

The School District of Osceola County, FL

Continuing Disclosure Document

For The Fiscal Year Ended
June 30, 2014



Superintendent
Melba Luciano

An Equal Opportunity Agency

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- B - FOUR CORNERS CHARTER SCHOOL, INC. 2014 AUDITED FINANCIAL STATEMENT

GENERAL INFORMATION

The School Board and District

The School Board is a public body corporate and politic existing under the laws of the State of Florida and is the governing body of the District. The School Board consists of five Board members elected to single member districts for overlapping four-year terms. The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Part II, Florida Statutes, as amended. The District covers the same geographic area as Osceola County, Florida (the "County"). Management of the District is independent of the County government and the other local governments within the County. The County Tax Collector collects ad valorem taxes for the District, but exercises no control over the disposition of the District's tax receipts.

General Statistical Data

The following table presents a summary of certain general statistical data regarding the school board.

Summary of Statistical Data Five-Year History

<u>School Year</u>	<u>Number of Schools</u>	<u>Number of Classroom Instructors*</u>	<u>FTE Enrollment</u>	<u>Average Expenditure per FTE Student</u>
2013/14	68	3,617	57,252	8,268
2012/13	59	3,384	55,892	7,876
2011/12	55	3,319	54,183	7,828
2010/11	55	3,237	52,900	8,384
2009/10	54	3,327	51,458	8,340

* Does not include teachers of charter.

Source: School Board of Osceola County.

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Employee Relations

The School Board presently employs 6,992 persons, of which approximately 3,628 instructional personnel and 1,458 Educational Support Personnel are represented by the Osceola County Education Association. In addition, approximately 1,290 other personnel are represented by Teamsters Local Union No. 385. The School Board has existing labor contracts with the Osceola County Education Association and Education Staff Professional Association which expire June 30, 2016. The School Board has an existing labor contract with the Teamsters Local Union No. 385 which expires on June 30, 2014. The School Board believes that it has a satisfactory relationship with its employees.

State and District Retirement Programs

All regular employees of the District are covered by the Florida Retirement System (the "FRS"), a State-administered cost-sharing, multiple-employer, defined benefit retirement plan (the "Plan"). Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees in the Plan on or after July 1, 2011 vest at eight years of creditable service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the normal retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments.

A Deferred Retirement Option Program (the "DROP") permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments 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, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The District's liability for participation in the Plan 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 to the Plan (including employee contributions) for the Fiscal Years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$19,127,358, \$16,399,033 and \$18,848,023 respectively, which were equal to the required contributions for each fiscal year.

Effective July 1, 2002, the Public Employee Optional Retirement Program (the "PEORP") was implemented as a defined contribution plan alternative available to all FRS members in lieu of the Plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The required District's contribution made to the program for the Fiscal Year ended June 30, 2014, totaled \$1,898,224.

The District has established an early retirement program as authorized by Section 1012.685, Florida Statutes, which it offers on a year-to-year basis (the "Early Retirement Plan"). Under the Early Retirement Plan, the District purchased annuities for employees with at least 25 years of creditable service but less than 30 years, as of June 30, 2014, who have reached the age of 55 but are less than

age 62 at the effective date of retirement and have applied for retirement under the FRS. The District may also consider employees age 50 through 54 if the District determines that it is economically feasible to do so. The annuities provide for the early retirees to receive additional income after retirement, not to exceed the difference between their FRS early retirement benefits, which are reduced by 5 percent for each year prior to age 62, and the benefits that would have been received had they been eligible for full FRS benefits on the date of retirement. In the event an employee has earned experience in a public school system in another state, the District may choose to purchase out-of-state experience (up to five years) as is necessary to provide regular retirement benefits. This experience may not be purchased in addition to an annuity. There were no employees who retired and accepted early retirement benefits during the 2013-14 fiscal year. Additional information regarding the retirement programs is included in Note 17 to the District's Comprehensive Annual Financial Report attached as Appendix A hereto.

The Board did cover the full amount by which pensions were reduced by the State Division of Retirement and did not guarantee that an early retirement program would be offered in future years.

Other Post Employment Benefit Programs

In addition to its contributions under the State's retirement plan and the District's Plan described above, the District provides other post-employment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy, by providing access to health insurance plans requiring the use of the single "blended" or "common" rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

As with all governmental entities providing similar plans, the District was required to comply with the Governmental Accounting Standards Board Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* ("GASB 45") no later than its fiscal year ended June 30, 2008. The District implemented GASB 45 prospectively on July 1, 2007. Historically, the District has accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded.

In order to comply with GASB 45, the District retained Aon Consulting (the "Actuary"), to actuarially review the District's OPEB liability and provide the District with a written valuation. The valuation indicated that the Annual Required Contribution (the "ARC") under GASB Statements 43 and 45 is \$8,521,123 for the fiscal year ended June 30, 2014. The District has elected not to fund the ARC at this time.

While the District does not know at this time what its ultimate OPEB liabilities will be in connection with GASB 45 compliance in the future or how much of the related ARCs it will need to budget in future years, it expects its OPEB liability to be significant, but manageable, within its normal budgeting process. Additional information regarding the District's OPEB liabilities is included in Note 13 to the District's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014, attached as Appendix A hereto.

Summary of General Fund Operations

School District of Osceola County, Florida Summary of General Fund Operations

	Audited				Budget
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues					
Federal	\$ 640,466	\$ 632,933	\$ 635,796	\$ 568,761	\$ 741,171
State Sources	229,722,383	231,047,638	254,225,477	273,037,835	291,158,635
Local Sources	127,902,436	115,626,583	110,735,041	116,752,881	121,372,217
Total Revenues	\$ 358,265,285	\$ 347,307,154	\$ 365,596,314	\$ 390,359,477	\$ 413,272,023
Expenditures					
Current - Education:					
Instruction	\$ 218,626,888	\$ 234,732,978	\$ 241,533,787	\$ 262,242,312	\$ 307,797,218
Pupil Personnel	19,073,211	19,574,081	19,646,290	20,595,961	21,175,750
Instructional Media	1,575,322	4,166,487	4,456,891	4,715,798	4,621,693
Instruction & Curr. Dev.	6,947,666	6,706,294	8,568,558	9,493,205	10,806,907
Instructional Staff Training	6,060,775	4,774,541	4,739,642	5,289,968	5,264,259
Instruction Related Technology	3,140,973	3,378,035	3,190,990	3,756,114	3,747,491
Board of Education	1,363,448	1,737,280	1,433,640	1,466,041	1,789,477
General Administration	1,840,127	1,233,511	1,182,297	1,388,727	1,395,327
School Administration	22,394,097	21,533,944	21,858,802	22,476,668	22,088,629
Facilities Services	2,193,475	1,358,026	2,590,483	3,381,700	2,339,384
Fiscal Services	1,818,535	1,763,306	2,019,545	1,936,268	2,116,666
Food Services	208,706	238,343	197,614	148,495	8,428
Central Services	6,162,006	6,126,338	6,004,873	5,965,092	6,288,835
Pupil Transportation	17,145,981	18,174,049	19,256,961	20,578,868	18,855,072
Operation of Plant	29,305,887	27,341,210	30,579,969	31,735,275	34,823,379
Maintenance of Plant	8,351,037	12,010,627	7,022,659	8,275,106	9,158,481
Administrative Tech Services	3,273,460	3,064,205	3,663,270	3,535,038	4,429,018
Community Services	271,122	429,506	636,836	887,295	919,366
Fixed Capital Outlay:					
Facilities Acquisition and Construction	457,872	13,821	22,463	1,464,093	
Other Capital Outlay	755,337	672,055	1,009,888	1,376,397	
Debt Service	343,612	353,005	262,065	94,677	36,000
Total Expenditures	\$ 351,309,537	\$ 369,381,642	\$ 379,877,523	\$ 410,803,098	\$ 457,661,380
Excess (Deficiency) of					
Revenues over Expenditures	\$ 6,955,748	\$ (22,074,488)	\$ (14,281,209)	\$ (20,443,621)	\$ (44,389,357)
Other Financing Sources (Uses)	\$ 14,032,057	\$ 14,789,924	\$ 6,017,919	\$ 14,628,040	\$ 15,892,550
Excess (Deficiency) of Revenues and Other Sources Over					
Expenditures and Other Uses	\$ 20,987,805	\$ (7,284,564)	\$ (8,263,290)	\$ (5,815,581)	\$ (28,496,807)
Beginning Fund Balance	\$ 70,613,775	\$ 91,601,580	\$ 84,317,016	\$ 76,053,726	\$ 70,238,145
Ending Fund Balance	\$ 91,601,580	\$ 84,317,016	\$ 76,053,726	\$ 70,238,145	\$ 41,741,338

Source: Audited financial statements for the Fiscal Year ended June 30, 2011 prepared by Cherry, Bekaert & Holland;
Audited financial statements for the Fiscal Year ended June 30, 2012 and 2014 prepared by Moore Stephens
Lovell, P.A.; Audited financial statements for the Fiscal Year ended June 30, 2013 prepared by the State of
Florida Auditor General's Office; Annual Budget for the Fiscal Year ended June 30, 2015 prepared by The School
District of Osceola County, FL.

Summary of Capital Projects Funds

School District of Osceola County, Florida Summary of Revenues and Expenses - Capital Projects Funds

	Audited				Budget
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues					
Federal	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	4,461,849	2,737,281	2,752,028	3,769,245	21,604,548
Local Sources	35,266,415	35,930,536	37,835,446	49,121,483	28,607,511
Total Revenues	\$ 39,728,264	\$ 38,667,817	\$ 40,587,474	\$ 52,890,728	\$ 50,212,059
Expenditures					
Current - Education:					
Facilities Acquisition and Construction	9,599,288	6,137,239	6,314,444	7,792,635	42,299,995
Fixed Capital Outlay:					
Facilities Acquisition and Construction	66,007,823	36,529,464	13,184,272	26,326,852	
Other Capital Outlay	4,602,299	2,592,891	1,082,266	4,142,249	
Debt Service	5,877	928	3,395	1,257	
Total Expenditures	\$ 80,215,287	\$ 45,260,522	\$ 20,584,377	\$ 38,262,993	\$ 42,299,995
Excess (Deficiency) of Revenues over Expenditures					
	\$ (40,487,023)	\$ (6,592,705)	\$ 20,003,097	\$ 14,627,735	\$ 7,912,064
Other Financing Sources (Uses)					
	\$ (28,530,845)	\$ (30,169,475)	\$ (23,222,069)	\$ (31,652,172)	\$ (31,180,178)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses					
	\$ (69,017,868)	\$ (36,762,180)	\$ (3,218,972)	\$ (17,024,437)	\$ (23,268,114)
Beginning Fund Balance	\$ 166,419,447	\$ 97,401,579	\$ 60,639,399	\$ 57,420,427	\$ 40,395,990
Ending Fund Balance	\$ 97,401,579	\$ 60,639,399	\$ 57,420,427	\$ 40,395,990	\$ 17,127,876

Source:

Audited financial statements for the Fiscal Year ended June 30, 2011 prepared Cherry, Bekaret & Holland, CPAs; Audited financial statements for Fiscal Year ended June 30, 2012 and 2014 prepared by Moore Stephens Lovelace, P.A.; Audited financial statements for the Fiscal Year ended June 30, 2013 prepared by the State of Florida Auditor General's Office; Annual Budget for the Fiscal Year ended June 30, 2015 prepared by The School District of Osceola County, FL.

