



FINANCIAL STATEMENTS – SALES TAX AND  
CAPITAL RENEWAL CAPITAL PROJECTS  
FUNDS

Orange County Public Schools  
Year Ended June 30, 2012  
With Report of Independent Certified Public Accountants

Ernst & Young LLP

 **ERNST & YOUNG**

Orange County Public Schools

Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds

Year Ended June 30, 2012

**Contents**

Report of Independent Certified Public Accountants ..... 1

Financial Statements

Balance Sheets – Sales Tax and Capital Renewal Capital Projects Funds ..... 2

Statements of Revenues, Expenditures, and Changes in Fund Balances – Sales Tax  
and Capital Renewal Capital Projects Funds ..... 3

Notes to Financial Statements – Sales Tax and Capital Renewal Capital Projects Funds ..... 4

## 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

We have audited the accompanying balance sheets of the Sales Tax and Capital Renewal Capital Projects Funds of Orange County Public Schools (the District), as of June 30, 2012 and the related statements of revenues, expenditures, and changes in fund balances of the Sales Tax and Capital Renewal Capital Projects Funds for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements were prepared for the purpose of demonstrating compliance with School Board Resolution No. 05/02/02 NC-1 and present only the activities of the Sales Tax and Capital Renewal Capital Projects Funds. These financial statements are not intended to be a complete presentation of the financial position of the District as of June 30, 2012, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sales Tax and Capital Renewal Capital Projects Funds of the District as of June 30, 2012, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

December 11, 2012

## Orange County Public Schools

### Balance Sheets – Sales Tax and Capital Renewal Capital Projects Funds

June 30, 2012

	<b>Sales Tax Fund</b>	<b>Capital Renewal Fund</b>
<b>Assets</b>		
Investments	\$ 263,729,238	\$ 287,169,272
Interest receivable	–	733,488
Due from other agencies	14,869,926	–
Total assets	\$ 278,599,164	\$ 287,902,760
 <b>Liabilities and fund balance</b>		
Liabilities:		
Accounts payable	\$ 3,910,419	\$ –
Construction contracts payable	4,216,293	–
Construction contracts payable – retained percentage	2,992,991	–
Total liabilities	11,119,703	–
 Fund balance:		
Restricted	267,479,461	287,902,760
Total fund balance	267,479,461	287,902,760
Total liabilities and fund balance	\$ 278,599,164	\$ 287,902,760

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

Orange County Public Schools

Statements of Revenues, Expenditures, and Changes in  
Fund Balances – Sales Tax and Capital Renewal Capital Projects Funds

Year Ended June 30, 2012

	<b>Sales Tax Fund</b>	<b>Capital Renewal Fund</b>
<b>Revenues</b>		
Local sales taxes	\$ 170,826,444	\$ –
Investment income	5,024,785	7,633,055
Total revenues	175,851,229	7,633,055
<b>Expenditures</b>		
Facilities acquisition and construction	106,625,526	–
Excess of revenues over expenditures	69,225,703	7,633,055
<b>Other financing (uses) sources</b>		
Transfers (out) in – capital renewal fund	(55,191,600)	55,191,600
Total other financing (uses) sources	(55,191,600)	55,191,600
Net change in fund balance	14,034,103	62,824,655
Fund balance, beginning	253,445,358	225,078,105
Fund balance, ending	\$ 267,479,461	\$ 287,902,760

*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, 2012

### **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 financial statements presented are only for 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 and present only the activities of the Funds. The 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, these financial statements do not constitute a complete presentation of the financial position of the Funds as of June 30, 2012, 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.

## Orange County Public Schools

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

#### **1. Summary of Significant Accounting Policies (continued)**

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.

#### **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. 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, 2012, include program management and insurance costs of \$2,778,332 and \$975,008, respectively. These costs are allocated to the projects based on the amount of expenditures incurred.

The Capital Renewal Fund was established by the District to fund future renovations, improvements, or replacements of capital assets constructed or renovated since 2003. The Capital Renewal Fund is funded 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. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the U.S. Securities Exchange Commission (SEC) or is considered to be a 2a-7 like fund. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. The investment earnings from the money market funds 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 (formally SBA), and United States government securities. 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. SPIA is rated A+f by S&P. The District relies on policies developed by the State Treasury for managing interest and credit risk for this external investment pool. Investments made locally consist of United States government securities, municipal bonds, corporate bonds and money market funds reported at fair value based on quoted market prices. Types and amounts of investments held at fiscal year-end are described in a following note on investments.

