

FINANCIAL STATEMENTS – SALES TAX AND
CAPITAL RENEWAL CAPITAL PROJECTS FUNDS

Orange County Public Schools
Year Ended June 30, 2014
With Report of Independent Certified Public Accountants

Ernst & Young LLP



Orange County Public Schools

Financial Statements

Year Ended June 30, 2014

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Report of Independent Certified Public Accountants

The Members of the School Board
The Members of the Citizens' Construction Oversight and
Value Engineering Committee (COVE)
Orange County Public Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the Sales Tax and Capital Renewal Capital Projects Funds of Orange County Public Schools (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 conducted our audit in accordance with auditing standards generally accepted in 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sales Tax and Capital Renewal Capital Projects Funds of the District at June 30, 2014, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the sales tax and capital renewal capital projects funds and do not purport to, and do not, present fairly the financial position of the District at June 30, 2014, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

December 17, 2014

Orange County Public Schools

Balance Sheet – Sales Tax and Capital Renewal Capital Projects Funds

June 30, 2014

	Sales Tax Fund	Capital Renewal Fund
Assets		
Investments	\$ 277,984,540	\$ 416,151,749
Interest receivable	–	1,080,274
Due from other agencies	14,676,469	–
Total assets	\$ 292,661,009	\$ 417,232,023
 Liabilities and fund balance		
Liabilities:		
Accounts payable	\$ 3,844,100	\$ 401,887
Construction contracts payable	9,306,698	–
Construction contracts payable – retained percentage	8,106,747	–
Total liabilities	21,257,545	401,887
Fund balance:		
Restricted	271,403,464	416,830,136
Total fund balance	271,403,464	416,830,136
Total liabilities and fund balance	\$ 292,661,009	\$ 417,232,023

The accompanying notes are an integral part of the financial statements.

Orange County Public Schools

Statement of Revenues, Expenditures, and Changes in Fund Balance – Sales Tax
and Capital Renewal Capital Projects Funds

Year Ended June 30, 2014

	Sales Tax Fund	Capital Renewal Fund
Revenues		
Local sales taxes	\$ 191,770,163	\$ –
Investment income	3,140,339	7,606,744
Total revenues	194,910,502	7,606,744
Expenditures		
Facilities acquisition and construction	157,391,424	3,326,017
Excess of revenues over expenditures	37,519,078	4,280,727
Other financing (uses) sources		
Transfers (out) in – capital renewal fund	(63,380,900)	63,380,900
Total other financing (uses) sources	(63,380,900)	63,380,900
Net change in fund balance	(25,861,822)	67,661,627
Fund balance, beginning	297,265,286	349,168,509
Fund balance, ending	\$ 271,403,464	\$ 416,830,136

The accompanying notes are an integral part of the financial statements.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds

June 30, 2014

1. Summary of Significant Accounting Policies

Reporting Entity

Orange County Public Schools (the District) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education.

The governing body of the District is the Orange County District School Board (the Board) that is composed of eight elected members, one of which is a Board Chairman. The appointed Superintendent of Schools (Superintendent) is the executive officer of the Board. Geographic boundaries of the District correspond with those of Orange County, Florida.

Pursuant to Section 1001.51(11)(f), *Florida Statutes*, the Superintendent is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the Florida State Board of Education.

The accompanying financial statements present only the activities of the Sales Tax Capital Projects Fund (Sales Tax Fund) and Capital Renewal Capital Projects Fund (Capital Renewal Fund) of the District (collectively referred to as the Funds) and were prepared for the purpose of demonstrating compliance with School Board Resolution No. 05/02/02 NC-1. These financial statements are not intended to present the basic financial statements of the District.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Due to the omission of “government-wide” (full accrual) financial statements and related disclosures, including management’s discussion and analysis, these financial statements do not constitute a complete presentation of the financial position of the Funds as of June 30, 2014, and the changes in their financial position for the year then ended, in conformity with Government Accounting Standards Board Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles.

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 Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The Funds' 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 sales taxes and interest on investments. The District considers revenues from sales taxes as available if they are collected within sixty (60) days after year-end. Expenditures are recorded when the fund liability is incurred.

The District has designated the Sales Tax Fund to account for the financial resources generated by sales tax and other local sources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects. The major revenue source of the Sales Tax Fund is the half-penny sales tax approved by the voters in Orange County, Florida in 2002, with an effective date of January 1, 2003 (See Subsequent Event). This revenue is collected by local businesses, sent to the Florida Department of Revenue, and then remitted to the District. The reported expenditures of the Sales Tax Fund for the year ended June 30, 2014, include program management and insurance costs of \$2,946,115 and \$145,125 respectively. These costs are allocated to the projects based on the amount of expenditures incurred.