Indebtedness

School District of Osceola County, Florida Summary of General Long-Term Debt As of June 30, 2014

General Description	Outstanding Balance
Self-Supporting State Bonds ⁽¹⁾	
Series 2005A	80,000
Series 2005AR	1,835,000
Series 2005BR	855,000
Series 2006A	1,355,000
Series 2009A	480,000
Series 2010A	925,000
Series 2011A	1,060,000
Series 2014A	1,796,000
Plus unamortized bond premium	2,463,962
District Revenue Bonds:	
Series 2007A Sales Tax Revenue Bonds ⁽²⁾	34,610,000
Series 2007B Sales Tax Revenue Bonds ⁽²⁾	25,910,000
Plus unamortized bond premium	748,329
Certificates of Participation	
Series 2004A, 2004B, and 2004C	11,850,000
Series 2005A ⁽³⁾	9,555,000
Series 2007	60,000,000
Series 2009	22,995,000
Series 2010A	40,500,000
Series 2013	41,725,000
Plus unamortized bond premium	4,491,815
Notes Payable	10,126,547
Education Facilities Benefit District Agreement Payable ⁽⁴⁾	4,020,439
Impact Fee Credit Vouchers	6,250,107
Liability for Compensated Absences	29,523,470
Liability for Other Postemployment Benefits	46,277,359
Total	359,433,028

- (1) Bonds are issued by the State Board of Education on behalf of the District, 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 such bonds.
- (2) Payable from certain sales tax revenues of the District.
- (3) Not related to the Master Lease. See "RISK FACTORS – Additional Indebtedness and Obligations" herein.
- (4) See "RISK FACTORS – Additional Indebtedness and Obligations" herein.

Source: The School District of Osceola County, Florida.

Assessed Valuation

The following table shows the total assessed value and total taxable value for operating millage in each of the past ten years.

Osceola County, Florida
Assessed Value of Taxable Property
Last Ten Fiscal Years (In thousands)
Unaudited Last Ten Fiscal Years (In thousands)

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Real Property Taxable Value</u>	<u>Personal Property Taxable Value⁽¹⁾</u>	<u>Total Taxable Value</u>
2003	2004	10,761,639	1,283,722	12,045,361
2004	2005	12,259,605	1,332,605	13,592,210
2005	2006	14,717,778	1,423,918	16,141,696
2006	2007	20,226,914	1,575,555	21,802,469
2007	2008	24,673,342	1,656,646	26,329,988
2008	2009	24,464,364	1,514,250	25,978,614
2009	2010	19,971,753	1,535,379	21,507,132
2010	2011	16,573,745	1,477,483	18,051,228
2011	2012	15,288,985	1,360,688	16,649,673
2012	2013	15,075,763	1,391,233	16,466,996

Source: Osceola County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013 Osceola County Property Appraiser.

- (1) Includes centrally assessed property consisting of the County's share of railroad and telegraph systems which are assessed by the State of Florida.

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Historical Millage

The following table contains historical millage levels for the School District for the fiscal years ended June 30, 2010-2014 and budget millage for the fiscal year ending June 30, 2015.

School District of Osceola County, Florida School District Levies

TAX LEVY	FISCAL YEAR					Budgeted 2015
	2010	2011	2012	2013	2014	
<u>GENERAL FUND</u>						
District School Tax						
State - Required Local Effort	5.165	5.175	5.300	5.054	5.261	5.104
Prior Period Funding Adjustment Millage	0.000	0.042	0.029	0.021	0.000	0.023
Local - Discretionary	0.748	0.748	0.748	0.748	0.748	0.748
Supplemental Discretionary	0.250	0.250	0.000	0.000	0.000	0.000
TOTAL GENERAL FUND	6.163	6.215	6.077	5.823	6.009	5.875
<u>CAPITAL PROJECTS FUND</u>						
Capital Outlay Millage	1.500	1.500	1.500	1.500	1.500	1.500
TOTAL CAPITAL PROJECTS FUND	1.500	1.500	1.500	1.500	1.500	1.500
TOTAL DISTRICT MILLAGE LEVY	7.663	7.715	7.577	7.323	7.509	7.375

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Property Tax Levies

Osceola County, Florida
Property Tax Levies and Collections
Last Ten Fiscal Years (In thousands)
Unaudited

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percent Collected		Total Tax Collections	Percent of Levy
2004	2003	85,181	81,930	96.18%	414	82,344	96.67%
2005	2004	96,365	92,511	96.00%	429	92,940	96.45%
2006	2005	118,206	114,030	96.47%	425	114,455	96.83%
2007	2006	159,045	153,238	96.35%	67	153,305	96.39%
2008	2007	162,326	155,767	95.96%	13	155,780	95.97%
2009	2008	164,210	158,007	96.22%	473	158,480	96.51%
2010	2009	162,224	156,411	96.42%	550	156,961	96.76%
2011	2010	142,051	140,208	98.70%	627	140,835	99.14%
2012	2011	135,080	129,701	96.02%	979	130,680	96.74%
2013	2012	132,459	128,224	96.80%	344	128,568	97.06%

Source: Osceola County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2013

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RISK FACTORS

Additional Indebtedness and Obligations

The School Board may issue additional indebtedness other than in connection with the Master Lease secured by or payable from revenues which would otherwise be available to make Lease Payments without the consent of the Certificate Holders. The incurrence of such additional indebtedness by the School Board may adversely affect the School Board's ability to make Basic Lease Payments under the Leases.

Four Corners Charter School

As of January 15, 2000, the District entered into a lease-purchase financing arrangement (the "Charter School Lease-Purchase Arrangement") with the Florida School Boards Association, Inc. and Four Corners Charter School, Inc. (the "Company") pursuant to which certain public educational facilities would be acquired, constructed and equipped (the "Charter School"). The Company was organized as a Florida not-for-profit corporation with a five member board of directors, three of which are from the School Board and two of which are from the School District of Lake County, Florida. The location of the Charter School was determined so that students from Osceola, Orange, Lake and Polk Counties could attend the Charter School. The Company was granted a 10-year charter (the "Operating Charter") to operate the Charter School, which Operating Charter is subject to certain renewals at the option of the School Board. On January 19, 2010, the School Board renewed the Four Corners Charter School Contract for three school years. The renewed Operating Charter expired at the conclusion of the 2012-2014 school year. On December 4, 2012, the School Board approved the Company's request to extend the renewed Operating Charter for an additional two school years (to extend to the 2014-15 school year).

Pursuant to the Charter School Lease-Purchase Arrangement, the Charter School is leased by the District to the Company, as a sub-lessee. In order to finance the acquisition, construction and equipping of the Charter School, Certificates of Participation, Series 2000A, Series 2000B, and Series 2000C were issued in February 2000 in the aggregate principal amount of \$17,080,000. A portion of the Certificates of Participation, Series 2000A and Series 2000B were refinanced with a portion of the proceeds of the Certificates of Participation, Series 2005. The Certificates of Participation, Series 2000A, Series 2000B, and Series 2000C are no longer outstanding. The Certificates of Participation, Series 2005 are currently outstanding in the aggregate principal amount of \$9,555,000 and is referred to as the Charter School Certificate.

The Company is required by the terms of the Charter School Lease-Purchase Arrangement to make lease payments to the District (the "Charter School Rent Payments") in amounts sufficient to pay debt service on the Charter School Certificate. The Charter School Certificate has a final maturity of August 1, 2024, and the average annual debt service thereon is approximately \$868,600. The Company may not charge tuition or fees (other than those types of fees that are normally charged by other public schools). The Company derives its funding principally from the District, in accordance with a statutory formula based on the number of weighted full-time equivalent students attending the Charter School. The District and the other participating school districts receive special appropriations from the State

for funding of the Company and the Charter School. For Fiscal Year 2013-14 the District distributed approximately \$6.8 million to the Company. The District has budgeted approximately \$7.1 million to be distributed to the Company in Fiscal Year 2014-15. To date, the State special appropriations have been sufficient to satisfy the lease-purchase payments relating to the Charter School Certificate.

Pursuant to the Charter School Lease-Purchase Arrangement, the lease payments from the School Board to the Association (which are to be applied to payment of debt service on the Charter School Certificate) are payable solely from (1) the Charter School Rent Payments so long as the sub-lease to the Company is in effect and (2) upon the expiration or termination of such sub-lease, legally available revenues of the District appropriated by the School Board for such purpose from current or other funds authorized by law. The term of the sublease expired on June 30, 2010. The Company and the District extended the sublease on June 1, 2010, to the conclusion of the 2012-13 school year; provided that in the event that the School Board allows an extension of the Charter to the 2014-15 school year, the sublease will automatically extend until the conclusion of the 2014-15 school year. On December 4, 2012, the School Board approved the extension of the Charter to the 2014-15 school year. The School Board is not legally required to appropriate monies to make lease payments with respect to the Charter School Lease-Purchase Arrangement; provided, however, upon the expiration or termination of the sub-lease to the Company, if the School Board appropriates sufficient funds to make Lease Payments under the Master Lease it is required to appropriate sufficient funds to make lease payments with respect to the Charter School Lease-Purchase Arrangement. To date, the Charter School Rent Payments have been sufficient.