**2. Investments**

As of June 30, 2012, the Funds had the following investments and maturities:

<u>Sales Tax Fund Investment</u>	<u>Fair Value</u>	<u>6 Months</u>
FL Special Purpose Investment Account (SPIA)	\$ 178,725,731	\$ 178,725,731
FL Prime (formally SBA)	60,743,916	60,743,916
Florida Education Investment Trust Fund	24,259,591	24,259,591
Total investments	<u>\$ 263,729,238</u>	<u>\$ 263,729,238</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	3 Years	5 Years
FL Special Purpose Investment Account (SPIA)	\$ 104,744,426	\$ 104,744,426	\$ –	\$ –	\$ –	\$ –
FL Prime (formerly SBA)	35,599,724	35,599,724	–	–	–	–
Florida Education Investment Trust Fund	14,217,633	14,217,633	–	–	–	–
Corporate Bonds	87,951,739	–	–	10,048,490	35,907,260	41,995,989
Obligations of United States Government Agencies and Instrumentalities, and Municipal Bonds	44,655,750	8,802,200	–	–	1,615,590	34,237,960
<b>Total investments</b>	<b>\$ 287,169,272</b>	<b>\$ 163,363,983</b>	<b>\$ –</b>	<b>\$ 10,048,490</b>	<b>\$ 37,522,850</b>	<b>\$ 76,233,949</b>

#### Interest Rate Risk

District policies limit the maturity of investments to 6 years or less 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 \$44,655,750 in obligations of the United States Government Sponsored Agencies, Federal Instrumentalities and Municipal Bonds and \$87,951,739 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 May 2016.

#### Credit Risk

Investments authorized by District policy are:

- a. Direct Obligations of the US Treasury;
- b. US Federal Government Agency Securities;
- c. Florida Local Government Investment Pool or other similar common trust;

## Orange County Public Schools

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

#### **2. Investments (continued)**

- d. Florida Education Investment Trust Fund;
- e. Certificates of Deposit and Savings Accounts;
- f. Repurchase Agreements fully collateralized at 102% of market value, by U.S. Treasuries, U.S. Government Agencies, U.S. Government Sponsored Agencies/Federal Instrumentalities;
- g. State and/or Local Government Taxable or Tax-Exempt Debt;
- h. Corporate Notes with a minimum AA rating;
- i. Commercial Paper rated P1 or A1;
- j. Money Market Mutual Funds rated AAA;
- k. Bankers Acceptances rated P1 or A1; and
- l. Money Market Deposit Account

#### **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 Funds' \$44,655,750 investments in

Orange County Public Schools

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

**2. Investments (continued)**

obligations of United States Government Agencies and Instrumentalities and Municipal Bonds and \$87,951,739 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 Local Government Investment Pool or other similar common trust	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	10%
Commercial Paper	10%
Money Market Mutual Funds	100%
Bankers Acceptances	35%
Money Market Deposit Account	80%

As of June 30, 2012, the Funds' investments in the SPIA totaled \$283,470,157 which is rated A+f by S&P with a weighted maturity of 2.38 years. These funds allocate investment earnings monthly.

As of June 30, 2012, the Funds' investments in FL Prime totaled \$96,343,640 which is a 2a-7 like fund with a weighted maturity of 38 days and is AAA rated by S&P. These funds allocate investment earnings monthly.

As of June 30, 2012, the Funds' investments in the Florida Education Investment Trust Fund totaled \$38,477,244. This fund is rated AAAM by S&P. The fund is also a registered 2a-7 fund with a weighted maturity of 46 days.

As of June 30, 2012, the Funds' investments in corporate bonds were \$87,951,739, all of which are rated AA.

## Orange County Public Schools

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

#### **2. Investments (continued)**

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, 2012, and remitted in July and August 2012.

#### **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, 2012, \$55,191,600 was transferred from the Sales Tax Fund to the Capital Renewal Fund for this purpose.

#### **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 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

## Orange County Public Schools

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

#### **5. Other Fund Activities (continued)**

were designated to be used to finance the project specified as Dr. Phillips High School remodeling and renovation project. The construction project was originally planned to be constructed using Sales Tax revenues.

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 project specified as (i) 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 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. The transfer of funds in fiscal year 2010 from the Sales Tax Fund to the Series 2009B QSCB Debt Service Fund in the amount of \$35,820,000 is 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.

