470 is a positive fund balance of non-General Funds that have not been previously reported as nonspendable or restricted is reported as assigned fund balance.

Unassigned:

The unassigned fund balance for the General Fund is \$61,799,654.

The following is a schedule of fund balances by category at June 30, 2013:

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	Major Funds				Total Governmental Funds
	General	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Capital Projects Fund	Nonmajor Governmental Funds	
Fund Balances					
Nonspendable:					
Inventories					
General Fund	\$ 3,293,508	\$	\$	\$	\$ 3,293,508
Special Revenues - Food Service				2,843,349	2,843,349
Restricted:					
Categorical Programs	23,494,153				23,494,153
State Grants	4,153,350				4,153,350
Special Revenues - Food Service				18,349,878	18,349,878
Debt Service		60,314,898		30,450,874	90,765,772
Capital Projects			863,297,973	143,663,955	1,006,961,928
Assigned:					
School Operations:					
Purchase Obligations	2,098,370				2,098,370
Board Projects	14,478,841				14,478,841
School Rollover Budgets	76,110,877				76,110,877
Next Year's Budget Deficit	155,985,407				155,985,407
Other Purposes					
OPEB	72,153,708				72,153,708
Special Revenues - Other				10,776,470	10,776,470
Unassigned	61,799,654				61,799,654
Total Fund Balances	<u>\$ 413,567,868</u>	<u>\$ 60,314,898</u>	<u>\$ 863,297,973</u>	<u>\$ 206,084,526</u>	<u>\$ 1,543,265,265</u>

The District has not established a contingency reserve or "Rainy Day Fund." Instead, the Board has approved in the budget to set aside three percent of recurring budgeted revenues at the beginning of each year to cover unforeseen events (e.g. revenue shortfalls, student enrollment under projects, etc.). At the end of the fiscal year, the unassigned General Fund balance was \$61,799,654 or 4.5 percent of General Fund total budgeted revenues for 2013-14 fiscal year.

K. Interfund Receivables, Payables, and Transfers

The following is a summary of interfund receivables and payables reported in the fund financial statements at June 30, 2013:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 10,265,109	\$
Special Revenue:		
Other		9,664,242
ARRA Economic Stimulus		600,867
Total	<u>\$ 10,265,109</u>	<u>\$ 10,265,109</u>

**ORANGE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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The interfund receivables and payables represents payments made prior to year end but reimbursed by the grantor after year end and therefore is repaid within 12 months.

The following is a summary of interfund transfers reported in the fund financial statements at June 30, 2013:

Funds	Interfund	
	Transfers In	Transfers Out
Major Governmental:		
General	\$ 11,655,922	\$ 6,670,000
Capital Projects - Other		2,553,680
Debt Service - ARRA	7,000	
Nonmajor Governmental:		
Debt Service - Other	104,683,350	
Capital Projects - PECO		2,294,456
Capital Projects - Local Capital Improvement Tax		111,498,136
Internal Service:		
Employee Benefits	6,670,000	
Total	<u>\$ 123,016,272</u>	<u>\$ 123,016,272</u>

The interfund transfers represent the payments of expenditures by one fund for another fund. The transfers in for the General Fund are from the capital projects funds. One transfer was for \$9.3 million for relocatable rentals and the other was for \$2.3 million for Public Education Capital Outlay (PECO) Charter School Capital Outlay. The transfers in for Debt Service - Other Fund are from capital projects funds for the debt service payments for capital leases and COPs. The transfer into the Employee Benefits Internal Service Fund was due to an increase in claims and was funded from the General Fund.

L. Schedule of State Revenue Sources

A significant source of District revenues is the State, which provided approximately 37 percent of total revenues in the 2012-13 fiscal year. The following is a schedule of the State revenue sources for the 2012-13 fiscal year:

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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 429,171,849
Categorical Educational Program - Class Size Reduction	209,397,870
Workforce Development	31,712,727
School Recognition	9,233,298
CO&DS Withheld for SBE/COBI Bonds	5,020,625
Voluntary Pre-Kindergarten Program	3,671,367
Charter Schools Capital Outlay	2,294,456
CO&DS Distributed to District	2,080,813
Food Service Supplement	1,186,450
State License Tax	629,269
Adults with Disabilities	257,183
Other State Sources	<u>275,109</u>
Total	<u>\$ 694,931,016</u>

M. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.230	\$ 451,722,554
Basic Discretionary Local Effort	0.748	64,605,826
Voted School Tax:		
Additional Voted Millage	1.000	86,371,425
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>129,557,138</u>
Total	<u>8.478</u>	<u>\$ 732,256,943</u>

N. Florida Retirement System

The Florida Retirement System (FRS) covers all regular employees of the District. The FRS offers employees a defined benefit retirement plan and a defined contribution program. The District is required to make contributions in accordance with rates established by the Florida Legislature. Essentially, all regular employees of participating employers are eligible and must enroll as members of the FRS.

Most employees working for the District are covered by a State-administered cost-sharing multiple-employer defined benefit retirement plan (Plan) under the FRS. Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Benefits in the defined benefit

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plan vest at specific ages or number of years of service depending upon the employee's classification. Under the regular classification in the defined benefit plan vest at six years of service. The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for health-care insurance and, for certain employees, a supplement to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefits payment while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Defined Contribution Plan. Pursuant to Section 121.45.01, Florida Statutes, the Florida Legislature created a defined contribution program called the Florida Retirement System Investment Plan (Investment Plan). This program is administered by FRS as an option to the defined benefit plan, and is self-directed by the employee. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the FRS. Employer 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 contributions that are based on salary and membership class (Regular, Elected County Officers, etc.).

Funding Policy. The contribution rates for Plan members are established and may be amended, by the State of Florida. During the 2012-13 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
Teachers' Retirement System, Plan E	6.25	11.35
DROP - Applicable to		
Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy and 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

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

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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 year ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$77,311,708, \$57,174,842, and \$56,161,936, respectively, which were equal to the required contributions for each fiscal year. There were 3,469 District participants in the Investment Plan during the 2012-13 fiscal year. Required employer contributions made to the program totaled \$7,049,437 and employee contributions totaled \$4,074,731.

Pension Reporting. The financial statements and required supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida State Chief Financial Officer's Office in Tallahassee, Florida. Also, an annual report of the FRS that includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the State of Florida, Division of Retirement, in Tallahassee, Florida.

O. 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, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical, and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at the blended group 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates by retirees eligible for Medicare are reduced by the Medicare premium. 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. The District funds the postemployment benefit on a pay-as-you go basis. For the 2012-13 fiscal year, 2,867 retirees received health care benefits. The District provided required contributions of \$4,274,871 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees net of retiree contributions totaling \$23,137,929, which represents 3.15 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. 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:

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

Description	Amount
Normal Cost (service cost for one year)	\$ 5,977,060
Amortization of Unfunded Actuarial Accrued Liability	11,037,536
Interest on Normal Cost and Amortization	<u>254,025</u>
Annual Required Contribution	17,268,621
Interest on Net OPEB Obligation	2,936,134
Adjustment to Annual Required Contribution	<u>(5,589,528)</u>
Annual OPEB Cost (Expense)	14,615,227
Contribution Toward the OPEB Cost	<u>(4,274,871)</u>
Increase in Net OPEB Obligation	10,340,356
Net OPEB Obligation, Beginning of Year	<u>61,813,352</u>
Net OPEB Obligation, End of Year	<u><u>\$72,153,708</u></u>

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

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 18,387,517	\$3,553,705	19.33%	\$ 51,664,527
2011-12	14,701,659	4,552,834	30.97%	61,813,352
2012-13	14,615,227	4,274,871	29.25%	72,153,708

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2012, was as follows:

Actuarial Accrued Liability (a)	\$ 318,167,715
Actuarial Value of Plan Assets (b)	
Unfunded Actuarial Accrued Liability (c)=(a-b)	<u><u>\$ 318,167,715</u></u>
Funded Ratio (b/a)	0.00%
Covered Payroll (Active Plan Members) (d)	\$ 733,475,705
UAAL as a Percentage of Covered Payroll (c/d)	43.38%

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

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

estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The entry age normal cost actuarial method was used to determine the OPEB actuarial valuation. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.25 percent discount rate. The actuarial assumptions also included an annual healthcare cost trend of 7.40 percent for the 2012-13 fiscal year, then dropping to an ultimate rate of 5 percent in the 2020-21 fiscal year. The actuarial assumptions also included an inflation rate of 3 percent and 3 percent for salary increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls over a 30 year period on an open basis.

P. Construction Contract and Other Significant Commitments

Construction Contracts. The following is a summary of major construction contract commitments remaining at June 30, 2013.

Project	Contract Amount	Completed to Date	Balance Committed
Oak Ridge High School Replacement	\$32,807,543	\$30,094,353	\$ 2,713,190
Dr. Phillips High School Comprehensive	35,840,662	14,899,775	20,940,887
Total	<u>\$68,648,205</u>	<u>\$44,994,128</u>	<u>\$23,654,077</u>

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.