Bellalago Academy

The School Board has entered into a funding agreement dated as of December 16, 2003, as amended (the "Funding Agreement") with the Bellalago Educational Facilities Benefit District (the Bellalago Benefit District") and Avatar Properties Inc. to provide for the funding of a charter school (the "Bellalago Academy") to be constructed in a residential community within the District known as Bellalago. Pursuant to the terms of the Funding Agreement, the debt service on indebtedness issued to finance the acquisition, construction and equipping of the Bellalago Academy shall be paid from the proceeds of certain impact fees levied by Osceola County, proceeds of special assessments levied by the Bellalago Benefit District, certain monies appropriated by the State (the "State Charter School Funds") and other monies provided by the School Board. According to current projections, the School Board expects its required contributions to range from approximately \$192,732 to \$440,727 per year through Fiscal Year 2035, averaging approximately \$330,148 each year during such period of time. However, the School Board could be responsible for significantly higher annual contributions if the other funding sources are substantially less than current projections. There is no assurance that the State will continue to provide State Charter School Funds in the future or at current levels. The School Board expects to satisfy its obligations under the Funding Agreement from the herein described Local Option Millage. Operating costs with respect to the Bellalago Academy will be funded in the same manner as other charter schools within the District, principally through monies provided by the State. The School Board's auditors have indicated that the School Board's obligations with respect to the Funding Agreement should be characterized as a debt. The School Board estimates the principal amount of the debt to be \$4,020,440 as of June 30, 2014.

Local Option Millage Revenues

The amounts derived by the District from the levy of the Local Option Millage can be affected by a variety of factors which are not within the School Board's control, including, without limitation, fluctuations in the assessed valuation of the property within the District and the amount of general business activity, growth and new construction which occurs within the District. There can, therefore, be no assurances that such revenues will not decrease in the event that such growth and new construction, for whatever reason, decreases or ceases altogether within the District. See "*DISTRICT REVENUES – Local Revenue Sources*". The amounts derived from the levy of the Local Option Millage may also be affected by changes in applicable law. See "*Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes*" for information regarding legislation that reduced the Local Option Millage.

State Revenues

A large portion of the District's funding is derived from State sources. See "*DISTRICT REVENUES - State Revenue Sources*". A significantly large percentage of such State revenues are generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized. During fiscal year 2009-10, State revenues shortfalls resulted in a reduction to the District of approximately \$1.3 million, as compared to the original budget. The revenue shortfall began to stabilize during the Fiscal Year 2010-11 resulting in approximately \$3.1 million more in State revenues to the District than originally budgeted. This growth was offset by a \$3.7 million reduction in State revenues for the Fiscal Year 2011-12, and \$3.8 million reduction for Fiscal Year 2012-13, as compared to the original budget, respectively. During Fiscal Year 2013-14, State revenues to the District were approximately \$5.9 million less than originally budgeted. Overall, the impact to the District was an approximately \$11.7 million reduction in State revenues over the last five fiscal years.

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DISTRICT REVENUES

The School Board derives its revenues from certain State and local sources. The major categories of these revenue sources are briefly described under the following subheadings.

Local Revenue Sources

Local revenue for the support of school districts in the State is derived almost entirely from real and tangible personal property taxes. School districts in the State are permitted to levy ad valorem property taxes separately for (i) operational purposes, (ii) the payment of debt service, and (iii) capital outlays and maintenance of school facilities. The amount of each such levy is subject to various constitutional and statutory limitations. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

The School Board intends to make Lease Payments on the Leases from monies derived from a levy of a non-voted, real and tangible personal property tax millage, known as the "Local Option Millage Levy," for capital outlay and maintenance purposes. In its 2008 session, the Florida Legislature reduced the maximum amount of the levy from the 2.0 mills then in effect to 1.75 mills and in its 2009 session, the Florida Legislature further reduced the maximum levy from 1.75 mills to 1.50 mills (see "*Recent Legislative Initiatives and Constitutional Amendments Affecting Ad Valorem Taxation – Reduction in Local Option Millage Levy; Further Reduction in Local Option Millage Levy*" herein for information on such reduction and exceptions thereto). This levy may be used for new construction and remodeling; site acquisition and site improvement; auxiliary or ancillary facilities; maintenance, renovation and repair of existing school plants; school bus purchases; the purchase, lease-purchase or lease of new and replacement equipment; and amounts payable pursuant to lease purchase agreements for educational facilities and sites. Florida law restricts the use of the Local Option Millage Levy for payments on lease purchase agreements for educational facilities and sites to three-fourths (75%) of the millage levied; provided, however, that for fiscal year 2009-10, such limitation is not applicable for lease-purchase agreements entered into prior to June 30, 2009. Since revenues from the levy of the Local Option Millage Levy may be used for, but are not pledged to, the payment of Basic Lease Payments under the Transaction Leases, the failure of the District to levy all or a portion of the Local Option Millage Levy might have an adverse effect on available revenues from which the School Board may appropriate funds to make Basic Lease Payments. In the event that revenues generated from the Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating levy may be used to make such Lease Payments. Additionally, pursuant to legislation, if the revenue from 1.50 mills is insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2009, or to meet other critical capital needs, a school board may elect to levy up to 0.25 for capital purposes in lieu of a like amount of discretionary operating millage. Such legislation further authorizes district school boards, by a super majority vote, to levy an additional 0.25 mills for critical capital outlay needs or for critical operating needs. In order for a school district to continue this levy it must be approved by the voters of such school district in the next general election. See "*Recent Legislative Initiatives and Constitutional Amendments Affecting Ad Valorem Taxation – Reduction in Local Option Millage Levy, Further Reduction in Local Option Millage Levy*" herein.

For operational purpose, the Florida Legislature annually places requirements on each school district to levy a millage rate that is defined by law to be the “district required local effort” for those school districts desiring to participate in the allocation of State funds available to school districts. In 2013–14 the District’s required local effort was 5.261 mills. For Fiscal Year 2014-15, the District's required local effort is 5.1040 mills. School boards are also authorized to levy an additional "discretionary millage" for operations, not to exceed an amount established annually by the Legislature. In 2013-14, the discretionary millage for all school districts, including the District, was .748. For Fiscal Year 2014-15 the discretionary millage is .748 mills. Monies generated from the levy of the required local effort millage are not available to make Lease Payments on the Transaction Leases.

Historical operating millage rates (tax per \$1,000 of assessed value) are as follows:

	<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>
Required Local Effort	5.165	5.175	5.300	5.054	5.261	5.104
Prior Period Funding Adjustment	0.000	0.042	0.029	0.021	0.000	0.023
Discretionary	0.748	0.748	0.748	0.748	0.748	0.748
Critical Operating Needs Levy	<u>0.250</u>	<u>0.250</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total Operating Millage	<u>5.913</u>	<u>5.965</u>	<u>6.077</u>	<u>5.823</u>	<u>6.009</u>	<u>5.875</u>

Prior to Fiscal Year 2010-11, budgeted revenues from ad valorem taxes are based on applying millage levies to ninety-five percent (95%) of the non-exempt assessed valuation of real and personal property. This was increased to ninety-six percent (96%) beginning with Fiscal Year 2011-12. Historically, the local taxes have been received at less than one hundred percent (100%) of assessed valuation due to the discounts for early payment. The County usually collects approximately ninety-six percent (96%) of the levied taxes.

Ad valorem tax receipts for operating purposes increased from \$123.9 million during the 2012-13 Fiscal Year to \$132.0 million during the 2013-14 Fiscal Year. The District has budgeted approximately \$110.7 million of ad valorem tax receipts for operating purposes for the 2014-15 Fiscal Year.

Commencing in calendar year 2000, the District began receiving a portion of a one-cent infrastructure sales surtax (the “Sales Surtax”) that is levied by the County on all taxable sales of tangible personal property sold at retail within the County. Pursuant to an interlocal agreement with the County, the District received 10% of the Sales Surtax receipts during calendar years 2000 through and including 2005 and 25% of the Sales Surtax receipts during the calendar years 2006 through and including 2025 (the amounts to be received by the District, the “Sales Tax Revenues”). The District issued \$42,325,000 of its Sales Tax Revenue Bonds, Series 2001 (the “Series 2001 Sales Tax Bonds”) in May 2001, and pledged proceeds of the Sales Surtax as security therefore. The District issued its Sales Tax Revenue Bonds, Series 2007A and Sales Tax Revenue Refunding Bonds, Series 2007B in the aggregate principal amount of \$79,835,000 (collectively, the “2007 Sales Tax Bonds”) on April 12, 2007. A portion of the proceeds of the Sales Tax Revenue Refunding Bonds, Series 2007B were used to refund a portion of the 2001 Sales Tax Bonds. The 2007 Sales Tax Bonds are currently outstanding in the aggregate principal amount of \$60,520,000. Sales surtax proceeds for the District for Fiscal Year 2013-14 were \$10.60 million and are budgeted to be approximately \$11.91 million for Fiscal Year 2014-15.

The District also receives educational facilities impact fees which are collected for all new residential construction in the County. The District received \$12,286,659 in Fiscal Year 2012-13, \$21,612,978 in Fiscal Year 2013-14, and estimates receiving approximately \$17,000,000 in Fiscal Year 2014-15. Effective October 1, 2012, Osceola County adjusted its educational system impact fees to \$8,702 per single-family residential unit, \$5,665 per multi-family residential unit and \$4,996 per mobile home.

State Revenue Sources

Capital Outlay. State revenues represented \$3.77 million or approximately 6.7% of the District's total capital outlay revenues for Fiscal Year 2013-14. Budgeted State capital outlay revenues available to the District are expected to be \$4.61 million or approximately 7.4% of the District's budgeted total capital outlay revenues in the adopted budget for Fiscal Year 2014-15. Many of the capital outlay revenues budgeted to be received in Fiscal Year 2014-15 are not necessarily recurring items.

The District receives motor vehicle license revenues, also known as capital outlay and debt service ("CO&DS") funds. CO&DS funds can be used to make lease purchase payments, but only if the lease-purchase facility appears on the project priority list approved by the State Board of Education. None of the Facilities currently subject to the Master Lease are on the project priority list.