The Capital Renewal Fund is to be used for the replacement of major school building systems and components that are needed to preserve the efficient operation of school facilities. The funds are not intended for the initial renovation of the remaining schools on the original list of 136 schools to be funded from sales taxes. The funds are not intended for routine maintenance of school facilities or to pay for project elements which cost less than \$50,000. The Capital Renewal Fund is funded primarily by transfers from the Sales Tax Fund.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

1. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of amounts placed with various money market mutual funds which hold a majority of U.S. government securities, municipal securities and repurchase agreements. Investments also consist of the State of Florida’s Special Purpose Investment Account (SPIA) authorized in Section 17.61(1), Florida Statutes, Florida Prime (formally SBA), Florida Education Investment Trust Fund (FEITF), and United States government securities. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 like fund. The investment in the SPIA is rated A+f by Standard & Poor’s. The investment earnings from the money market funds are allocated to each fund based on end of month investment balances in that fund. 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.

2. Investments

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

Sales Tax Fund Investment	Fair Value	Investment Maturities Less Than 6 Months
FL Special Purpose Investment Account (SPIA)	\$ 190,846,110	\$ 190,846,110
FL Prime (formally SBA)	70,499,825	70,499,825
Florida Education Investment Trust Fund	16,638,605	16,638,605
Total Investments	<u>\$ 277,984,540</u>	<u>\$ 277,984,540</u>

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

2. Investments (continued)

Capital Renewal Fund Investment	Fair Value	Investment Maturities Less Than				
		6 Months	1 Year	2 Years	5 Years	After
FL Special Purpose						
Investment Account (SPIA)	\$ 101,610,657	\$ 101,610,657	\$ –	\$ –	\$ –	\$ –
FL Prime (formally SBA)	37,535,654	37,535,654	–	–	–	–
Florida Education Investment						
Trust Fund	8,858,759	8,858,759	–	–	–	–
Corporate Bonds	122,038,074	20,113,280	24,484,582	5,110,845	72,329,367	–
Obligations of United States Government Agencies and Instrumentalities, and Municipal Bonds	146,108,605	4,514,974	–	13,847,046	90,830,990	36,915,595
Total Investments	<u>\$ 416,151,749</u>	<u>\$ 172,633,324</u>	<u>\$ 24,484,582</u>	<u>\$ 18,957,891</u>	<u>\$ 163,160,357</u>	<u>\$ 36,915,595</u>

Interest Rate Risk

District policies limit the maturity of investments to 5 year weighted average life as a means of limiting its exposure to fair value losses arising from rising interest rates. Also, at least 3 months of average disbursements should be invested in highly liquid funds with a maturity range of 0-90 days.

The District has \$146,108,605 in obligations of the United States Government Sponsored Agencies/Federal Instrumentalities and Municipal Bonds and \$122,038,074 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 June 2021.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

2. Investments (continued)

Credit Risk

Investments authorized by District policy are:

- a. Direct Obligations of the US Treasury;
- b. US Government Sponsored Agencies or Federal Instrumentalities;
- c. Investment in Florida Prime Funds;
- d. Investment in the Florida Special Purpose Investment Account;
- e. Investment in the Florida Education Investment Trust Fund;
- f. Certificates of Deposit and Savings Accounts;
- g. Repurchase Agreements;
- h. State and/or Local Government Taxable or Tax-Exempt Debt;
- i. Corporate Notes;
- j. Commercial Paper;
- k. Money Market Mutual Funds;

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

2. Investments (continued)

Custodial Credit Risk

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 a 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 Fund’s \$146,108,605 investments in obligations of United States Government Agencies and Instrumentalities, and Municipal Bonds and \$122,038,074 in Corporate Bonds are held by the safekeeping agent, in the name of the District.

Concentration of Credit Risk

Composition of investment portfolio is limited by District policy to:

Direct obligations of the U. S Treasury	100%
U. S. Government Sponsored Agencies (Federal Instrumentalities)	80%
Florida Prime Fund	100%
Florida Special Purpose Investment Account	100%
Florida Education Investment Trust Fund	100%
Certificates of Deposit and Savings Accounts	100%
Repurchase Agreements, fully collateralized by Direct Obligations of U.S. Government Securities	30%
State and/or Local Govt. Taxable or Tax-Exempt Debt	20%
Corporate Notes	20%
Commercial Paper	30%
Money Market Funds	100%

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

2. Investments (continued)

As of June 30, 2014, the Funds' investments in the State of Florida Special Purpose Investment Account totaled \$292,456,767 which is rated A+f by S&P with a weighted maturity of 2.57 years. These funds allocate investment earnings monthly.