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

The following is a schedule of encumbrances at June 30, 2013:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$25,779,215</u>	<u>\$2,169,658</u>	<u>\$3,289,660</u>	<u>\$74,898,246</u>	<u>\$ 16,996,290</u>	<u>\$ 123,133,069</u>

Q. 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 relies on sovereign immunity and therefore does not procure general liability or automobile insurance. Other lines of coverage are being provided on a self-insured basis subject to specified retentions. The District has contracted with claims administrators to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A liability was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2013. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an investment yield rate of 2 percent as determined by a review of the District's interest rates received from intergovernmental pooled investment funds and government securities. These liabilities are \$12,267,803 at June 30, 2013. Settled claims resulting from the risks described above have not exceeded into the excess commercial insurance coverage in any of the past three fiscal years.

The District provides employee group health and life insurance. The group health plan is self-insured through the Employee Benefits Trust and life insurance is obtained through a commercial carrier. Under these plans, the Board contributes employee premiums as fringe benefits to employees. The employees pay a portion of the costs in the two premium group health plans while the District pays all of the employee costs in the two basic group health plans. Premiums for coverages provided for employee dependents and retirees and their dependents are paid in advance by the employee or retiree. These plans provide for maximum premiums based on the number of participants and individual or family coverages. The group health plan is administered by third-party administrators that are reimbursed by the District from a detail record of services provided. There is no stop loss protection on the group health plan. The District has different funding arrangements with each of the groups that reimburse the claims and healthcare expenses. The District reported an estimated unpaid claims liability of \$12,500,000 in the Internal Service Funds for the group health insurance program at June 30, 2013.

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

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance programs:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	\$ 24,310,874	\$ 149,688,743	\$ (151,127,024)	\$ 22,872,593
2012-13	22,872,593	161,790,649	(159,895,439)	24,767,803

R. Internal Service Funds

The following is a summary of financial information as reported in the internal service funds for the 2012-13 fiscal year:

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

	Total	Employee Benefit Insurance	Self-Insurance	District Print Center
Total Assets	\$ 128,074,415	\$ 91,085,151	\$ 36,631,327	\$ 357,937
Liabilities and Net Position:				
Accounts Payable	\$ 1,527,679	\$ 1,497,947	\$ 7,055	\$ 22,677
Salaries and Benefits Payable	15,664	3,916		11,748
Estimated Insurance Claims Payable	24,767,803	12,500,000	12,267,803	
Unearned Revenue	39,242,928	39,242,928		
Net Position:				
Investment in Capital Assets	25,477			25,477
Unrestricted	62,494,864	37,840,360	24,356,469	298,035
Total Liabilities and Net Position	\$ 128,074,415	\$ 91,085,151	\$ 36,631,327	\$ 357,937
Revenues:				
Premium Contributions	\$ 176,656,901	\$ 169,651,064	\$ 7,005,837	\$
Charges for Services	5,220,871			5,220,871
Other	685,335	611,761	72,853	721
Total Revenues	182,563,107	170,262,825	7,078,690	5,221,592
Total Expenses	(176,549,172)	(165,461,192)	(5,947,855)	(5,140,125)
Income Before Transfers	6,013,935	4,801,633	1,130,835	81,467
Transfers In	6,670,000	6,670,000		
Change in Net Position	\$ 12,683,935	\$ 11,471,633	\$ 1,130,835	\$ 81,467

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The District is a defendant in numerous lawsuits as of June 30, 2013. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liabilities on uninsured risks, that the amount of loss resulting from litigation that exceeds the above-mentioned limits would not be material to the financial position of the District.

B. Other Contingent Liabilities

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may

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

constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

V. SUBSEQUENT EVENTS

On September 18, 2013, the Board issued \$19,290,000 in Series 2013A Certificates of Participation (COPs) to partially refund \$20,200,000 of the outstanding 2004 COPs. The refunding resulted in a net present value savings of \$1,364,713. The 2013A COPs mature in 2025.

On January 14, 2014, the Board authorized the sale of Series 2014 Certificates of Participation not to exceed \$74,000,000. These COPs will be used for the purpose of refinancing all or a portion of Series 2004 COPs.

On March 11, 2014, the Board authorized the sale of Series 2015 Certificates of Participation not to exceed \$110,000,000. These COPs will be used for the purpose of refinancing all or a portion of Series 2005 COPs.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 1,130,000	\$ 1,130,000	\$ 1,290,063	\$ 160,063
Federal Through State and Local	1,671,000	1,671,000	4,307,201	2,636,201
State	692,731,391	692,731,391	684,453,880	(8,277,511)
Local:				
Ad Valorem Taxes	578,591,813	578,591,813	580,088,306	1,496,493
Interest Income			1,817,651	1,817,651
Postsecondary Vocational Course Fees	2,449,184	2,449,184	5,145,296	2,696,112
Other Local Sources	1,969,303	1,969,303	15,679,726	13,710,423
Total Local Revenues	<u>583,010,300</u>	<u>583,010,300</u>	<u>602,730,979</u>	<u>19,720,679</u>
Total Revenues	<u>1,278,542,691</u>	<u>1,278,542,691</u>	<u>1,292,782,123</u>	<u>14,239,432</u>
Expenditures				
Current - Education:				
Instruction	1,078,918,147	1,052,126,283	820,174,368	231,951,915
Pupil Personnel Services	58,237,791	58,237,791	29,755,383	28,482,408
Instructional Media Services	14,499,728	14,899,728	14,811,546	88,182
Instruction and Curriculum Development Services	51,325,168	51,325,168	41,924,497	9,400,671
Instructional Staff Training Services	2,271,533	10,671,533	10,637,201	34,332
Instruction Related Technology	13,752,270	13,752,270	11,388,957	2,363,313
School Board	3,420,283	3,420,283	3,187,675	232,608
General Administration	2,870,991	5,270,991	5,156,342	114,649
School Administration	84,801,994	94,201,994	93,887,175	314,819
Facilities Acquisition and Construction	7,594,580	8,219,548	8,082,757	136,791
Fiscal Services	6,079,953	6,079,953	5,617,606	462,347
Food Services		35,000	475	34,525
Central Services	15,558,657	15,558,657	15,162,313	396,344
Pupil Transportation Services	57,872,497	58,472,497	58,368,620	103,877
Operation of Plant	115,343,844	115,343,844	95,616,511	19,727,333
Maintenance of Plant	33,514,357	33,514,357	31,011,100	2,503,257
Administrative Technology Services	25,061,549	25,061,549	15,751,539	9,310,010
Community Services		1,050,000	1,030,708	19,292
Fixed Capital Outlay:				
Facilities Acquisition and Construction		375,032	375,032	
Other Capital Outlay		3,506,864	3,506,864	
Debt Service:				
Interest and Fiscal Charges	100,993	100,993		100,993
Total Expenditures	<u>1,571,224,335</u>	<u>1,571,224,335</u>	<u>1,265,446,669</u>	<u>305,777,666</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(292,681,644)</u>	<u>(292,681,644)</u>	<u>27,335,454</u>	<u>320,017,098</u>
Other Financing Sources (Uses)				
Transfers In	16,684,979	16,684,979	11,655,922	(5,029,057)
Proceeds from Sale of Capital Assets			940,368	940,368
Insurance Loss Recoveries			75,773	75,773
Transfers Out	(6,670,000)	(6,670,000)	(6,670,000)	
Total Other Financing Sources (Uses)	<u>10,014,979</u>	<u>10,014,979</u>	<u>6,002,063</u>	<u>(4,012,916)</u>
Net Change in Fund Balances	<u>(282,666,665)</u>	<u>(282,666,665)</u>	<u>33,337,517</u>	<u>316,004,182</u>
Fund Balances, Beginning	<u>321,022,946</u>	<u>321,022,946</u>	<u>380,230,351</u>	<u>59,207,405</u>
Fund Balances, Ending	<u>\$ 38,356,281</u>	<u>\$ 38,356,281</u>	<u>\$ 413,567,868</u>	<u>\$ 375,211,587</u>

Other Federal Programs				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$ 36,222,100 154,875,694	\$ 15,002,962 113,561,895	\$ (21,219,138) (41,313,799)	\$	\$ 9,350,782	\$ 7,956,868	\$ (1,393,914)
	38,852	38,852					
	38,852	38,852					
	191,136,646	128,603,709	(62,532,937)		9,350,782	7,956,868	(1,393,914)
	78,237,491	46,382,308	31,855,183		2,477,858	2,098,902	378,956
	13,963,664	13,413,062	550,602				
	438,905	438,905					
	28,223,241	23,869,792	4,353,449		2,591,647	1,769,098	822,549
	39,020,305	25,100,435	13,919,870		1,987,313	1,882,636	104,677
	186,829	166,231	20,598				
	114,523	114,523					
	7,503,115	2,320,261	5,182,854		305,042	222,135	82,907
	786,311	311,682	474,629				
	63,203	5,258	57,945				
	278,221	174,181	104,040				
	50,330	30,528	19,802				
	3,614,101	529,245	3,084,856		457,045	457,045	
	6,735,978	6,429,996	305,982		61,095	61,095	
	480,277	342,224	138,053				
	46,327	42,714	3,613				
	2,407,277	289,360	2,117,917		1,191,586	1,191,586	
	6,916,986	6,573,442	343,544		144,003	139,178	4,825
	93,235	93,235					
	1,976,327	1,976,327			135,193	135,193	
	191,136,646	128,603,709	62,532,937		9,350,782	7,956,868	1,393,914
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2010	\$ 0	\$ 278,619,769	\$ 278,619,769	0.0%	\$ 719,671,967	38.7%
July 1, 2011	0	287,415,970	287,415,970	0.0%	730,671,721	39.3%
July 1, 2012	0	318,167,715	318,167,715	0.0%	733,475,705	43.4%

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

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

I. BUDGETARY BASIS OF ACCOUNTING

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

- Annually, budgets are prepared, public hearings are held, and original budgets are adopted for all governmental fund types in accordance with procedures and time intervals prescribed by State statutes and State Board of Education rules.
- Appropriations are controlled at the function level (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.
- The reported budgetary data consists of the original budget as well as the final appropriated budget after amendments approved by the Board.