On November 24, 1997, the Governor of the State of Florida signed into law a bill creating the "Public School Capital Outlay Program Act" (the "Act"). Among the several programs established by the Act is the "Classrooms First Program," which provides for the issuance by the State of revenue bonds, the proceeds of which are distributed to the various school districts based upon a formula similar to the formula used in allocating PECO funds. The proceeds of such revenue bonds must be applied by a school district for new construction, remodeling, renovation or major repairs, with a priority on construction of new, permanent classroom facilities. If a school district certifies that it has no unmet need for permanent classroom facilities or if its unmet needs are less than its proposed allocation of the revenue bond proceeds, it may choose to receive an annual distribution of State lottery revenues in lieu of all or a portion of its allocation of State bond proceeds. Such annual distribution must be used to construct, renovate, remodel, repair or maintain educational facilities. Such funds, whether in the form of State revenue bond proceeds or annual distributions, may not be used to make lease purchase payments. In addition, in order to receive any of such State funds, a school district must fully utilize State bonding capacity relating to its CO&DS funds allocation. In Fiscal Year 2013-14, the District received approximately \$1,172,512 in State bond proceeds with respect to such CO&DS funds. The District is budgeted to receive \$539,786 in CO&DS funds in Fiscal Year 2014-15.

Under the Act the District may be entitled to receive other State revenues pursuant to other programs if the District achieves certain standards relating to its capital outlay efforts. Some of such revenues may be used to make lease purchase payments. It is not possible at this time to determine or estimate the amount of such State revenues, if any, that the District may receive in the future.

Operating Revenue The three primary sources of educational funding from the State are (i) basic Florida Educational Finance Program ("FEFP") receipts, (ii) FEFP categorical program receipts, and (iii) certain other specified revenue sources.

The major portion of State support is distributed under the provisions of the FEFP, which was enacted by the Florida Legislature in 1973. Basic FEFP funds are provided on a weighted full-time

equivalent student (“FTE”) basis using a formula that takes into account varying program cost factors and district cost differentials. The program cost factors which are used to determine the level of each school district’s FEFP funding are determined by the Florida Legislature. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in variables comprising the weighing formula. In addition, the level of State funding is adjusted during each year to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in the County. General Fund receipts from FEFP were \$181.3 million for the 2012-13 Fiscal Year and \$198.9 million for the 2013-14 Fiscal Year. The district has budgeted approximately \$215.0 million of FEFP General Fund receipts for the 2014-15 Fiscal Year.

FEFP categorical program receipts are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each district. Among the larger categorical programs are the programs for class size reduction, supplemental academic instruction, school bus transportation and instructional materials. Allocations for these categorical appropriations are based on funding formula and discretionary Florida Department of Education grants. The majority of the funds available require actual appropriation by the Board for the purposes for which they were provided. Total State categorical aid (excluding Class Size Reduction funds) was \$35.8 million in the 2012-13 Fiscal Year and \$36.3 million for the 2013-14 Fiscal Year. Total State categorical aid is budgeted at \$37.6 million for the 2014-15 Fiscal Year.

The District also receives State educational funding from a variety of miscellaneous State programs. These sources include Racing Commission funds, State mobile home license tax revenues, and the Florida State Lottery.

Special Revenue Sources

The District also receives certain local, State and federal monies, substantially all of which are restricted for specific programs. Programs funded with these special revenue sources in the past include school food service operations and programs financed through the Educational Handicapped Act, now codified as the Individuals with Disabilities Education Act, the Education Consolidation and Improvement Act and other federally financed programs.

Constitutional Amendments Relating to Class Size Reduction and Pre-K Education

In the November 5, 2002, general election, the voters of the State of Florida approved two amendments to the State Constitution that may affect the District’s operations. Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9, collectively, are referred to herein as the “Class Size Legislation.”

The Class Size Legislation establishes constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. These maximums were originally scheduled to be implemented by the beginning of the 2010 school year. School districts that exceeded these class size maximums were required to reduce the average number of students per class in each of these grade groupings by at least two

students each year, beginning with the 2003-2004 fiscal year. For fiscal years 2003-04 through 2005-06, compliance for each of the grade groupings was calculated to be the average at the district level. For fiscal years 2006-07 through 2008-09, compliance was scheduled to be determined at the average on a school-by-school basis. For fiscal year 2009-10 and thereafter, compliance is determined at the individual classroom level.

The Class Size Legislation further creates an “Operating Categorical Fund for Class Size Reduction,” the “Classroom for Kids Program,” the “District Effort Recognition Grant Program” and the “Class Size Reduction Lottery Revenue Bond Program” to provide funding programs for capital outlays and operating expenditures necessary in relation to these mandated class size reductions.

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars. Failure to reduce class sizes by at least two students each year until the constitutional maximum is met may result in transfer of class size reduction operating funds to fixed capital outlay appropriations, required implementation of year-round schools, double sessions, extended school year or rezoning, implementation of a state-mandated constitutional compliance plan or withholding of various State funds.

The District is presently in compliance with current constitutional class size maximums. During its 2009 session, the State Legislature adopted, and the Governor signed into law, legislation to delay implementation of the mandated class size reductions for one year. Such legislation provides that compliance with the Class Size Legislation will be determined on a school-by-school basis through and including fiscal year 2009-10, and that final compliance on an individual classroom basis would be delayed until fiscal year 2010-11. In the event a school district is not in compliance with such requirements, the legislation provides that the State shall reduce categorical funds due to such school district for operational purposes. While the Class Size Legislation suggests that the State Legislature, and not local school districts, is generally responsible for the cost of compliance, it is uncertain what effect implementation might have upon the District. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Class Size Legislation or that compliance therewith will not adversely affect other capital needs and operating costs of the District.

In the November 5, 2002, general election, the voters of the State of Florida also approved Amendment 8 to the State Constitution which provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State no later than the 2005 school year. In furtherance thereof, Section 411.012, Florida Statutes, created a voluntary universal pre-kindergarten education program for four-year olds within the Agency for Workforce Innovation and directed the State Board of Education to conduct a study and make recommendations for this education program regarding curriculum and standards, quality of instruction, delivery system, assessment and evaluation, funding and best practices.

During the 2004-A special session, the Florida Legislature passed House Bill I-A, codified in Part V of Chapter 1002, Florida Statutes, which creates a statewide Voluntary Pre-kindergarten Education Program. House Bill I-A, as codified in Part V, Chapter 1002, Florida Statutes, is referred to herein as

the “Pre-K Legislation.” Among other things, the Pre-K Legislation provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year pre-kindergarten (“Pre-K”) program delivered by a private Pre-K provider, a summer program delivered by a public school or private Pre-K provider or, if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Legislation also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Legislation appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K program provider.

The Pre-K Legislation provides State funding for the Pre-K programs. The District currently has approximately 1,380 students in its Pre-K Program. To date, there has not been any adverse impact to the District’s financial situation as a result of the institution of the Pre-K Program as the State funding levels have been sufficient. However, it is uncertain at this time what effect any substantial increase in the number of Pre-K students or any decrease in the level of State funding may have upon the District or the School Board in the future.

Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

Constitutional amendments related to ad valorem exemptions. On January 29, 2008, in a special election held in conjunction with Florida's presidential primary, the requisite number of voters approved amendments to the State Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in the approved amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000. This exemption does not apply to school district taxes.
2. Permits owners of homestead property to transfer up to \$500,000 of their "Save Our Homes" benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then the assessed value of new homestead property shall equal the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. This exemption applies to all taxes, including school district taxes.
3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax. This exemption applies to all taxes, including school district taxes.
4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10 year period, subject to extension by an affirmative vote of electors. This limitation does not apply to school district taxes.

The amendments were effective for the 2008 tax year (2008-09 Fiscal Year for local governments). While certain members of the Florida Legislature publicly indicated that they would seek to replace the ad valorem revenues lost by school districts with other revenue sources, the Florida Legislature approved significant budget cuts for education during its 2008 regular session and approved further budget cuts for Fiscal Year 2008-09 during its 2009A special session. See "RISK FACTORS – State Revenues." At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendments will have on the District, but the impact could be substantial.

A lawsuit challenging the constitutionality of at least part of the amendments was filed prior to the referendum approval by the voters. In Bruner v. Hartsfield, filed in the Circuit Court in and for Leon County, Florida in November 2007, new Florida homestead owners (having paid ad valorem taxes for the past four years) filed a class action lawsuit challenging the constitutionality of the Save Our Homes assessment cap and the portability provision. The lawsuit charges that Save Our Homes constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution's Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The lawsuit argues that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The lawsuit requests a declaration of the unconstitutionality of both provisions and injunctive action preventing continued application of those provisions. On October 29, 2008, the Circuit Court dismissed the plaintiffs' complaint with prejudice. The plaintiffs appealed the decision to the First District Court of Appeals, and on November 17, 2009, the First District Court of Appeals affirmed the Circuit Court's final order of dismissal. The plaintiffs appealed the decision to the Florida Supreme Court, and on May 24, 2010, the Florida Supreme Court declined to accept jurisdiction.

On October 18, 2007, the same Circuit Court, in Lanning v. Pilcher, a case filed by out-of-state residents challenging the constitutionality of the Save Our Homes assessment cap, rejected the plaintiffs' arguments that the Save Our Homes assessment cap violates either the Commerce Clause or the Privileges and Immunities Clause of the U.S. Constitution or the Equal Protection Clause of either the U.S. or Florida Constitutions and dismissed the plaintiffs' allegations with prejudice. The Lanning Court noted that its decision was limited to the plaintiffs' complaints regarding the Save Our Homes assessment cap. The plaintiffs appealed the case to the First District Court of Appeals. On August 26, 2009, the First District Court of Appeals affirmed the lower Court decision. The plaintiffs appealed the case to the Florida Supreme Court, and on May 26, 2010, the Florida Supreme Court declined to accept jurisdiction. The plaintiffs appealed the case to the United States Supreme Court, and on November 29, 2010, the United States Supreme Court denied the petition.

A lawsuit brought by out-of-state residents (DeLuccio v. Havill) challenging the constitutionality of the Save Our Homes assessment cap and the portability provision was filed with the same Circuit Court as the Lanning case on May 2, 2008 naming the School Boards of Lake, Manatee, Miami-Dade and Lee, among other defendants. The allegations and relief requested by the plaintiffs in each of these cases are very similar, except that the portability provision was not challenged in Lanning v. Pilcher since the case was filed prior to the approval of the amendments implementing portability. The Circuit Court in DeLuccio ruled against the plaintiffs. The plaintiffs appealed the decision to the First District Court of Appeals, and on September 13, 2010 the First District Court of Appeals affirmed the lower Court decision. The plaintiffs appealed the case to the Florida Supreme Court, and on January 26, 2011, the Florida Supreme Court declined to accept jurisdiction.