As of June 30, 2014, the District investments in 2 SBA accounts totaled \$108,035,479 which are 2a-7 like funds with a weighted maturity of 40 days and are AAA rated by S&P. These funds allocate investment earnings monthly.

As of June 30, 2014, the District investments in the Florida Education Investment Trust Fund totaled \$25,497,364. These funds are rated AAAM by S&P. The fund is also a 2a-7 fund with a weighted maturity of 51 days.

As of June 30, 2014, the Funds' investments in corporate bonds were \$122,038,074. All of which are rated A.

As of June 30, 2014, the Funds' investments in government obligations and municipal bonds were \$146,108,605. All of which are rated A or higher.

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

3. Due from Other Agencies

Due from other agencies is the amount due from the Florida Department of Revenue for sales tax collections. These amounts were collected by businesses through June 30, 2014, and remitted in July and August 2014.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

4. Interfund Transfers

The amount transferred each year, from the Sales Tax Fund to the Capital Renewal Fund, is 2.4% of the beginning of the year cumulative capital expenditures in all the capital funds since fiscal year 2003. This transfer is to fund the replacement of major school building system components that will be needed to preserve the efficient operation of the school facilities that were constructed or renovated since fiscal year 2003. During fiscal year ended June 30, 2014, interfund transfers in the amount of \$63,380,900 were transferred from the Sales Tax Fund to the Capital Renewal Fund.

5. Other Fund Activities

The American Recovery and Reinvestment Act of 2009 (ARRA) was enacted to provide a stimulus to the economy including provisions for alternative forms of financing public school facilities. The Act authorizes the issuance of obligations called “qualified school construction bonds” (QSCBs or COPS) for the construction, renovation or repair of a public school facility, or for the acquisition of land on which such a facility is to be constructed.

In fiscal year 2010, pursuant to the Recovery Act, the District was allocated the authority to issue up to \$35,824,000 aggregate principal amount of QSCBs during calendar year 2009. Holders of QSCBs are entitled to a tax credit in an amount determined by the Secretary of the Treasury on each business day. The Series 2009B QSCBs were issued in the amount of \$35,823,500 under the Master Lease Program in the form of Certificates of Participation during the 2010 fiscal year. The proceeds of the COPS were designated to be used to finance the projects specified as (i) Westridge Middle School and Walker Middle School remodeling and renovation project and (ii) correction of outstanding deficiencies at various schools throughout the District. The construction project was originally planned to be constructed using Sales Tax revenues.

The costs of the actual construction of the Westridge Middle School and Walker Middle School project are charged in the Series 2009B QSCB Capital Project Fund where the proceeds were recorded. The Trustee, who actually holds the proceeds, reimburses the District for these expenditures. Funds were transferred in fiscal year 2010 from the Sales Tax Fund to the Series 2009B QSCB Debt Service Fund in the amount of \$35,820,000 to cover the debt service on the QSCBs (COPS) for this project. All interest earned in this fund will be retained in the fund to be used for repayment of the specified outstanding COPS, including an average supplemental interest coupon of 1.1499390%. Any proceeds remaining in the fund at the end of the repayment schedule will be returned to the Sales Tax Fund to be used for other eligible projects.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

5. Other Fund Activities (continued)

In fiscal year 2011, pursuant to ARRA, the District was allocated the authority to issue up to \$36,229,000 aggregate principal amount of QSCBs. Although initially QSCB's were tax credit bonds, as a result of amendments to the Recovery Act contained in the Hiring Incentives to Restore Employment Act (the HIRE Act), effective March, 2010, QSCB's are now issued as current interest paying taxable bonds, with an interest subsidy from the U.S. Treasury at a rate equal to the tax credit rate otherwise applicable to the QSCB's on the date of sale. The subsidy received by the District covers 100% of the interest payable on the QSCB resulting in interest free financing for the District. The 2010A QSCBs were issued in the amount of \$36,229,000 in fiscal year 2011 under the Master Lease Program in the form of Certificates of Participation. The proceeds of the COPs were designated to be used to finance the projects specified as Arbor Ridge K-8, Eccleston Elementary School and Sun Blaze Elementary School. The Arbor Ridge K-8 and Eccleston Elementary School construction projects were originally planned to be constructed using Sales Tax revenues.