SUPPLEMENTARY INFORMATION

ORANGE COUNTY PUBLIC SCHOOLS COMBINING STATEMENT OF NET POSITION COMPONENT UNITS June 30, 2013

	Access Charter School, Inc.	"Aloma High School"	Aspire Charter Academy, Inc.	Central Florida Leadership Academy Charter School	"Chancery High School"
Assets					
Cash and Cash Equivalents	\$ 419,688	\$ 571,793	\$ 132,093	\$ 273,941	\$ 736,015
Investments					
Accounts Receivable				1,875	
Deposits Receivable				18,456	313,441
Due from Other Agencies	995	106,450	87,500		
Inventories	14,660				
Prepaid Expenses			7,014		
Capital Assets:					
Nondepreciable Capital Assets					
Depreciable Capital Assets	3,806	70,761	82,048	46,644	69,728
Total Assets	439,149	749,004	308,655	340,916	1,119,184
Liabilities					
Salaries and Benefits Payable				30,222	
Accounts Payable	86,155	304,576	63,220	3,038	317,797
Due to Other Agencies					
Accrued Interest Payable					
Unearned Revenue		76,572			300,036
Long-Term Liabilities:					
Portion Due or Payable Within One Year:					
Notes Payable			13,963		
Bonds Payable					
Obligations Under Capital Lease					
Compensated Absences Payable					
Portion Due or Payable After One Year:					
Notes Payable			5,160		
Bonds Payable					
Obligations Under Capital Lease					
Total Liabilities	86,155	381,148	82,343	33,260	617,833
Net Position					
Net Investment in Capital Assets	3,806	70,761	82,048	46,644	69,728
Restricted for:					
Capital Projects				18,456	
Debt Service					
Other Purposes		157,117		40,000	215,503
Unrestricted	349,188	139,978	144,264	202,556	216,120
Total Net Position	\$ 352,994	\$ 367,856	\$ 226,312	\$ 307,656	\$ 501,351

Hope Charter School, Inc.	Innovations Middle Charter School	Kid's Community College Orange County Charter School	Lake Eola Charter School, Inc.	Legacy High School, Inc.	Montessori of Winter Garden Charter	Nap Ford Community School, Inc.
\$ 583,081	\$ 433,369	\$ 48,359	\$ 281,046	\$ 83,270	\$ 94,103	\$ 53,030
	119,429	396	48,562			79,840
6,160			64,619			10,000
105,000				23,786	28,526	
				2,055		
219,005	10,622		11,557		17,761	
			422,314			
4,420,935	117,171	46,557	1,690,267	75,588	31,034	24,274
5,334,181	680,591	95,312	2,518,365	184,699	171,424	167,144
2,615	29,050	43,687	40,650	13,113	27,723	11,825
11,070			4,093		22,896	
169,529	2,554				3,813	
			63,129			14,820
3,910,753		154,271			647	
			1,757,127			
4,093,967	31,604	197,958	1,864,999	13,113	55,079	26,645
340,653	114,617	2,840	292,325	75,588	26,574	24,274
						62,934
500,707						
			64,619			15,683
398,854	534,370	(105,486)	296,422	95,998	89,771	37,608
\$ 1,240,214	\$ 648,987	\$ (102,646)	\$ 653,366	\$ 171,586	\$ 116,345	\$ 140,499

**ORANGE COUNTY PUBLIC SCHOOLS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2013**

	Orlando Science Elementary Charter School, Inc.	Orlando Science Middle/High Charter School, Inc.	The Passport School, Inc.	Pinecrest Creek	Pinecrest Preparatory Charter School
Assets					
Cash and Cash Equivalents	\$ 138,527	\$ 509,638	\$ 204,203	\$ 73,676	\$ 156,161
Investments			284,998		
Accounts Receivable	930	8,345		28,000	
Deposits Receivable		36,000		7,000	
Due from Other Agencies	10,336		7,575		
Inventories					
Prepaid Expenses			134,887	800	26,953
Capital Assets:					
Nondepreciable Capital Assets			882,504		
Depreciable Capital Assets	210,691	204,698	1,123,393	146,541	305,220
Total Assets	<u>360,484</u>	<u>758,681</u>	<u>2,637,560</u>	<u>256,017</u>	<u>488,334</u>
Liabilities					
Salaries and Benefits Payable				29,147	23,319
Accounts Payable	2,404	6,428	69,463		
Due to Other Agencies				196,000	
Accrued Interest Payable					
Unearned Revenue					
Long-Term Liabilities:					
Portion Due or Payable Within One Year:					
Notes Payable			20,689		
Bonds Payable					
Obligations Under Capital Lease		17,963			
Compensated Absences Payable					
Portion Due or Payable After One Year:					
Notes Payable			1,097,804		226,500
Bonds Payable					
Obligations Under Capital Lease		24,347			
Total Liabilities	<u>2,404</u>	<u>48,738</u>	<u>1,187,956</u>	<u>225,147</u>	<u>249,819</u>
Net Position					
Net Investment in Capital Assets	210,691	162,388	887,404		78,720
Restricted for:					
Capital Projects					
Debt Service					
Other Purposes					
Unrestricted	147,389	547,555	562,200	30,870	159,795
Total Net Position	<u>\$ 358,080</u>	<u>\$ 709,943</u>	<u>\$ 1,449,604</u>	<u>\$ 30,870</u>	<u>\$ 238,515</u>

Princeton House Charter School, Inc.	Prosperitas Leadership Academy, Inc.	Renaissance Charter School at Chickasaw Trail	"Sheeler Charter High School"	"Sunshine High School"	UCP East Orange Charter School	UCP Transitional Learning Academy Charter School
\$ 1,542,685	\$ 119,387	\$ 1,030,221	\$ 685,059	\$ 344,842	\$	\$
		506	409,527	109,628	6,069	133,962
		23,518		20,980		
	5,787	18,067				
137,766	47,268					
734,884						
3,495,810	86,137	12,623,359	69,254	610,920	457,396	
5,911,145	258,579	13,695,671	1,163,840	1,086,370	463,465	133,962
6,900	31,535	201,992 172,760	308,653	494,873	935,754	10,163
			386,367			
123,309				106,098		
		166,667				
3,055,889				377,890		
		13,327,042				
3,186,098	31,535	13,868,461	695,020	978,861	935,754	10,163
1,051,496	86,137	(719,159)	69,254	126,932		
			206,090	3,289		
1,673,551	140,907	546,369	193,476	(22,712)	(472,289)	123,799
\$ 2,725,047	\$ 227,044	\$ (172,790)	\$ 468,820	\$ 107,509	\$ (472,289)	\$ 123,799

**ORANGE COUNTY PUBLIC SCHOOLS
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2013**

	UCP Transitional Learning High School Charter School	UCP Orange Charter School	UCP Pine Hills Charter School	Workforce Advantage Academy Charter High School, Inc.
Assets				
Cash and Cash Equivalents	\$	\$	\$	\$ 330,218
Investments				
Accounts Receivable	29,516	1,796,739	450,518	2,658
Deposits Receivable				938
Due from Other Agencies				81,856
Inventories				
Prepaid Expenses				3,444
Capital Assets:				
Nondepreciable Capital Assets				
Depreciable Capital Assets	10,477	37,553	2,830	23,981
Total Assets	<u>39,993</u>	<u>1,834,292</u>	<u>453,348</u>	<u>443,095</u>
Liabilities				
Salaries and Benefits Payable				77,364
Accounts Payable		58,104	25,663	15,151
Due to Other Agencies				
Accrued Interest Payable				
Unearned Revenue				
Long-Term Liabilities:				
Portion Due or Payable Within One Year:				
Notes Payable				
Bonds Payable				
Obligations Under Capital Lease				
Compensated Absences Payable				
Portion Due or Payable After One Year:				
Notes Payable				
Bonds Payable				
Obligations Under Capital Lease				
Total Liabilities		<u>58,104</u>	<u>25,663</u>	<u>92,515</u>
Net Position				
Net Investment in Capital Assets				23,981
Restricted for:				
Capital Projects				81,856
Debt Service				
Other Purposes				
Unrestricted	39,993	1,776,188	427,685	244,743
Total Net Position	<u>\$ 39,993</u>	<u>\$ 1,776,188</u>	<u>\$ 427,685</u>	<u>\$ 350,580</u>