During recent years, various other legislative proposals and constitutional amendments relating to ad-valorem taxation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. Additionally, there have been certain proposals seeking to reduce the "required local effort" millage for school districts and to replace such millage with other revenue source(s) or to require that certain percentages of school district funding be spent on particular activities. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

Reduction in Local Option Millage Levy. In its 2008 session, the Florida Legislature, among other things, amended Section 1011.71(2), Florida Statutes, to reduce the maximum millage rate that school districts may levy for capital outlay and maintenance purposes (referred to as the "Local Option Millage Levy") from 2.0 mills to 1.75 mills commencing with Fiscal Year 2008-09. In conjunction with such reduction, the Florida Legislature increased the amount of the required local effort millage for school districts in the State which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. This legislation became effective on July 1, 2008. As further discussed in "DISTRICT REVENUES - Local Revenue Sources", the Local Option Millage Levy constitutes the primary source of funds to make Lease Payments with respect to the Certificates issued in connection with the Master Lease. However, the legislation provides that if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount up to the revenue generated from 0.50 mills of the operating levy may be utilized to make such lease payments.

Accordingly, while such reduction may not adversely affect the District's ability to make Lease Payments under the Prior Leases or the Transaction Leases, it may adversely impact the District's ability to finance additional educational facilities under the Master Lease Program in the future.

Further Reduction in Local Option Millage Levy. The 2009 session of the Florida Legislature ended on Friday, May 8, 2009. During this session, the Florida Legislature approved legislation that amended Section 1011.71, Florida Statutes, relating to the Local Option Millage Levy and the permitted use thereof for Lease Payments. The legislation provides for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009 for the 2009-2010 fiscal year; (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009 or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 additional mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. If used for operations, districts in which 0.25 mills generate less than the State average are to be provided the difference in State funds allocated through the FEFP. In order to continue the levy described in clause (iv) above, it must be approved by the voters of the district in the next general election. The legislation was signed into law by the Governor on May 27, 2009 and became effective on July 1, 2009. In conjunction with the reduction of the Local Option Millage Levy described in clause (i) hereof, the State's Commissioner of Education has increased the amount of the basic discretionary millage for each school district in the State, which results in a shift of the millage

(and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. The reduction of the maximum permitted Local Option Millage Levy will therefore directly reduce the amount of funds available to make Lease Payments with respect to certificates of participation issued in connection with the Master Lease unless action is taken pursuant to clauses (iii) or (iv) to levy an additional 0.25 mills for capital purposes. The District has levied an additional 0.25 mills for critical operating needs during Fiscal Year 2009-10 and Fiscal Year 2010-11 pursuant to the authorization described in clause (iv) above. The School Board has not sought to continue the optional .25 mills for critical operating needs beyond Fiscal Year 2010-11.

LITIGATION

The School Board is involved in certain litigation and disputes incidental to its operations. Upon the basis of information presently available, Counsel to the School Board believes there are substantial defenses to such litigation and disputes and that any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially adversely affect the financial position or results of operations of the School Board or the District.

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SIGNIFICANT EVENTS

Insurer Rating Changes

The Insurer Financial Strength (the “IFS”) Rating assigned by three major rating agencies, Moody’s Investors Service (“Moody’s”), Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies (“S&P”) and Fitch Ratings (“Fitch”), is the respective rating agency’s opinion of the financial security characteristics of an insurance organization with respect to its ability to pay under its insurance policies and contracts in accordance with their terms, and an explanation of the significance of such ratings may be obtained only from Moody’s, S&P and Fitch, respectively. The opinions of the rating agencies are not specific to any particular policy or contract, nor do they address the suitability of a particular policy or contract for a specific purpose or purchaser.

The School District of Osceola County, FL, purchased Financial Guaranty Insurance Policies (the “Policies”) for most of its issues. The following table outlines each outstanding insured issue and the organization that holds the respective Financial Guaranty Insurance Policy.

ISSUE	BOND INSURANCE COMPANY
<i>Sales Tax Revenue Bonds</i>	
2007 Sales Tax Revenue Bonds	Assured Guaranty Municipal Corp. ⁽²⁾
<i>Certificates of Participation (COPs)</i>	
2002 COPs	Ambac Assurance Corporation
2005 COPs	National Public Finance Guarantee Corporation ⁽³⁾
2007 COPs	Ambac Assurance Corporation
2009 COPs	Assured Guaranty Corp.

Note: The District’s Certificate of Participation, Series 2010, Certificate of Participation, Series 2013 and Certificate of Participation, Series 2014 are uninsured.

(1) Successor insurer with regard to Policy originally issued by Financial Guaranty Insurance Company.

(2) Formerly Financial Security Assurance Inc.

(3) Successor insurer with regard to Policy originally issued by MBIA Insurance Corporation.

The credit rating agencies have reassessed the financial strength of these organizations. Following is a summary of such Insurer Financial Strength Ratings as of March 17, 2015.

		Insurer Ratings		
		Moody's	S&P	Fitch
Sales Tax Revenue Bonds				
2007 Sales Tax Revenue Bonds	Assured Guaranty Municipal Corp.	A1/Stable Outlook	Not Rated	A/Stable
Certificates of Participation				
2002 COPs	Ambac Assurance Corporation	Aa3	Not Rated	Rating withdrawn
2007 COPs	Ambac Assurance Corporation	Aa3	A	A+/Stable
2009 COPs	Assured Guaranty Corp.	Aa3/Stable Outlook	AA/Stable Outlook	A+/Stable Outlook

ADDITIONAL INFORMATION 2005 CERTIFICATES OF PARTICIPATION

Four Corners Charter School, Inc. 2014 Audited Financial Statements

See APPENDIX B.

Four Corners Charter School, Inc. Statistical Data

Four Corners Charter School Summary of Statistical Data

School Year	Number Of Schools	Number of Classroom Instructors	F.T.E. Enrollment	Average Expenditure per F.T.E. Student
2013-14	1	57	1,064.00	6,341.02
	Total Revenues	Expenditures (Program Costs) and Management Fees		Net Income/(Loss)
Pre-K Program*	0.00		0.00	0.00
Before/After Program	75,038.00		47,494.00	27,544.00
Summer School Program*	0.00		0.00	0.00
	<u>75,038.00</u>		<u>47,494.00</u>	<u>27,544.00</u>

Four Corners Elementary and Four Corners Middle merged to become Four Corners Charter School beginning with its 2006-07 School Year.

*No Pre-K or Summer School Programs offered during Fiscal Year 2013-14

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ADDITIONAL INFORMATION 2007 SALES TAX BONDS

One Cent Sales Surtax

The table below sets forth the total amount of the One Cent Sales Surtax distributed during the last five fiscal years of the School Board.

Historical One Cent Sales Surtax Distributions

Fiscal Year Ending June 30	Sales Tax Revenues Distributions to All Agencies ^(1,3)	Sales Tax Revenues Distributions to Issuer ^(2,3,4)
2010	35,769,082	9,035,938
2011	36,855,252	9,511,482
2012	39,364,492	9,925,207
2013	41,509,345	10,416,923
2014	44,752,689	10,660,770

Source: State of Florida, Department of Revenue

- (1) Represents the aggregate amount distributed to the Issuer, the County and the Cities of Kissimmee and St. Cloud.
- (2) In each of the calendar years 2001 through 2005, the Issuer received 10% of the One Cent Sales Surtax. In each of the calendar years 2006 through 2025, the Issuer shall receive 25% of the One Cent Sales Surtax.
- (3) Amounts are net of administrative charges of the State of Florida.
- (4) Amounts reported by the District vary slightly from State due to estimates in accruing June receipts.

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Direct and Overlapping Debt and Debt Ratios

State Bonds, 2010AR			925,000
State Bonds, 2011AR			1,060,000
State Bonds, 2014A			1,796,000
Sales Tax Revenue Bonds, 2007A			34,610,000
Sales Tax Revenue Bonds, 2007B			25,910,000
Certificates of Participation, 2004A, B, and C	11,850,000		
Certificates of Participation, 2005A	9,555,000		
Certificates of Participation, 2007A and B	60,000,000		
Certificates of Participation, 2009A	22,995,000		
Certificates of Participation, 2010A	40,500,000		
Certificates of Participation, 2013	41,725,000		
Other ⁽¹⁾	96,197,922		
Total Direct Debt	<u>\$ -</u>	<u>\$ 282,822,922</u>	<u>\$ 68,906,000</u>
OVERLAPPING ⁽²⁾			
Limited General Obligation Bonds, Series 2006			11,645,000
Limited General Obligation Bonds, Series 2010			21,735,000
Gas Tax Refunding Revenue Bonds, 1998			-
Gas Tax Refunding Revenue Bonds, 2003			-
Infrastructure Sales Surtax Rev Bond 2002			-
Infrastructure Sales Surtax Rev Bond 2007			60,535,000
Infrastructure Sales Surtax Rev Refunding Bond 2011			29,500,000
Sales Tax Revenue Bonds, 2009			46,005,000
Sales Tax Revenue Refunding Bonds, 2010			38,230,000
Tourist Development Tax Revenue Bond 2002			-
Tourist Development Tax Revenue Bond 2009			-
Tourist Development Tax (Fift Cent) Revenue Bond 2012			12,435,000
Tourist Development Tax Revenue R & I Bond 2012			74,790,000
Capital Improvement Revenue Bonds, 2009			124,950,000
West 192 Redevelopment Area Munciple Service:			
Special Assesment Bonds (Phase IIA), Series 1998			-
Special Assesment Bonds (Phase IIC), Series 2003			2,750,000
Other ⁽³⁾		434,611,000	
Total Overlapping Debt	<u>\$ -</u>	<u>\$ 434,611,000</u>	<u>\$ 422,575,000</u>
Total Direct and Overlapping Debt	<u>\$ -</u>	<u>\$ 717,433,922</u>	<u>\$ 491,481,000</u>

(1) Consists of notes payable, installment-purchases, educational facilities benefit district agreement, compensated absences and other post-employment benefits.

(2) Overlapping debt consists of the debt of Osceola County. Figures as of September 30, 2013.