The costs of the actual construction of the Arbor Ridge K-8, Eccleston Elementary School and Sun Blaze Elementary School projects are charged in the Series 2010A QSCB Capital Project Fund where the proceeds were recorded. The Trustee, who actually holds the proceeds, reimburses the District for these expenditures. Funds were transferred from the Sales Tax Fund to the Series 2010A QSCB Debt Service Fund in the amount of \$23,436,330 during the 2011 fiscal year to cover the future debt service on the QSCBs (COPs) for this project. All interest earned in this fund will be retained in the fund to be used for repayment of the specified outstanding COPs. Any proceeds remaining in the fund at the end of the repayment schedule will be returned to the Sales Tax Fund to be used for other eligible projects. Since the net interest rate on the QSCB's after federal subsidy will be approximately 0% and the District was able to purchase a Guaranteed Investment Contract at the maximum rate of return permitted by IRS restrictions, the District transferred to the Debt Service Fund the net amount needed to cover the principal and interest payments in the amount of \$23,436,330.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

5. Other Fund Activities (continued)

The charts below show a summary of the activity in the QSCB 2010 and 2009 Capital Projects and Debt Service Funds:

Related Activity in Other Capital Projects Funds - Cumulative Through June 30, 2014

	Capital Projects	
	QSCB 2010	QSCB 2009
Revenues		
Interest earnings	\$ 136,319	\$ 58,869
Total revenues	136,319	58,869
Expenditures		
Walker MS	–	25,279,279
Westridge MS	–	10,282,318
Sun Blaze ES	13,570,098	–
Eccleston ES	10,538,095	–
Arbor Ridge K-8	12,118,553	–
Total expenditures	36,226,746	35,561,597
Excess of revenues over expenditures	(36,090,427)	(35,502,728)
Other financing (uses) sources		
COPs proceeds	36,103,270	35,502,728
Transfer (out) – debt service fund	(12,843)	–
Total other financing (uses) sources	36,090,427	35,502,728
Fund balance, ending	\$ –	\$ –

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

5. Other Fund Activities (continued)

Related Activity in Other Debt Service Funds – Cumulative Through June 30, 2014

	Debt Service	
	QSCB 2010	QSCB 2009
Revenues		
Federal subsidy	\$ 5,599,712	\$ –
Interest earnings	1,208,416	2,043,128
Total revenues	6,808,128	2,043,128
Expenditures		
Interest and fees	5,912,350	2,226,572
Total expenditures	5,912,350	2,226,572
Excess of revenues over expenditures	895,778	(183,444)
Other financing (uses) sources		
COPs proceeds	125,730	317,272
Transfer in debt service fund	–	230,000
Transfer in sales tax fund	23,436,331	35,820,000
Transfer in capital projects fund – CIT 2012	14,020	10,500
Transfer in capital projects fund – QSCB 2010A	9,323	–
Total other financing sources	23,585,404	36,377,772
Fund balance, ending	\$ 24,481,182	\$ 36,194,328

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

6. Expenditures by Project

The following is a summary of the expenditures by project for the fiscal year ended June 30, 2014:

Sales Tax Expenditures

Description of Project	Amount
Dr. Phillips HS	\$ 23,630,516
Cypress Creek HS	16,063,207
Lake Silver ES	11,740,743
Washington Shores ES	11,738,820
Spring Lake ES	11,696,271
Wheatley ES	11,197,591
Ocoee ES	10,507,711
Pinelock ES	10,454,438
Dr. Phillips ES	10,085,734
Waterford ES	9,598,554
Little River ES	9,489,594
John Young ES	9,395,963
Eccleston ES	2,903,511
Arbor Ridge K-8	2,056,466
Grand Avenue ES	1,928,681
Brookshire ES	1,474,283
University HS	730,152
Lake Weston ES	612,227
Clay Springs ES	562,087
Lovell ES	543,727
Apopka ES	501,389
Lake Whitney ES	327,742
Westridge MS	192,289
Aloma ES	107,765
Cypress Spring ES	99,843
Oakridge HS	58,834
Rock Springs ES	27,503
Princeton ES	26,453