Total Charter Schools	Foundation	Total Component Units
\$ 8,844,405	\$ 421,720	\$ 9,266,125
333,560	640,139	973,699
3,240,682		3,240,682
106,471	1,284,697	1,391,168
807,775		807,775
16,715		16,715
617,077	1,641	618,718
2,039,702		2,039,702
26,087,073	5,895	26,092,968
42,093,460	2,354,092	44,447,552
389,767		389,767
3,076,473	392,042	3,468,515
207,070		207,070
4,093		4,093
762,975	9,750	772,725
439,955		439,955
63,129		63,129
184,630		184,630
14,820		14,820
8,828,914		8,828,914
1,757,127		1,757,127
13,351,389		13,351,389
29,080,342	401,792	29,482,134
3,127,702	5,895	3,133,597
163,246		163,246
500,707		500,707
702,301	292,270	994,571
8,519,162	1,654,135	10,173,297
\$13,013,118	\$ 1,952,300	\$ 14,965,418

ORANGE COUNTY PUBLIC SCHOOLS
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013

	Access Charter School, Inc.	"Aloma High School"	Aspire Charter Academy, Inc.	Central Florida Leadership Academy Charter School	"Chancery High School"
Expenses:					
Instruction	\$ 848,480	\$ 737,738	\$ 447,945	\$ 473,573	\$ 793,250
Student Personnel Services	149,532	175,128	11,139		223,323
Instructional Media Services				1,921	
Instruction and Curriculum Development Services					
Instructional Staff Training Services	3,496			7,402	
Instruction Related Technology					
Board	1,844	19,193	5,634	17,372	19,179
General Administration	24,844	805,519	43,108	46,098	968,273
School Administration	164,552	547,748	203,765	211,461	711,379
Facilities Acquisition and Construction					
Fiscal Services	54,780	7,070	19,045	25,615	6,645
Food Services			6,605	6,963	53
Central Services	11,081		3,617		
Student Transportation Services	28,136	54,800	48,820	9,897	51,025
Operation of Plant	258,345	377,355	80,160	48,165	368,455
Maintenance of Plant				28,100	
Community Services	7,889		103	3,859	
Unallocated Interest on Long-Term Debt			2,660		
Unallocated Depreciation					
Total Expenses	<u>1,552,979</u>	<u>2,724,551</u>	<u>872,601</u>	<u>880,426</u>	<u>3,141,582</u>
Program Revenues:					
Charges for Services	20,699	1,852	300	11,945	1,946
Operating Grants and Contributions	10,112		81,229	12,258	
Capital Grants and Contributions	29,983				
Total Program Revenues	<u>60,794</u>	<u>1,852</u>	<u>81,529</u>	<u>24,203</u>	<u>1,946</u>
Net (Expenses) Revenues	<u>(1,492,185)</u>	<u>(2,722,699)</u>	<u>(791,072)</u>	<u>(856,223)</u>	<u>(3,139,636)</u>
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	1,643,179	2,651,762	961,938	989,925	3,077,290
Miscellaneous		95,537			160,521
Investment Earnings					
Total General Revenues	<u>1,643,179</u>	<u>2,747,299</u>	<u>961,938</u>	<u>989,925</u>	<u>3,237,811</u>
Change in Net Position	150,994	24,600	170,866	133,702	98,175
Net Position - Beginning					
Adjustment to Beginning Net Position (See Note II)					
Adjusted Net Position - Beginning	202,000	343,256	55,446	173,954	403,176
Net Position - Ending	<u>\$ 352,994</u>	<u>\$ 367,856</u>	<u>\$ 226,312</u>	<u>\$ 307,656</u>	<u>\$ 501,351</u>

Hope Charter School, Inc.	Innovations Middle Charter School	Kid's Community College Orange County Charter School	Lake Eola Charter School, Inc.	Legacy High School, Inc.	Montessori of Winter Garden Charter	Nap Ford Community School, Inc.
\$ 1,868,901	\$ 507,065	\$ 290,155	\$ 957,140 31,195	\$ 677,238	\$ 612,186 49,852	\$ 818,883
5,940		5,231	26,620	5,152	6,115	
12,385	19,353	559	26,729	6,318	5,215	
31,610	53,635	20,173		46,535	47,836	37,486
316,030	239,403	112,586	148,436	138,930	115,853	211,010
		104,369	69,899		5,375	
30,629	11,573	616	49,778	18,495	25,128	
	4,656	12,656				38,199
	19,385					
399,024	272,160	14,775	108,208	279,625	178,665	102,299
224,102		3,209		240		
282,654			103,290		260	
		2,745				
<u>3,171,275</u>	<u>1,127,230</u>	<u>567,074</u>	<u>1,521,295</u>	<u>1,172,533</u>	<u>1,046,485</u>	<u>1,207,877</u>
38,354		10,399	18,111		16,917	
2,400	125,336	4,025		3,500	143,931	127,797
138,650				58,760		
<u>179,404</u>	<u>125,336</u>	<u>14,424</u>	<u>18,111</u>	<u>62,260</u>	<u>160,848</u>	<u>127,797</u>
<u>(2,991,871)</u>	<u>(1,001,894)</u>	<u>(552,650)</u>	<u>(1,503,184)</u>	<u>(1,110,273)</u>	<u>(885,637)</u>	<u>(1,080,080)</u>
2,994,342	1,113,601	450,004	1,527,790	1,233,856	962,515	1,057,444
	286		4,992			
<u>2,994,342</u>	<u>1,113,887</u>	<u>450,004</u>	<u>1,532,782</u>	<u>1,233,856</u>	<u>962,515</u>	<u>1,057,444</u>
2,471	111,993	(102,646)	29,598	123,583	76,878	(22,636)
1,237,743	536,994		623,768	48,003	39,467	163,135
<u>\$ 1,240,214</u>	<u>\$ 648,987</u>	<u>\$ (102,646)</u>	<u>\$ 653,366</u>	<u>\$ 171,586</u>	<u>\$ 116,345</u>	<u>\$ 140,499</u>

ORANGE COUNTY PUBLIC SCHOOLS
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013

	Orlando Science Elementary Charter School, Inc.	Orlando Science Middle/High Charter School, Inc.	The Passport School, Inc.	Pinecrest Creek	Pinecrest Preparatory Charter School
Expenses:					
Instruction	\$ 709,043	\$ 1,654,781	\$ 601,483	\$ 382,120	\$ 681,729
Student Personnel Services	22,971	38,667			
Instructional Media Services	124	2,681			
Instruction and Curriculum Development Services					
Instructional Staff Training Services	2,738	6,407		1,072	3,827
Instruction Related Technology					379
Board	24,169	10,163	16,173	107	6,268
General Administration			55,308		
School Administration	323,392	542,510	230,290	220,966	264,554
Facilities Acquisition and Construction	59,286	547,916		5,602	33,531
Fiscal Services	38,892	82,731	17,764	14,063	27,929
Food Services	7,188	11,979	9,227	110,119	98,461
Central Services	2,293		5,673	43,424	34,593
Student Transportation Services			10,295		
Operation of Plant	55,523	110,159	202,324	124,356	153,790
Maintenance of Plant	1,969	27,415		9,638	16,609
Community Services	19,901	102,279	4,727		18,459
Unallocated Interest on Long-Term Debt		2,316	59,891		
Unallocated Depreciation	11,307	48,629			
Total Expenses	<u>1,278,796</u>	<u>3,188,633</u>	<u>1,213,155</u>	<u>911,467</u>	<u>1,340,129</u>
Program Revenues:					
Charges for Services	8,029	7,397	5,936	6,050	30,891
Operating Grants and Contributions			65,690	143,786	54,471
Capital Grants and Contributions	56,894	146,853	59,891		
Total Program Revenues	<u>64,923</u>	<u>154,250</u>	<u>131,517</u>	<u>149,836</u>	<u>85,362</u>
Net (Expenses) Revenues	<u>(1,213,873)</u>	<u>(3,034,383)</u>	<u>(1,081,638)</u>	<u>(761,631)</u>	<u>(1,254,767)</u>
General Revenues:					
Grants and Contributions Not Restricted to Specific Programs	1,571,953	3,087,843	1,157,858	792,501	1,106,531
Miscellaneous					173,585
Investment Earnings					
Total General Revenues	<u>1,571,953</u>	<u>3,087,843</u>	<u>1,157,858</u>	<u>792,501</u>	<u>1,280,116</u>
Change in Net Position	358,080	53,460	76,220	30,870	25,349
Net Position - Beginning					
Adjustment to Beginning Net Position (See Note II)					
Adjusted Net Position - Beginning		656,483	1,373,384		213,166
Net Position - Ending	<u>\$ 358,080</u>	<u>\$ 709,943</u>	<u>\$ 1,449,604</u>	<u>\$ 30,870</u>	<u>\$ 238,515</u>