(3) Consists of capital lease, concurrency management agreement, reimbursement due to The Wilder Companies for certain road improvements, other post employment benefits, and compensated absences.

Source: Comprehensive Annual Financial Report of School District of Osceola County, Florida for the fiscal year ended June 30, 2014 and Comprehensive Annual Financial Report of Osceola County, Florida for the fiscal year ended September 30, 2013

ADDITIONAL INFORMATION 2005 CERTIFICATES OF PARTICIPATION

Summary of Operations for Four Corners Charter School, Inc.

The following table summarizes the results of operations for Four Corners Charter School, Inc. for the three most recent years.

Four Corners Charter School, Inc.

	Audited		
	FY 2012	FY 2013	FY 2014
Revenues:			
Program Revenues:			
Operating Grants and Contributions	\$ 378,025	\$ 363,689	\$ 461,745
Capital Grants and Contributions			
General Revenues:			
Osceola County School Board	5,976,601	6,094,471	6,370,880
Other (1)	31,524	-	7,556
Interest Earnings	931	573	652
Total Revenues	\$ 6,387,081	\$ 6,458,733	\$ 6,840,833
Expenditures:			
Instruction	\$ 4,263,991	\$ 4,521,713	\$ 4,769,021
Board	6,800	-	6,800
General Administration (2)	662,487	677,165	714,983
Plant Operation (3)	1,267,342	1,336,686	1,341,646
Plant Maintenance			
Total Expenditures	\$ 6,200,620	\$ 6,535,564	\$ 6,832,450
Increase in net assets	\$ 186,461	\$ (76,831)	\$ 8,383
Net assets - Beginning of Fiscal Year	3,580,667	3,767,128	3,690,297
Net assets - End of Fiscal Year	\$ 3,767,128	\$ 3,690,297	\$ 3,698,680

(1) Includes energy rebate and permitting fees

(2)

School Administration expense represents the management fee paid pursuant to the herein described Management Contract. Such fees are subordinate to required payments by the Corporation under the Sublease.

(3) All of such Plant Operation expenses represent amounts paid by the Corporation pursuant to the Sublease.

Source: Audited Financial Statements of Four Corners Charter School, Inc. prepared by Berman Hopkins Wright & Laham, CPAs.

APPENDIX A

The School District of Osceola County, FL 2014 Audited Comprehensive Annual Financial Report

School Board Members

Tim Weisheyer, Board Chair

Kelvin Soto, Vice Chair

Barbara Horn

Jay Wheeler

Tom Long



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

**THE SCHOOL DISTRICT OF OSCEOLA
COUNTY, FLORIDA**

Melba Luciano
Superintendent

Todd C. Seis
Chief Business & Finance Officer

Migdalia Gonzalez Mercado
Director of Finance

Student Achievement - Our Number One Priority

AN EQUAL OPPORTUNITY EMPLOYER

The School District of Osceola County, Florida
817 Bill Beck Boulevard
Kissimmee, Florida 34744
<http://www.osceola.k12.fl.us/>



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

Prepared By:
Business & Fiscal Services

Education Which Inspires All to Their Highest Potential

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THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

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INTRODUCTORY SECTION



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THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

817 Bill Beck Boulevard • Kissimmee • Florida 34744-4492
Phone: 407-870-4600 • Fax: 407-870-4010 • www.osceola.k12.fl.us

SCHOOL BOARD MEMBERS

- District 1 – Jay Wheeler
407-462-6598
- District 2 – Julius Melendez, Vice Chair
407-922-5113
- District 3 – Cindy Lou Hartig
407-462-5781
- District 4 – Barbara Horn, Chair
407-462-5642
- District 5 – Tom Long
407-462-5782

Superintendent of Schools
Melba Luciano



February 25, 2015

District School Board of Osceola County
817 Bill Beck Boulevard
Kissimmee, FL 34744

Dear Chairman, School Board Members, and Citizens of Osceola County:

State law requires that all local governments publish, after the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America, and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the District School Board of Osceola County, Florida (District) for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Moore, Stephens, Lovelace, P.A. has audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved 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. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the District's basic financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP.

The independent auditors' report is presented as the first component of the financial section of this report.

Student Achievement – Our Number One Priority
Districtwide Accreditation by the Southern Association of Colleges and Schools
An Equal Opportunity Agency

The independent audit of the financial statements of the District was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the United States Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, summary of prior audit findings, and the independent auditors’ reports on the system of internal control and on compliance with applicable requirements, are included in the single audit section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the independent auditors’ report.

PROFILE OF THE GOVERNMENT

The District and its governing board were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by District school officials in accordance with Chapter 1001, Florida Statutes. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of District public schools. The appointed Superintendent of Schools (Superintendent) is the executive officer of the Board and is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and School Board policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District by Section 1010.01, Florida Statutes, as prescribed by the State Board of Education.

The geographic boundaries of the District are those of Osceola County. During fiscal year 2013-14, the District operated 68 schools. Of this number, 46 were K-12 schools including 24 elementary schools, 8 middle schools, 8 high schools, and 6 multilevel schools. In addition, the District sponsored 14 charter schools, 6 alternative schools and 2 adult centers. The District receives the majority of its operating funds through a State funding formula that is intended to equalize funding received from the State and local property tax between districts within the State. Charter schools operating through a contract with the District are provided with their proportionate share of these funds, based upon the number of full-time equivalent students enrolled at the charter school. In fiscal year 2013-14, the District provided general, special, vocational, and other educational programs to 57,252 unweighted full-time equivalent students. The projected enrollment for fiscal year 2014-15, is 58,581 unweighted full-time equivalent students. The average age of the schools within the District is approximately 22 years. The District does not plan to open any new schools in fiscal year 2014-15.

The Board follows procedures established by Florida Statutes and the State Board of Education rules in establishing and adopting annual budgets for each of the governmental fund types. Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. Appropriations are controlled at the object level (e.g. salaries, benefits, and purchased services) within each function activity (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.

ECONOMIC CONDITION AND OUTLOOK

Osceola County is part of the Orlando Metropolitan Statistical Area (MSA) along with Orange, Seminole and Lake Counties. According to the Metro Orlando Economic Development Commission (the Commission), Metro Orlando currently has a population of 2.2 million people. The Commission promotes Osceola County as being a world class tourism destination.

According to the United States Census Bureau, the population of Osceola County increased 11.1 percent from 2010 to 2013, as compared to the state of Florida, which increased 4 percent. There were an estimated 298,504 people and 90,413 households residing in the County. The racial makeup of the County was 80 percent white, 13 percent black and 7 percent from other races. Hispanics make up 49 percent of the total population.

Of Osceola County's population, 22.7 percent are 17 and younger, and 13.5 percent are 65 and older. The average household size is 3. The median age in the County is 35.6 years. The median income for a household was \$43,891. The per capita income for the County was \$19,007. Of the 25 and older population, 83.8 percent are high school graduates.

The District recognizes that the continued enhancement of the local economy is of mutual benefit to both the District and the County and that an excellent system of public education is a significant factor in attracting new business and industry to the County. The District remains Osceola County's largest employer, employing 6,979 full and part-time employees, including 3,617 classroom teachers.

MAJOR INITIATIVES

Class Size Reduction Amendment

In November 2002, the voters of Florida amended the State Constitution to limit class size. By the beginning of fiscal year 2010-11, the amendment established the maximum number of students in core-curricula courses assigned to a teacher in each of the following three grade groupings: (1) Pre kindergarten through grade 3, 18 students; (2) grades 4 through 8, 22 students; and (3) grades 9 through 12, 25 students.

The Florida Legislature enacted Senate Bill-30A implementing the reduction of the average number of students in each classroom by at least two students per year, beginning in fiscal year 2003-04 until the maximum number of students per classroom does not exceed the fiscal year 2010-11 maximum. If a district's class size does not meet the constitutional maximum, then the district must reduce the average number of students in each of the three grade groupings by two students until the constitutional maximums are reached. The following is how the constitutional maximums were calculated:

- For fiscal years 2003-04, 2004-05, and 2005-06, class size was calculated at the district level.
- For fiscal years 2006-07 and 2007-08, class size was calculated at the school level.
- Since fiscal year 2008-09, class size has been calculated at the classroom level.

The District complied with this requirement for the 2013-14 and 2014-15 fiscal years.

Capital Outlay Program

During the current fiscal year, the District undertook several construction projects totaling \$29,052,095. These projects included a comprehensive renovation at one high school, the addition of wings at one high school and two elementary schools and renovations to other schools.

Accomplishments

One of the ways to judge a school district is to compare the results of its students on national and statewide testing and the accomplishments of its staff. The District believes that its students and staff have performed well based on various tests and accomplishments as noted below.

School districts throughout Florida are held accountable and receive school grades based on the results of the Florida Comprehensive Assessment Test (FCAT). The fiscal year 2013-14 marks the 15th year of this accountability program and the District continued its tradition of achievement. As of the date of this letter, for elementary, middle, and K-8 public schools 9 received a grade of 'A', 7 received a grade of 'B', 21 received a grade of 'C' and 2 received a grade of 'D'. Results for High Schools are pending. The District received an overall letter grade of 'C'.

FINANCIAL INFORMATION

Internal Controls. Management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. The District maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. Activities of all governmental fund types are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the object level.

Budgetary information is integrated into the accounting system, and, to facilitate budgetary control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end, and encumbrances outstanding are honored from the subsequent year's appropriations.

In order to provide budgetary control for salaries, the District utilizes a centralized position control system. On an annual basis, the Board adopts a District staffing plan that establishes teacher positions based generally on student populations served. Additionally, support and administrative positions are created based on established criteria.

Long-Term Financial Planning. For the past few years, the District received substantial revenues from non-recurring sources that helped offset declines in state funding. These included funds from the American Recovery and Reinvestment Act of 2009 (ARRA), the Education Jobs Fund, and funds from an optional critical needs ad valorem tax levy. Although these revenues have expired, the District was able to accumulate a suitable fund balance reserve to offset future operating deficits.

As a result, the District spent down \$5.8 million of its operating fund balance during the 2013-14 fiscal year in order to maintain the same level of operations. The District is projected to continue this trend until the end of the 2014-15 fiscal year. The District's long range projections provide for a balanced budget in the 2015-16 fiscal year.