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

6. Expenditures by Project (continued)

<u>Description of Project</u>	<u>Amount</u>
Evans HS	\$ 20,651
Zellwood ES	9,083
Walker MS	2,874
Carver MS	430
Dover Shores ES	250
Tangelo Park ES	197
Conway MS	(51)
Winter Park 9th Grade Center	(381)
Waterbridge ES	(4,495)
Chickasaw ES	(7,279)
Lake Sybelia ES	(9,706)
Windermere ES	(91,500)
Lancaster ES	(116,600)
Hunter’s Creek ES	(164,143)
Total	<u>\$ 157,391,424</u>

During the closeout of a project, final adjustments are made for sales tax savings, final payments, vendor reimbursements, and other items. These adjustments may result in negative amounts being recorded to a project during a specific fiscal year. Adjustments that are not project specific are noted as “district wide.” During the year ended June 30, 2014, negative adjustments were also made to reflect changes in funding sources for certain periods.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

6. Expenditures by Project (continued)

Capital Renewal Expenditures

Description of Project	Amount
Liberty MS	\$ 410,752
Ocoee MS	382,100
Lakeview MS	307,618
Freedom MS	251,000
Corner Lake MS	236,796
Ocoee HS	235,553
Hunter’s Creek MS	188,496
Pinewood ES	152,335
Ridgewood Park ES	147,776
Bonneville ES	137,245
Windermere ES	125,229
Millennia ES	121,957
Audubon Park ES	109,395
Dillard Street ES	101,385
Hiawassee ES	96,703
ICTS Administration	68,226
Rosemont ES	58,318
Wetherbee ES	57,756
North Lake Park Community	35,111
Apopka HS	22,720
Boone HS	20,763
West Creek ES	17,567
Palmetto ES	16,044
Edgewater HS	13,868
East River HS	5,316
Wolf Lake ES	4,695
Blankner K-8	1,293
Total	<u>\$ 3,326,017</u>

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds (continued)

7. Construction Contract Commitments

The following is a summary of major construction contract commitments remaining at June 30, 2014:

Sales Tax Construction Contract Commitments as of June 30, 2014

Project	Contract Amount	Completed to Date	Balance Committed
Cypress Creek High School Comprehensive	\$ 32,948,525	\$ 8,681,319	\$ 24,267,206
Dr. Phillips High School Comprehensive	36,537,283	26,285,537	10,251,746
Total	<u>\$ 69,485,808</u>	<u>\$ 34,966,856</u>	<u>\$ 34,518,952</u>

8. Fund Balance Reporting

The financial statements include restricted fund balances of the Sales Tax and Capital Renewal funds of approximately \$271.4 million and \$416.8 million, respectively, at June 30, 2014. These fund balances are available for use only on educational capital outlay expenditures in accordance with School Board Resolution No. 05/02/02 NC-1.

Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), 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 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 54 has provided a hierarchy of spendable fund balances, based on spending constraints.

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

8. Fund Balance Reporting (continued)

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.

Unassigned – Fund balance of the general fund that does not have a constraint for any particular purpose.

All of the Funds' balances are classified as restricted.

9. Subsequent Event

Renewal of Discretionary Sales Surtax of One-Half Cent

Section 212.055(6), Florida Statutes, authorized the imposition by school boards of a one-half cent sales surtax on all taxable transactions to fund capital outlay projects and technology implementation, including the payment of bond indebtedness therefore, subject to approval by the electors of the county voting in a referendum. In November 2002, Orange County voters approved a referendum item on the discretionary sales surtax to be effective from January 1, 2003 and ending December 31, 2015. In August, 2014, Orange County voters approved the renewal of the surtax to be effective from January 1, 2016 and ending December 31, 2025.

The proceeds of the levy and collections of the surtax and any interest accrued thereto shall be expended by the School Board in accordance with the approved plan for fixed capital expenditures or fixed capital costs associated with the construction, reconstruction or improvement of school facilities and campuses which have a useful life expectancy of five (5) or more years, and any land acquisition, land improvement, design and engineering costs related thereto, including the making of lease payments under lease purchase agreements pursuant to Sections 1001.42 and 1013.15 Florida Statutes, and for the costs of retrofitting and providing for

Orange County Public Schools

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds (continued)

9. Subsequent Event (continued)

technology implementation, including hardware and software, for the various sites within the District as set forth in the plan. The plan includes the renovation or rebuilding of approximately 41 projects not completed that were included in the plan from 2002, as well as approximately 20 additional projects that were not included in the previous plan. The plan also provides for some additional schools as well as technology needs throughout the District.

About EY

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