Princeton House Charter School, Inc.	Prosperitas Leadership Academy, Inc.	Renaissance Charter School at Chickasaw Trail	"Sheeler Charter High School"	"Sunshine High School"	UCP East Orange Charter School	UCP Transitional Learning Academy Charter School
\$ 2,262,326	\$ 351,911	\$ 1,983,777	\$ 827,462	\$ 595,391	\$ 1,732,647	\$ 330,271
		90,349	205,405	167,601		
		10,440				
		5,331				
748		3,327				
	199,057	33,219				
4,371	31,462	488	19,158	14,967		
47,633	57,397		1,012,792	140,373	1,231,342	176,897
429,140	254,953	322,183	602,410	527,367		
136,840	648					
		271,966	6,720	5,920		
		244,351	152	754		
	22,134	25,051				
	31,200		47,221	36,458		
215,909	212,212	935,494	300,224	391,055		
	34,653	145,497				
124,065	1,763	48,556				
111,540		600,144		27,610		
<u>3,332,572</u>	<u>1,197,390</u>	<u>4,720,173</u>	<u>3,021,544</u>	<u>1,907,496</u>	<u>2,963,989</u>	<u>507,168</u>
86,752		128,825	650			
82,544	65,102	486,284				
60,401	70,588	152,145				
<u>229,697</u>	<u>135,690</u>	<u>767,254</u>	<u>650</u>			
<u>(3,102,875)</u>	<u>(1,061,700)</u>	<u>(3,952,919)</u>	<u>(3,020,894)</u>	<u>(1,907,496)</u>	<u>(2,963,989)</u>	<u>(507,168)</u>
3,446,751	1,273,444	3,779,565	3,016,700	2,066,833	2,983,401	514,545
		364	96,688			
		200				
<u>3,446,751</u>	<u>1,273,444</u>	<u>3,780,129</u>	<u>3,113,388</u>	<u>2,066,833</u>	<u>2,983,401</u>	<u>514,545</u>
343,876	211,744	(172,790)	92,494	159,337	19,412	7,377
2,381,171	15,300		376,326	(51,828)	(491,701)	116,422
<u>\$ 2,725,047</u>	<u>\$ 227,044</u>	<u>\$ (172,790)</u>	<u>\$ 468,820</u>	<u>\$ 107,509</u>	<u>\$ (472,289)</u>	<u>\$ 123,799</u>

ORANGE COUNTY PUBLIC SCHOOLS
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013

	UCP Transitional Learning High School Charter School	UCP Orange Charter School	UCP Pine Hills Charter School	Workforce Advantage Academy Charter High School, Inc.
Expenses:				
Instruction	\$ 181,949	\$ 1,340,630	\$ 374,906	\$ 849,431
Student Personnel Services				
Instructional Media Services				
Instruction and Curriculum Development Services				
Instructional Staff Training Services				
Instruction Related Technology				
Board				7,000
General Administration	215,765	955,944	334,936	
School Administration				358,044
Facilities Acquisition and Construction				85,200
Fiscal Services				92,915
Food Services				
Central Services				
Student Transportation Services				47,010
Operation of Plant				14,291
Maintenance of Plant				36,549
Community Services				
Unallocated Interest on Long-Term Debt				
Unallocated Depreciation				7,877
Total Expenses	<u>397,714</u>	<u>2,296,574</u>	<u>709,842</u>	<u>1,498,317</u>
Program Revenues:				
Charges for Services				
Operating Grants and Contributions				76,220
Capital Grants and Contributions				83,553
Total Program Revenues				<u>159,773</u>
Net (Expenses) Revenues	<u>(397,714)</u>	<u>(2,296,574)</u>	<u>(709,842)</u>	<u>(1,338,544)</u>
General Revenues:				
Grants and Contributions Not Restricted to Specific Programs	401,375	2,506,812	729,247	1,356,048
Miscellaneous				
Investment Earnings				
Total General Revenues	<u>401,375</u>	<u>2,506,812</u>	<u>729,247</u>	<u>1,356,048</u>
Change in Net Position	3,661	210,238	19,405	17,504
Net Position - Beginning				
Adjustment to Beginning Net Position (See Note II)				
Adjusted Net Position - Beginning	36,332	1,565,950	408,280	333,076
Net Position - Ending	<u>\$ 39,993</u>	<u>\$ 1,776,188</u>	<u>\$ 427,685</u>	<u>\$ 350,580</u>

Total Charter Schools	Foundation	Total Component Units
\$ 23,892,411	\$	\$ 23,892,411
1,165,162		1,165,162
15,166		15,166
31,951		31,951
51,455		51,455
232,655		232,655
268,107		268,107
6,353,504	781,174	7,134,678
7,196,962		7,196,962
1,048,666		1,048,666
808,274		808,274
551,363		551,363
147,866		147,866
384,247		384,247
5,202,573		5,202,573
300,430		300,430
559,152		559,152
1,190,365		1,190,365
70,558		70,558
<u>49,470,867</u>	<u>781,174</u>	<u>50,252,041</u>
395,053		395,053
1,484,685		1,484,685
857,718		857,718
<u>2,737,456</u>		<u>2,737,456</u>
<u>(46,733,411)</u>	<u>(781,174)</u>	<u>(47,514,585)</u>
48,455,053	782,805	49,237,858
526,695	35,896	562,591
5,478	15,118	20,596
<u>48,987,226</u>	<u>833,819</u>	<u>49,821,045</u>
2,253,815	52,645	<u>2,306,460</u>
		11,453,563
		<u>1,205,395</u>
10,759,303	1,899,655	12,658,958
<u>\$ 13,013,118</u>	<u>\$ 1,952,300</u>	<u>\$ 14,965,418</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	\$ 14,462,247	\$
National School Lunch Program	10.555 (2)	300	52,969,939	
Summer Food Service Program for Children	10.559	323	1,795,684	
Total Child Nutrition Cluster			69,227,870	
Specialty Crop Block Grant Program - Farm Bill	10.170	None	518	
Fresh Fruit and Vegetable Program	10.582	330	302,790	
Total United States Department of Agriculture			69,531,178	
United States Department of Defense:				
Direct:				
DOD, NDEP, DOTC-STEM Education Outreach Implementation	12.560	N/A	20,908	
Air Force Junior Reserve Officers Training Corps	None	N/A	574,290	
Army Junior Reserve Officer Training Corps	None	N/A	98,835	
Marine Corps Junior Reserve Officer Training Corps	None	N/A	177,389	
Navy Junior Reserve Officers Training Corps	None	N/A	450,620	
Total United States Department of Defense			1,322,042	
United States Department of Justice:				
Indirect:				
Florida Department of Juvenile Justice:				
Juvenile Accountability Block Grants	16.523	20112	34,966	34,507
The City of Orlando:				
Public Safety Partnership and Community Policing Grants	16.710	None	58,975	
Total United States Department of Justice			93,941	34,507
United States Department of Labor:				
Indirect:				
Central Florida Regional Workforce Development Board d/b/a/ Workforce:				
WIA Adult Program	17.258	None	4,046	
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	260,946	
Total United States Department of Labor			264,992	
United States Department of Transportation:				
Indirect:				
National Center for Safe Routes to School:				
Highway Planning and Construction	20.205	None	841	
Total United States Department of Transportation			841	
National Aeronautics and Space Administration:				
Indirect:				
AERO Institute:				
Education	43.008	None	25,665	
Total National Aeronautics and Space Administration			25,665	
National Science Foundation:				
Indirect:				
New York University:				
Education and Human Resources	47.076	None	86,790	
Total National Science Foundation			86,790	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	4,429,895	
Teacher Incentive Funds	84.374	N/A	6,556,029	
Civil Rights Training and Advisory Services	84.004	N/A	12,484	
Safe and Drug Free Schools and Communities - National Programs	84.184	N/A	1,850,261	209,900
Fund for the Improvement of Education	84.215	N/A	831,246	
Transition to Teaching	84.350	N/A	71,016	
School Leadership	84.363	N/A	738,007	
Total Direct			14,488,938	209,900