ACKNOWLEDGEMENTS

The preparation of this report on a timely basis was made possible by the dedicated service of the entire staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, we would like to thank the members of the Board for their leadership and support in planning and conducting the financial operations of the District.

Respectfully submitted,



Todd C. Seis
Chief Business & Finance Officer



Melba Luciano
Superintendent

**OSCEOLA SCHOOL DISTRICT OFFICIALS
JUNE 30, 2014**

SCHOOL BOARD MEMBERS

Tom Long
District 5

Barbara Horn
District 4

Tim Weisheyer, Chair
District 3

Kelvin Soto, Vice Chair
District 2

Jay Wheeler
District 1

SUPERINTENDENT
Melba Luciano

DEPUTY SUPERINTENDENT OF OPERATIONS
Tom Phelps

ASSISTANT SUPERINTENDENTS

ELEMENTARY CURRICULUM & INSTRUCTION
Lissette Brizendine

MIDDLE SCHOOL CURRICULUM & INSTRUCTION
Michael Allen

HIGH SCHOOL CURRICULUM & INSTRUCTION
Michael Akes

SCHOOL SUPPORT SERVICES
Mark Munas

CHIEFS

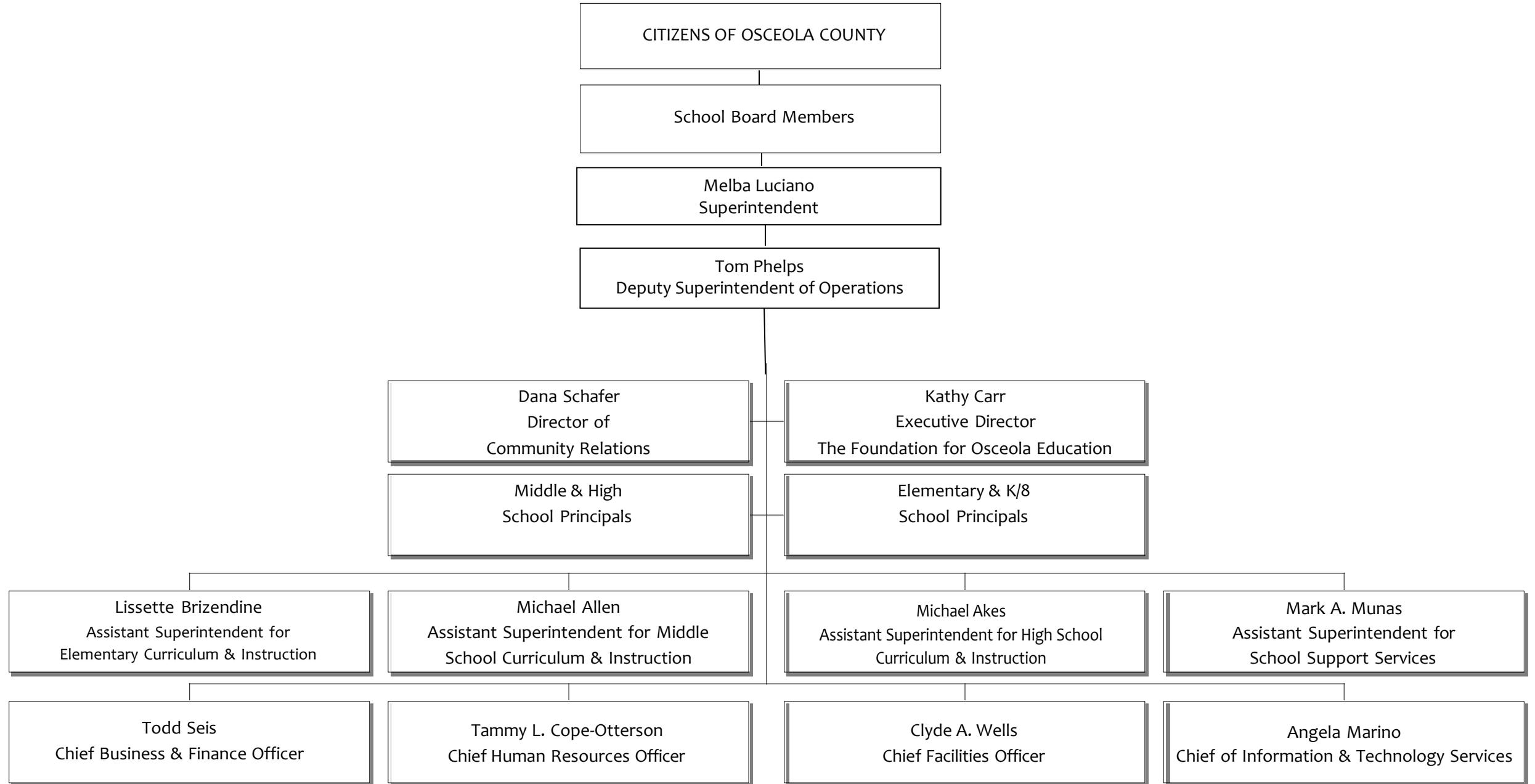
BUSINESS & FINANCE OFFICER
Todd C. Seis

FACILITIES OFFICER
Clyde Wells

INFORMATION & TECHNOLOGY OFFICER
Angela Marino

HUMAN RESOURCES OFFICER
Tammy Cope-Otterson

The School District of Osceola County, Florida
 DISTRICT ADMINISTRATIVE ORGANIZATIONAL CHART 2013-2014





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**School District
of Osceola County, Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION



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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Chairman and Members of
The District School Board of Osceola County, Florida

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 District School Board of Osceola County, Florida (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 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 District's agency funds, which represent 12% of the assets and 47% 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 1 to the financial statements, which comprise 100% of the transactions and account balances of the aggregate discretely presented component units of the District. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us and, our opinion, insofar as it relates to the amounts included for the agency funds and aggregate discretely presented component units, is 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 District'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 District'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.

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Opinions

In our opinion, based on our audit and the reports of 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 of the District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund and major special revenue funds for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules – General and Major Special Revenue Funds on pages 62 - 63, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, combining and individual major and non-major fund financial statements and schedules, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual major and non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and individual major and non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Chairman and Members of
The District School Board of Osceola County, Florida

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A." The signature is written in a cursive style.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Osceola County District School Board, Florida (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, 2014.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements found on pages 20 to 59 of this report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- Total assets and deferred outflows of the District exceed total liabilities and deferred inflows at the close of the most recent fiscal year by \$556,301,194.
- The District's net position decreased by \$30,070,826 or 5.13 percent from the 2012-13 year.
- At June 30, 2014, the District's combined governmental fund balances totaled \$129,811,173, a decrease of \$21,686,376, or 14.31 percent, in comparison with the prior fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$33,702,182 at June 30, 2014, or 8.2 percent of total General Fund expenditures.
- The District's total bonded debt (Bonds Payable and Certificates of Participation, excluding premiums and discounts) decreased by \$13,414,000, or 4.99 percent during the current fiscal year. The key factor in this was the payment of principal.
- The District's net capital assets decreased by \$309,956, or 0.04 percent from the 2012-13 fiscal year.

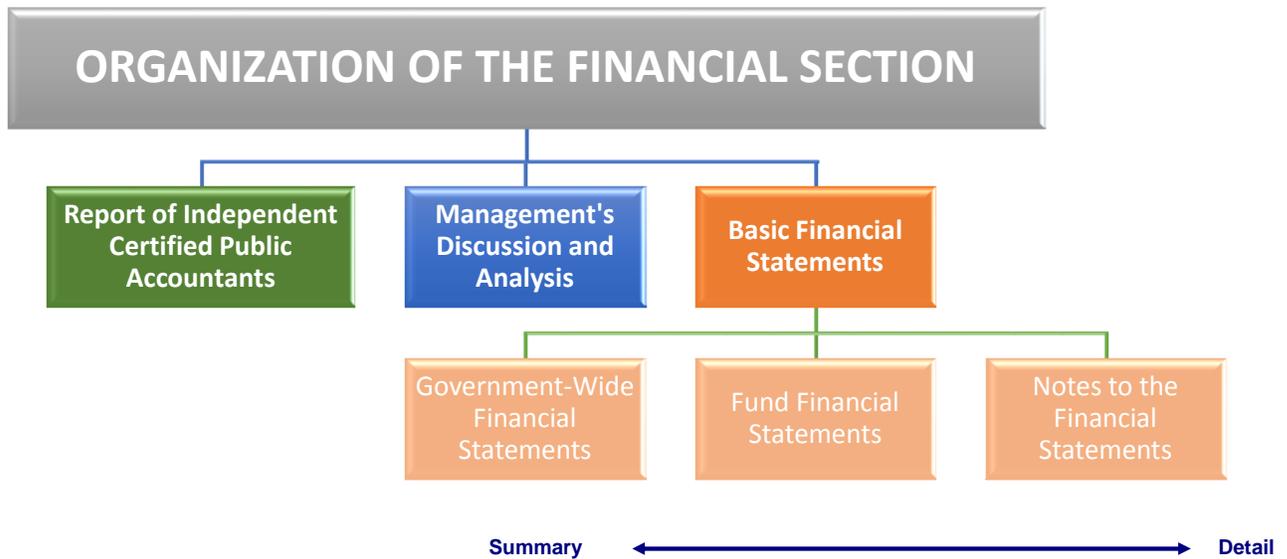
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's basic financial statements are comprised of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

The illustration below shows how the various parts of the financial section are arranged and relate to one another.



Government-Wide Financial Statements

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

The government-wide statements present the District’s activities in two categories:

- **Governmental activities** – This represents most of the District’s services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State’s education finance program provide most of the resources that support these activities.
- **Component units** – The District presents eleven separate legal entities in this report, including The Foundation for Osceola Education, Inc., New Dimensions Charter School, Inc., Four Corners Charter School, Inc., New Alternative Education High School of Osceola County, Inc., Acclaim Academy of Florida, Inc., Florida Virtual Academy at Osceola, Renaissance Charter School at Poinciana, UCP Osceola Child Development Center Charter School, Avant Garde Academy, Inc., Bellalago Educational Facilities Benefit District, and Flora Ridge Educational Facilities Benefit District. Although legally separate organizations, the component units are included in this report because they meet the criteria

for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 government'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 fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the major funds. The District's major funds are the: (1) General Fund, (2) Special Revenue – Federal Economic Stimulus Program Funds, (3) Debt Service – ARRA Economic Stimulus Funds, (4) Capital Projects – Other Fund, and (5) Capital Projects – ARRA Economic Stimulus Funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Special Revenue – Federal Economic Stimulus Program Funds, Debt Service – ARRA Economic Stimulus Funds, and Capital Projects – Other Fund. Budgetary comparison schedules have been provided on pages 62 to 66 of this report to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 22 and 24 of this report.