The costs of the actual construction of the Dr. Phillips High School project 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. The transfer of funds 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 was 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 chart below shows a summary of the activity in other funds related to the Sales Tax and Capital Renewal Capital Projects Funds:

**Related Activity in Other Capital Projects Funds – Cumulative Through June 30, 2012**

	<b>Capital Projects</b>	
	<b>QSCB 2010</b>	<b>QSCB 2009</b>
<b>Revenues</b>		
Interest earnings	\$ 91,990	\$ 58,693
Total revenues	91,990	58,693
 <b>Expenditures</b>		
Walker MS	–	25,279,279
Westridge MS	–	10,950,362
Dr. Phillips HS	2,120,361	–
Total expenditures	2,120,361	36,229,641
 Excess of revenues over expenditures	(2,028,371)	(36,170,948)
 <b>Other financing (uses) sources</b>		
COPs proceeds	36,103,270	35,502,728
Transfer (out) – debt service fund	(9,323)	–
Total other financing (uses) sources	36,093,947	35,502,728
Fund balance, ending	\$ 34,065,576	\$ (668,220)

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, 2012**

	<u>Debt Service</u>	
	<u>QSCB 2010</u>	<u>QSCB 2009</u>
<b>Revenues</b>		
Federal subsidy	\$ 2,162,570	\$ –
Interest earnings	657,495	1,610,768
Total revenues	<u>2,820,065</u>	<u>1,610,768</u>
<b>Expenditures</b>		
Principal	–	–
Interest and fees	2,299,373	1,369,329
Total expenditures	<u>2,299,373</u>	<u>1,369,329</u>
Excess of revenues over expenditures	520,692	241,439
<b>Other financing sources</b>		
COPs proceeds	125,730	317,272
Transfer in other debt service fund	–	230,000
Transfer in sales tax fund	23,436,330	35,820,000
Transfer in capital projects fund – CIT 2012	3,500	3,500
Transfer in capital projects fund – QSCB 2010A	9,323	–
Total other financing sources	<u>23,574,883</u>	<u>36,370,772</u>
Fund balance, ending	<u>\$ 24,095,575</u>	<u>\$ 36,612,211</u>

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, 2012:

Description of Project	Amount
Evans HS	\$ 22,506,339
Princeton ES	12,113,615
Cypress Spring ES	11,144,779
Zellwood ES	10,543,847
University HS	9,401,966
Aloma ES	8,030,438
Westridge MS	7,269,698
Lancaster ES	5,769,246
Rock Springs ES	4,761,669
Apopka MS	3,092,723
Azalea Park ES	2,228,714
Brookshire ES	1,189,053
Arbor Ridge K-8	1,182,418
Orange Center ES	1,137,652
Ocoee ES	856,744
Dr. Phillips HS	786,065
Chickasaw ES	758,931
Eccleston ES	717,521
Little River ES	708,669
Lake Sybelia ES	484,731
Cypress Creek HS	428,770
Gotha MS	363,738
Dr. Phillips ES	279,979
Spring Lake ES	251,236
Lake Weston ES	169,160
Lake Silver ES	137,698
Winter Park 9th Grade Center	123,883
Waterford ES	115,133
Washington Shores ES	60,460
Grand Avenue ES	50,000

Orange County Public Schools

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

**6. Expenditures by Project (continued)**

Description of Project	Amount
Conway MS	48,580
Walker MS	33,280
Piedmont Lakes MS	23,751
Rosemont ES	19,934
Lovell ES	18,901
Shingle Creek ES	14,026
Lee MS	13,600
Southwood ES	9,003
Edgewater HS	(5,263)
Hunter’s Creek ES	(5,808)
Metrowest ES	(54,708)
Waterbridge ES	(60,804)
Palm Lake ES	(68,873)
District Wide	(24,968)
Total	<u>\$ 106,625,526</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, 2012, 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)

**7. Construction Contract Commitments**

The following is a summary of major construction contract commitments remaining at June 30, 2012:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Arbor Ridge K-8	\$ 12,927,002	\$ –	\$ 12,927,002
Cypress Springs Elementary School Comprehensive	10,825,300	6,885,416	3,939,884
Lancaster Elementary	9,627,923	1,986,319	7,641,604
Rock Springs Elementary	9,411,154	2,449,966	6,961,188
Westridge Middle	11,004,413	4,819,104	6,185,309
Total	<u>\$ 53,795,792</u>	<u>\$ 16,140,805</u>	<u>\$ 37,654,987</u>

**8. Fund Balance**

The financial statements include restricted fund balances of the Sales Tax and Capital Renewal funds of approximately \$267.4 million and \$287.9 million, respectively, at June 30, 2012. 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.

## Orange County Public Schools

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

#### **8. Fund Balance (continued)**

In addition to the nonspendable fund balance, GASB 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.

*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' balance is classified as restricted.

#### **9. Subsequent Event**

In September 2012, the District made the decision to release Dr. Phillips High School as the qualified project listed under the 2010A Qualified School Construction Bond (QSCB). The following authorized projects were added: Arbor Ridge K-8, Eccleston Elementary School and the yet to be named Elementary School 3-E-SE-2 (Dowden Road project).

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

**About Ernst & Young**

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit [www.ey.com](http://www.ey.com)

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.