**ORANGE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2013**

	Federal Domestic Assistance Number	Through Grantor Number	Expenditures (1)	Provided to Subrecipients
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	262, 263	\$ 41,233,156	\$ 871,536
Special Education - Preschool Grants	84.173	266, 267	1,053,042	
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	740	
Total Special Education Cluster			42,286,938	871,536
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	499,346	
ARRA - School Improvement Grants, Recovery Act	84.388	126	2,658,517	
Total School Improvement Grants Cluster			3,157,863	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	1,571,111	
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	53,038,621	649,580
Migrant Education - State Grant Program	84.011	217	512,936	
Career and Technical Education - Basic Grants to States	84.048	161	2,162,124	
Education for Homeless Children and Youth	84.196	127	146,463	
Charter Schools	84.282	298	1,441,411	
Twenty-First Century Community Learning Center	84.287	244	1,133,403	41,086
English Language Acquisition Grants	84.365	102	2,939,913	
Improving Teacher Quality - State Grants	84.367 (6)	224	5,244,645	17,553
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RD3, RL1, RS6, RS7, RS8	5,298,351	
University of Central Florida:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RG4	576,098	
Mathematics and Science Partnerships. Total CFDA No. 84.366 expenditures: \$74,214.	84.366 (5)	235	20,379	
Improving Teacher Quality - State Grants	84.367 (6)	225	230,261	
Washington County School Board:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	None	20,325	
Polk County School District:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RA2	1,587	
Florida State University:				
Mathematics and Science Partnerships	84.366 (5)	235	53,835	
Total Indirect			119,836,264	1,579,755
Total United States Department of Education			134,325,202	1,789,655
Direct:				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	N/A	249,506	
Cooperating Agreements to Supportive Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	N/A	246,665	
Total Direct			496,171	
Indirect:				
Central Florida Regional Workforce Development Board d/b/a/ Workforce:				
Temporary Assistance for Needy Families	93.558	None	1,141	
CCDF Cluster:				
Early Learning Coalition of Orange County:				
Child Care and Development Block Grant	93.575	912	227,350	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	912	102,444	
Total CCDF Cluster			329,794	
Refugee and Entrant Assistance - State Administered Programs	93.566 (7)	None	153,151	
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	None	18,319	
Catholic Charities of Central Florida, Inc.:				
Refugee and Entrant Assistance - State Administered Programs	93.566 (7)	None	613,609	
Orange County, Florida - Family Services:				
Head Start	93.600	None	104,564	
Total Indirect			1,220,578	
Total United States Department of Health and Human Services			1,716,749	
Total Expenditures of Federal Awards			\$ 207,367,400	\$ 1,824,162

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2012-13 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. Includes \$4,890,167 of donated food received during the 2012-13 fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures are \$41,233,896.

(4) State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures are \$5,896,361.

(5) Mathematics and Science Partnerships. Total CFDA No. 84.366 expenditures: \$74,214.

(6) Improving Teacher Quality - State Grants. Total CFDA No. 84.367 expenditures are \$5,474,906.

(7) Refugee and Entrant Assistance - State Administered Programs. Total CFDA No. 93.566 expenditures are \$766,760.



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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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Orange County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 19, 2014



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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 19, 2014

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.063	Federal Pell Grant Program
84.377 and 84.388	School Improvement Grants Cluster
84.395	State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Financial Reporting

Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year, modifies certain requirements for inclusion of discretely presented component units (DPCUs) as part of the District's financial statements. In October 2012 and January 2014, the Florida Department of Education (FDOE) provided guidance directing school districts to report charter schools as DPCUs of school district reporting entities, unless the charter schools were reported as component units of other governmental entities in accordance with generally accepted accounting principles (GAAP).

Other governmental entities reported 3 of the District's 31 charter schools as DPCUs in their financial statements, pursuant to GAAP, allowing the District to exclude discrete presentation of these charter schools as part of the District's financial reporting. District personnel also excluded discrete presentation of the remaining 28 charter schools because District personnel believed the District was not financially accountable for those schools. However, as FDOE concluded that Florida school districts are financially accountable for charter schools for several reasons, the basis upon which the District excluded DPCU presentation of the 28 charter schools was not readily apparent. The financial activities of these 28 charter schools comprise 95 percent of assets, 99 percent of liabilities, 98 percent of revenues, 98 percent of expenses, and 87 percent of net position, of the financial activities reported for aggregate discretely presented component units.

Recommendation: **The District should enhance controls to ensure proper reporting of its discretely presented component units on the District's financial statements.**

Finding No. 2: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public. In addition, State Board of Education (SBE) Rule 6A-1.002(1), Florida Administrative Code (FAC), requires the District to prepare, advertise, and present annual budgets at public hearings for Board approval in a form distributed by the FDOE.

In September 2012 and September 2013, the Board approved the 2012-13 and 2013-14 fiscal year final budgets, respectively, which provided millage levies, estimated revenues, and projected expenditures, and posted the respective budgets on its Web site. Contrary to SBE Rule 6A-1.002(1), FAC, the budgets that were advertised and presented at public hearings for Board approval were not in format prescribed by the FDOE. For example, the FDOE prescribed format requires that expenditures be presented at the function level (e.g., instruction, school administration, operation

of plant); however, the Board-approved budgets were presented by cost center category (e.g., school types, centers, system-wide units). In addition, the 2012-13 and 2013-14 fiscal year budgets that District personnel submitted to the FDOE reported \$110,142,000 and \$183,074,823, respectively, more in projected expenditures and less in projected ending fund balance for the General Fund than the Board-approved budgets posted on the District's Web site.

District personnel indicated that the Board-approved budget provided on the District's Web site provided better clarity in that the expenditures are only based upon new revenues available each year and did not include expenditures for carry-forward funds from the prior fiscal year, which are included in the budget submitted to the FDOE. However, by such practice, the District did not follow the prescribed annual budget form distributed by the FDOE and may have misinformed the FDOE and users of information maintained by the FDOE of the District's projected expenditures and projected ending fund balance for the 2012-13 and 2013-14 fiscal years. Providing Board-approved budget information would enhance the ability of the FDOE, and users of information maintained by the FDOE, to analyze the District's budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should enhance its procedures to ensure that budgets are prepared, advertised, presented at public hearings for Board approval, and submitted to FDOE in the prescribed format pursuant to SBE Rule 6A-1.002(1), FAC.

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains titles of bank accounts subject to the agreements and the manual signatures of the employees authorized to initiate EFTs.

During the 2012-13 fiscal year, the District used EFTs to make vendor payments, health insurance payments, purchases and sales of investments, debt service payments, and direct deposit of employee pay and other payroll related activity, such as payroll taxes to the Internal Revenue Service and retirement contributions to the Florida Retirement System. According to District records, cash and investments totaling \$1.67 billion were available for electronic transfer at June 30, 2013.

While the District used written processes, such as use of EFT control documents that identified employees who initiated and authorized EFTs, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes. As of January 2014, District personnel indicated that a policy had been drafted and was currently awaiting review by the District's legal counsel. Although our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of Board-approved written policies and procedures increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes.

Recommendation: The Board should adopt written policies and procedures related to EFTs, including the use of electronic signatures.

Finding No. 4: E-Payable Rebates

The District maintains an e-Payables program through a financial institution as a convenient option for vendors to receive payments. As an incentive, the District receives annual rebates from the financial institution for the program with the amounts being determined based on the dollar amount of e-Payables payments during the annual period. During the period October 1, 2011, through September 30, 2012, the District had e-Payables payments totaling \$11,909,755, resulting in receipt of a \$188,755 rebate.

The \$188,755 rebate received by the District included approximately \$94,700 and \$40,200 that were generated by payments using District moneys in the General Fund for expenditures that were charged back to the special revenue and capital project funds, respectively. However, the rebate was not allocated to the funds from which the expenditures were charged. Instead, the entire \$188,755 rebate was recognized as revenue and applied to the General Fund, which is used for general operating purposes.

District personnel indicated that, in their opinion, because the e-Payables program is a payment method, and the payments were made out of the General Fund, the rebate should reside in the General Fund. However, the payments represented expenditures from restricted funds, and as certain Federal and State resources are typically restricted by Federal or State law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources.

Recommendation: The District should consult with the appropriate Federal cognizant agency and the Florida Department of Education for resolution on the use and allocation of rebates received on e-Payables payments.

Finding No. 5: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that, on or after July 1, 2011, a unit of government that enters into an employment agreement that contains a provision for severance pay with an officer, agent, employee, or contractor must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation.

On April 24, 2012, the Board approved an employment agreement with the Superintendent. The terms of the agreement provide for an employment period of May 15, 2012, through June 30, 2016. The employment agreement states that if the Superintendent is terminated without cause, the Board will pay the Superintendent a sum equivalent to six months of her base salary. Also, beginning on July 1, 2013, and on July 1 of each successive year, the severance compensation will be increased by one additional month to a maximum of 12 months of base salary. This provision is contrary to Section 215.425(4)(a), Florida Statutes, as it allows for severance pay that exceeds 20 weeks of salary.

In response to our inquiry, the District's general counsel indicated that Section 1001.50, Florida Statutes (2011), provided that the District could enter into an employment agreement that permitted the District to pay the Superintendent up to one-year's salary upon termination, buyout, or contract settlement. In addition, the general counsel noted that Section 215.425, Florida Statutes, applied to employment contracts entered into effective

July 1, 2011, and conflicted with Section 1001.50, Florida Statutes (2011), and based on the more specific language of Section 1001.50, Florida Statutes, allowed the Board discretion to adopt a contract with a severance pay provision of up to a year.

However, the provisions of Section 215.425(4)(a), Florida Statutes, were created by Chapter 2011-143, Laws of Florida, which was effective July 1, 2011. Also, Sections 1001.50 and 215.425, Florida Statutes (2011), were not in conflict because both laws could have been complied with by applying the more restrictive provisions set forth in Section 215.425(4)(a), Florida Statutes.

Recommendation: The District should ensure that future employment agreements contain severance pay provisions that are in accordance with Section 215.425(4)(a), Florida Statutes. The District should also take appropriate action to amend the Superintendent's employment agreement to be consistent with Section 215.425(4)(a), Florida Statutes.

Follow-up to Management's Response:

The District indicated in its response that each school board had the discretion to allow severance compensation to superintendents for up to one year of compensation prior to July 1, 2012. However, as the Superintendent's employment agreement is within the purview of Section 215.425(4)(a), Florida Statutes, we remain of the opinion that the severance pay provision in the Superintendent's employment agreement is not consistent with existing law. In determining its actions to resolve this audit finding, the District should seek a legal opinion from the Florida Attorney General regarding its interpretation of the law.

Finding No. 6: Bus Drivers

SBE Rule 6A-3.0141(4) and (9), FAC, require that the District at least annually ensure that personnel, prior to transporting students on school buses, hold valid commercial driver licenses with passenger and school bus endorsements and maintain a valid medical examiner's certificate.

The District employed 1,068 bus drivers during the 2012-13 fiscal year and monitoring procedures over school bus drivers were generally adequate as District personnel weekly reviewed bus driver history records to confirm that drivers were appropriately licensed. However, our comparison of District records and Florida Department of Highway Safety and Motor Vehicles (FDHSMV) records disclosed that 2 bus drivers had suspended commercial vehicle driving licenses while one drove regularly scheduled bus routes from May 21, 2013, to June 5, 2013, and the other drove regularly scheduled bus routes from March 4, 2013, to June 4, 2013.

The District was initially unaware of the two license suspensions, which occurred for lack of the medical examiner's certificates required by SBE Rule 6A-3.0141(9)(c), FAC. The District's Transportation Services Safe Driver Plan Appeals Review Committee reviewed the suspension of one of the drivers and did not issue any disciplinary action because, according to District personnel, the employee did not receive notification of the suspension prior to the employee visiting a FDHSMV office, and immediately provided the required medical examiner's certificate. District personnel indicated that the other bus driver, upon a driver's license check, became aware of the license suspension and supplied the required medical examiner's certificate on the following day. After receipt of the required medical examiner's certificates, the FDHSMV restored the licenses of the two school bus drivers.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that the District ensure that valid medical examiner's certificates are maintained and timely submitted to ensure the drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure that school bus drivers are appropriately licensed to drive school buses.

Finding No. 7: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE's instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. In addition, instructional contact hours must be within the constraints of reasonable attendance hours, which should be the number of hours they are reasonably expected to attend.

For the 2012-13 fiscal year, the District reported to the FDOE 1,918,344 instructional contact hours for 10,534 students enrolled in 23,142 adult general education classes. Our review of 2,993 hours reported for 20 students enrolled in 20 adult general education classes disclosed 126 hours over-reported for 5 students in 5 classes primarily because the students had incurred at least six consecutive absences, but District personnel did not procedurally withdraw the students, contrary to FDOE guidance.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE.

Finding No. 8: Virtual Instruction Program - Provider Contracts

Section 1002.45(4), Florida Statutes, requires that each contract with a FDOE-approved virtual instruction program (VIP) provider contain certain provisions. Contracts must, at a minimum, require a detailed curriculum plan and a method for determining that a full-time student in grades 9 through 12 has satisfied the requirements for graduation, specify the authorized reasons for contract terminations and a method for resolving conflicts among the parties, and require that the approved provider be responsible for all debts of the VIP if the contract is not renewed or is terminated, and require the approved provider to comply with all requirements of Section 1002.45, Florida Statutes.

For the 2012-13 fiscal year, the District renewed contracts with two FDOE-approved VIP providers; however, the contracts contained deficiencies and lacked some statutorily required provisions, as follows:

- Neither contract included agreed-upon student-teacher ratios, contrary to Section 1002.45(2)(a)7.¹, Florida Statutes, which requires that FDOE-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to Section 1002.45, Florida Statutes. Further, the District didn't establish student-teacher ratio thresholds for contracted VIP classes to allow for evaluations of the reasonableness of such ratios. Without establishing such ratios or ratio thresholds in the contracts or documenting evaluations of the reasonableness of the ratios, the number of students in VIP classes may exceed the District's expectations and the District's ability to monitor the quality of the providers' virtual instruction may be limited.
- One contract lacked a provision requiring providers to be responsible for all debts of the VIP if the contract was not renewed or was terminated, contrary to Section 1002.45(4)(e), Florida Statutes. The inclusion of such a provision would strengthen the District's position in the event of a challenge by a provider.
- Neither contract provided for the District to monitor the providers' compliance with contract terms. Absent such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.
- Neither contract included a provision allowing the District to monitor the provider's quality of virtual instruction. Such monitoring could include review of provider processes and instruction techniques to ensure educational services appropriately meet student needs.

Recommendation: The District should enhance procedures to ensure that statutorily required and other necessary provisions are included in contracts with FDOE-approved VIP providers.

Finding No. 9: Virtual Instruction Program - Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely written notification of the open enrollment periods for their VIPs.

District records indicated that personnel mailed notices to parents of the enrollment period of VIP programs for the 2012-13 school year; however, the mailings were not timely as they were made at least one month after the start of the enrollment period. Without timely written notification provided directly to parents, some students may not be informed of available VIP options and the associated enrollment periods, contrary to State law and potentially resulting in limited student access to virtual instruction types.

Recommendation: The District should enhance its procedures to ensure timely written notifications to parents about student opportunities to participate in VIPs and open enrollment period dates.

Finding No. 10: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only

¹ Renumbered as Section 1002.45(2)(a)8., Florida Statutes.

the responsible end-users can originate or correct transactions and initiate changes to data files and IT employees and contractors are restricted from performing end-user functions. Periodic reviews of IT access privileges are necessary to ensure that employees and contractors can only access IT resources that are necessary to perform their job responsibilities and that assigned privileges enforce an appropriate separation of incompatible responsibilities.

District procedures did not provide for the periodic review and approval of employee access privileges. Our tests of selected access privileges to the District's Enterprise Resource Planning (ERP) system, including finance and human resources (HR) applications, disclosed that 26 Information Communications and Technology Services (ICTS) Department employees and one contractor had the ability to setup and run electronic funds transfers within the finance application. In addition, the 26 ICTS employees had the ability to add an employee, setup a direct deposit job, run the direct deposit job, and add and update job codes. One contractor also had the ability to update job codes. Twenty-four of these employees also had the ability to change an employee's address, add or update pay rates and pay grades, and make payroll adjustments. The access privileges granted were unnecessary to the employees' or the contractor's assigned IT duties related to the technical support of the District's ERP applications and were contrary to an appropriate separation of IT and end-user duties. District personnel indicated that the questioned access privileges for these employees were removed after our inquiry.

Although the District had certain compensating controls (e.g., bank agreements, electronic transfer approval documents, and weekly review and approval of payroll action reports), the existence of these inappropriate and unnecessary access privileges indicated a need for a review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2008-014 and 2011-165.

Recommendation: The District should develop procedures for the review of access privileges and remove inappropriate or unnecessary access privileges detected.

Finding No. 11: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

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

Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication and logging and monitoring of system activity were communicated to District management in connection with our report Nos. 2008-014 and 2011-165.

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

Finding No. 12: Information Technology – Written Policies and Procedures

Each IT function needs complete, well-documented management procedures to describe the scope of the function and its activities. Such procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

District personnel indicated that a written policy for the sanitization of hardware had been approved and implemented in October 2013, containing provisions to identify devices required to be sanitized and processes to be used for sanitization of these devices. However, because of personnel changes in the District's Chief Information Officer position, ICTS management had not developed written procedures for the authorization, approval, maintenance, and deactivation of user access for the District's network, operating system, and database.

Without such written and approved procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. A similar finding was noted in our report Nos. 2008-014 and 2011-165.

Recommendation: The District should establish written procedures to document management's expectations for the performance of the IT functions described above.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	Financial and Federal Single Audit		Operational	
	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers	2006-07 Fiscal Year Audit Report and Finding Numbers
10	NA	NA	Audit Report No. 2011-165, Finding No. 8	Audit Report No. 2008-014, Finding No. 1
11	NA	NA	Audit Report No. 2011-165, Finding No. 8	Audit Report No. 2008-014, Finding No. 1
12	NA	NA	Audit Report No. 2011-165, Finding No. 8	Audit Report No. 2008-014, Finding No. 1

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

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Ernst & Young, LLP 2012-01	State Fiscal Stabilization Fund (SFSP) - Race-to-the-Top Incentive Fund, Recovery Act - Allowable Costs/Cost Principles	The District expended grant moneys for gifts and promotional materials, contrary to Federal regulations, resulting in questioned costs of \$14,425.	Partially corrected.	At June 30, 2013, the District was in discussions with the City Year Orlando program to utilize this RTTT-funded equipment in accordance with approved allowable activities for the program. Subsequent to June 30th, an agreement was executed and the equipment is now being used in compliance with the grant guidelines.

EXHIBIT A
MANAGEMENT'S RESPONSE



Orange County Public Schools

445 West Amelia Street • Orlando, FL 32801-1129 • Phone 407.317.3200 • www.ocps.net

March 18, 2014

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

RE: Audit of Orange County District School Board – Fiscal Year Ended June 30, 2013

Dear Mr. Martin:

Per your letter dated February 18, 2014, the following represents our responses to the findings noted.

Finding No. 1: Financial Reporting

Response: The District purposely did not initially report charter schools as part of its financial statements. It is our opinion, after thoroughly reviewing GASB Statements 14, 39, and 61; the GASB Codification of Governmental Accounting and Financial Reporting Standards; and the GASB Comprehensive Implementation Guide Updated through June 30, 2013; that the District's charter schools do not meet the criteria for inclusion in the District's financial statements. The sources noted are all included in the hierarchy of generally accepted accounting principles, Section 1000.101, GASB Codification of Governmental Accounting and Financial Reporting Standards. However, based on the FDOE guidance as noted in the finding, we have included the charter schools as component units herein.

Finding No. 2: Budget Transparency

Response: For several years, the District has provided extensive supplemental information as requested by the Board in its work sessions, public hearings and Summary Budget. We will enhance the budget presentation to include a functional breakdown that also includes carryover balances. We will also enhance the fund balance forecast and presentation to go beyond the Board's required contingency amount.

Finding No. 3: Electronic Funds Transfers

Response: The District has extensive written internal control procedures related to electronic funds transfers that have been reviewed in previous audits. Written Board policies have been developed and approved by the Superintendent's Cabinet and the Board's General Counsel. These policies will be adopted upon conclusion of the public hearing process.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: E-Payable Rebates

Response: As noted in the finding, the District believes that the e-Payables program is strictly a payment method and therefore, any rebate earned is not specific to the payment's funding source. The District is not currently aware of any requirement to allocate e-Payable rebates back to the funding source.

Finding No. 5: Severance Pay

Response: From the outset it should be noted that this response to Audit Finding No. 5 has been prepared by the General Counsel for Orange County Public Schools on behalf of the District. Because this finding pertains specifically to the Superintendent's contract, this response, as well as the prior documentation and the prior memorandum submitted to the Office of the Auditor General, have all been independently prepared by the General Counsel and without influence or direction from the Superintendent so as to avoid any potential conflict of interest in the District's response.

On March 11, 2013 a memorandum was issued which stated that there was sufficient legal basis for the severance language that was included in Section 9.2 of the Superintendent's contract as approved by the Orange County School Board and entered on April 24, 2012. As Finding No. 5 correctly states, our office contrasted the application of the two pertinent statutory provisions in effect at the time the Superintendent's contract was adopted on April 24, 2012. As of that date, Section 215.425(4)(a), Florida Statutes, read as follows:

(4)(a) On or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an officer, agent, employee, or contractor must include the following provisions in the contract:

1. ***A requirement that severance pay provided may not exceed an amount greater than 20 weeks of compensation.***
2. A prohibition of provision of severance pay when the officer, agent, employee, or contractor has been fired for misconduct, as defined in s. 443.036(30), by the unit of government. ***(Emphasis added).***

Also as of April 24, 2012, there was also a more specific provision of Florida law, Section 1001.50, F.S. (2011), which applied only to contracts between Superintendents and School Districts and read in relevant part as follows:

(2) The district school board of each of such districts shall enter into contracts of employment with the district school superintendent and shall adopt rules relating to his or her appointment; ***however, the district school board may not enter into an employment contract that requires the district to pay from state funds a superintendent an amount in excess of 1 year of the superintendent's annual salary for termination, buyout, or any other type of contract settlement.*** This subsection does not prohibit the payment of earned leave and benefits in accordance with the district's leave and benefits policies which were accrued by the superintendent before the contract terminates. ***(Emphasis added).***

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

The Florida Legislature, in the 2012 session, adopted Chapter 2012-133, Laws of Florida, which modified **Section 1001.50, F.S. (2011)**, regarding the employment of Superintendents. That substantive change to Section 1001.50, F.S., was not effective until July 1, 2012. As modified, Section 1001.50, F.S. (2012), was amended to read as follows:

- (2) Each district school board shall enter into an employment contract with the district school superintendent and shall adopt rules relating to his or her appointment; ***however, if the employment contract contains a provision for severance pay, it must include the provisions required by s. 215.425.*** (Emphasis added)

Clearly, the Legislature has the ability to impact the terms and conditions of employment contracts for governmental employees. And as such, in the 2011 session, the Legislature sought to limit the severance provisions in contracts for all employees except for Superintendent. Had they also intended to impact the provisions in contracts with Superintendents, Section 1001.50, F.S., would have been modified in the 2011 legislative changes. Thus from July 1, 2011 through June 30, 2012, most state employment contracts were limited pursuant to Section 215.425, F.S., but superintendent contracts were subject to the more specific mandates of Section 1001.50, F.S.

It is my contention that, it was not until July 1, 2012, when Chapter 2012-133 became effective, that the provisions of Section 215.425, F.S., also applied to Superintendent contracts. And because that legislation did not have a retroactive effective date, contracts that were entered into prior to July 1, 2012, that contain severance provisions inconsistent with Section 215.425, F.S., remain valid contracts until such time as they expire, are modified or are renewed.

Where the Office of the Auditor General and the OCPS Office of Legal Services differ is in our interpretation of Florida Statutes with regard to these two provisions. It remains my opinion that well established concepts of law provide that when there are conflicting provisions of law, the more specific language has supremacy over the less specific language. In this instance, Section 1001.50, Florida Statutes (2011), is clearly the more restrictive language in that its application is limited to employment contracts entered into between Superintendents and School Boards. Because of the responsibilities for Superintendents and the limited number of opportunities to serve in the state in that capacity, it could be argued that, as sound public policy, the Legislature intended for Superintendent contracts to have different restrictions on the length of their severance package provisions.

As such, it was left up to the discretion of each School Board to allow for severance compensation of up to but not to exceed one year. Because the enabling legislation for Section 215.425, Florida Statutes, did not reference Section 1001.50, Florida Statutes, nor limit its application, it stood as good law for the period from July 1, 2011 until June 30, 2012. This is of course, a legal matter and one in which there may be difference of opinion, but absent a ruling from a court of competent and binding jurisdiction our office does not agree with the interpretation offered by the Office of the Auditor General.

In reviewing the recommendations, it is undisputed that the District has and will continue to enforce the provisions of Section 215.425, Florida Statutes to all contracts entered into after July 1, 2012. Any prior contracts can only be modified if (a) there is mutual agreement of the parties or (b) if the contract is terminated and/or modified or (c) if there is a determination that the contract is null and void. Because the Superintendent's contract was executed prior to July 1, 2012, and because Section 1001.50, Florida Statutes, renders the provisions of Section 215.425, Florida Statutes inapplicable as it pertains to the severance provisions in a Superintendent's contract, then there is no real basis for the District to

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

unilaterally amend or demand an amendment to the Superintendent's contract, absent her consent. However, if the contract is amended in the future, Section 9.2 of the contract will absolutely be modified to comply with the requirements of the law.

Finding No. 6: Bus Drivers

Response: It was determined that in both cases, the driver's possessed the appropriate medical cards, but failed to have them on file with the DMV office. We have enhanced procedures to monitor pending disqualifications or suspensions.

Finding No. 7: Adult General Education Classes

Response: All administrators have been notified of the withdrawal policy and given appropriate instruction. The standard operating procedures have been updated for the 2013/14 school year. The catalog for the 2014/15 school year will reflect the current withdrawal policy.

Finding No. 8: Virtual Instruction Program – Provider Contracts

Response: Our general counsel will provide due diligence to ensure that all contracts contain all required provisions as stated by statute and by audit.

Finding No. 9: Virtual Instruction Program – Written Parental Notifications

Response: Orange County Virtual School has developed a new messaging system for Administrators to send home verification of virtual opportunities for students, according to the statute requirements.

Finding No. 10: Information Technology – Access Privileges

Response: IT staff along with functional area business process specialists will develop a process for the review of assigned access privileges, by identifying critical functions, establishing proper separation of duties and appropriate separation of incompatible responsibilities. The review will result in the removal of unnecessary or inappropriate access. The procedures will be documented and finalized by the end of 2013-2014 fiscal year.

Finding No. 11: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

Response: The District is consulting with the senior leadership to define an approach to a comprehensive data loss prevention program which will address the specific confidential findings. We anticipate this to be a comprehensive plan that will address logging and monitoring procedures for active directory, database, operation system and ERP application. We are also conducting research on other districts' practices and industry best practices.

Finding No. 12: Information Technology – Written Policies and Procedures

Response: The district has finalized the sanitization of hardware policy and will distribute to school based technology representatives, system engineers and surplus personnel. The district will

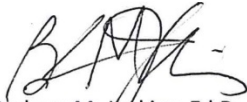
EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

document its current automated process of activation, deactivation and authorization of network and SAP user accounts. The procedures will also address the authorization, approval, maintenance, activation and deactivation of district's operating system and database. The procedures will be documented by the end of 2013-2014 fiscal year.

Respectfully submitted,



Richard L. Collins, CPA
Chief Financial Officer



Barbara M. Jenkins, Ed.D
Superintendent