Proprietary Funds. Proprietary funds may be established to account for activities in which a fee is charged for services. One type of proprietary fund is maintained.

The internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for the Health and Life Insurance Trust Fund and Casualty Insurance Loss Fund. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. Conversely, the internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 26 to 28 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held in a trustee or fiduciary capacity for the benefit of parties outside the government. The District only has agency funds that are classified as fiduciary funds. 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. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for (1) resources held for student activities and groups and (2) for the activities of Bellalago Charter Academy.

The Statement of Assets and Liabilities – Fiduciary Funds can be found on page 29.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30 to 59 of this report.

Other Supplemental Information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 70 to 95 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$556,301,194 at June 30, 2014. The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year	
	Governmental Activities	
	<u>6/30/2014</u>	<u>6/30/2013</u>
Current and Other Non-Capital Assets	\$ 169,637,835	\$ 193,592,756
Capital Assets	<u>765,825,589</u>	<u>766,135,545</u>
Total Assets	<u>935,463,424</u>	<u>959,728,301</u>
Deferred Outflow of Resources	<u>6,895,431</u>	-
Total Deferred Outflow of Resources	<u>6,895,431</u>	-
Current Liabilities	22,045,636	16,980,568
Long-Term Liabilities	<u>359,433,028</u>	<u>356,375,713</u>
Total Liabilities	<u>381,478,664</u>	<u>373,356,281</u>
Deferred Inflow of Resources	<u>4,578,997</u>	-
Total Deferred Inflow of Resources	<u>4,578,997</u>	-
Net Position:		
Net Investment in Capital Assets	488,609,887	477,532,359
Restricted	70,723,819	91,902,083
Unrestricted	<u>(3,032,512)</u>	<u>16,937,578</u>
Total Net Position	<u>\$ 556,301,194</u>	<u>\$ 586,372,020</u>

By far, the largest portion of the District's net position, \$488,609,887 or 87.83 percent, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to educate the students of Osceola County, Florida; 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.

An additional portion of the District's net position, \$70,723,819 or 12.71 percent, represents resources that are subject to external restrictions on how they may be used. There was a decrease of \$21,178,264 in restricted net position reported in connection with the District's governmental activities. This decrease is primarily due to the reduction of the District's reserve for capital projects. The remaining net position represents resources that are not subject to external restrictions on how they may be used. The balance of unrestricted net position of (\$3,032,512) or (.55) percent is primarily the result of the planned use of beginning fund balance of the General Fund for current year operations.

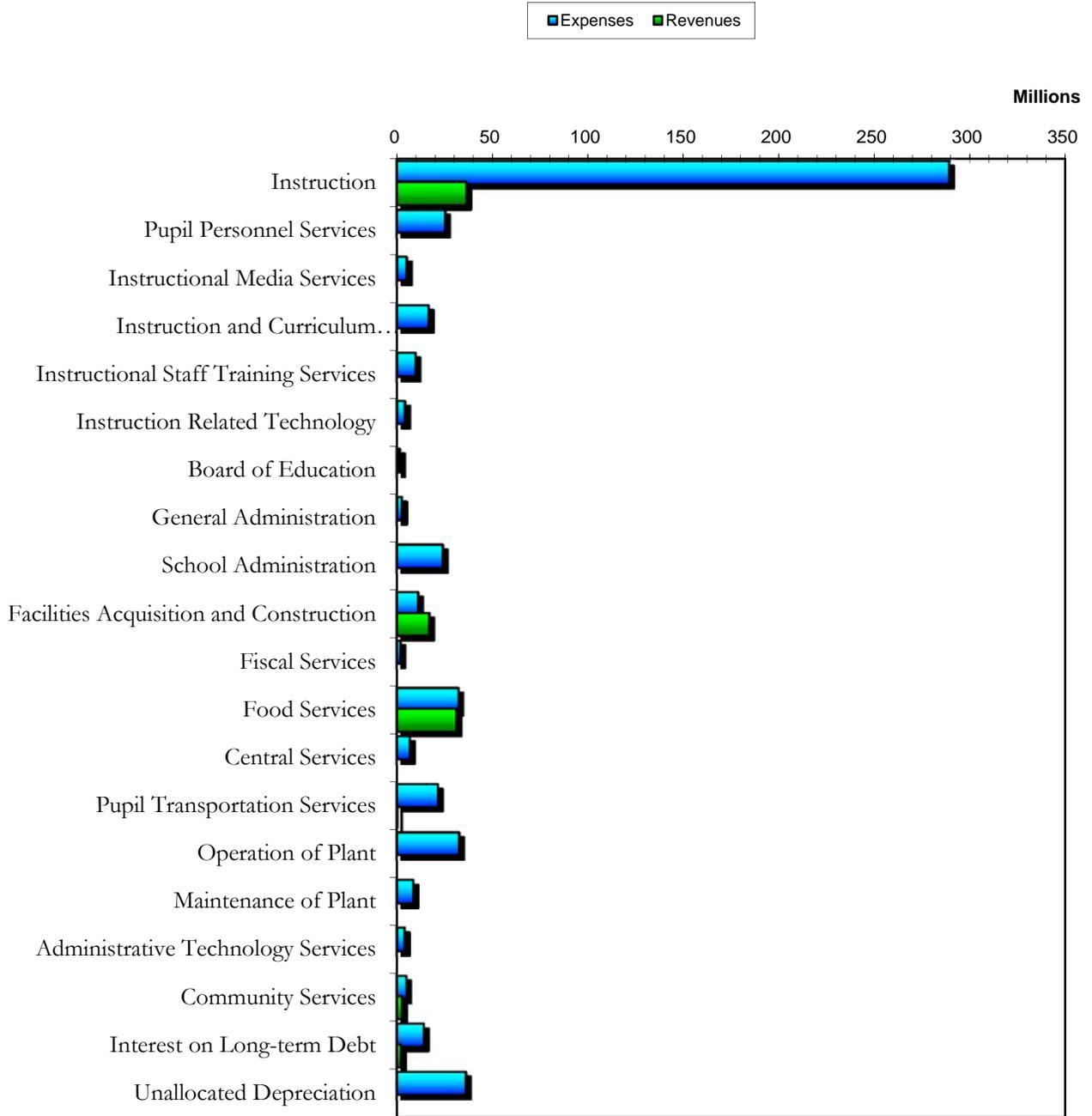
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The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

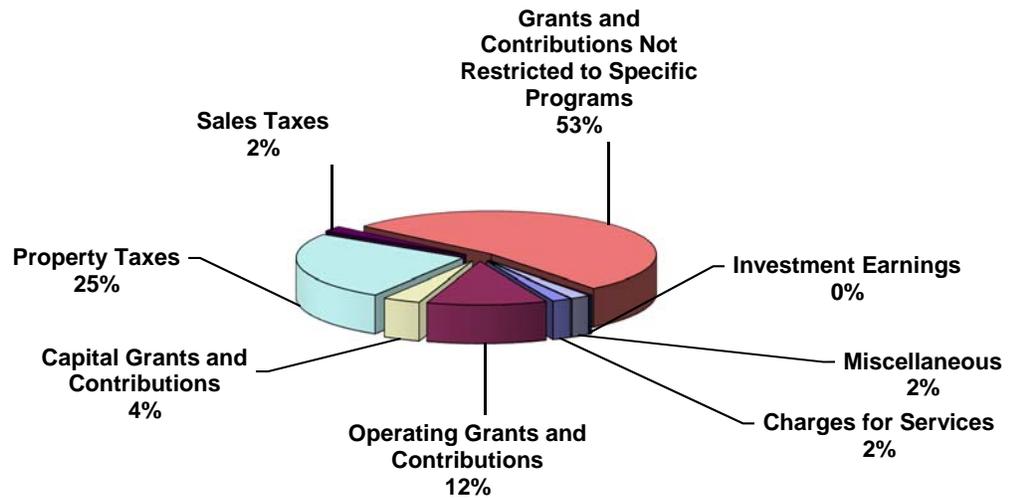
	Operating Results for the Year	
	Governmental	
	Activities	
	6/30/2014	6/30/2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 9,634,965	\$ 10,434,887
Operating Grants and Contributions	60,665,545	23,618,227
Capital Grants and Contributions	19,110,678	14,525,832
General Revenues:		
Property Taxes	132,338,648	123,861,749
Local Sales Taxes	10,600,770	10,416,923
Grants and Contributions not Restricted to Specific Programs	278,251,669	299,164,318
Investment Earnings	1,375,756	483,975
Miscellaneous	10,007,569	7,959,969
Total Revenues	<u>521,985,600</u>	<u>490,465,880</u>
Functions/Program Expenses:		
Instruction	289,204,178	268,705,463
Pupil Personnel Services	25,492,366	21,225,019
Instructional Media Services	4,925,391	4,590,168
Instruction and Curriculum Development Services	16,183,836	13,955,272
Instructional Staff Training Services	9,266,366	8,683,127
Instruction Related Technology	4,042,170	3,400,004
Board of Education	1,476,291	1,449,083
General Administration	2,485,353	2,223,978
School Administration	23,481,657	22,187,638
Facilities Acquisition and Construction	11,207,862	7,301,809
Fiscal Services	2,058,395	2,068,151
Food Services	31,570,344	26,792,335
Central Services	6,790,680	6,854,756
Pupil Transportation Services	21,373,354	22,887,687
Operation of Plant	32,358,059	30,799,393
Maintenance of Plant	8,541,140	7,116,029
Administrative Technology Services	3,988,727	3,920,100
Community Services	4,963,439	4,607,250
Interest on Long-Term Debt	13,886,389	15,195,406
Unallocated Depreciation Expense	35,516,948	34,621,488
Total Expenses	<u>548,812,945</u>	<u>508,584,156</u>
Decrease in Net Position	(26,827,345)	(18,118,276)
Net Position, Beginning - Restated	<u>583,128,539</u>	<u>604,490,296</u>
Net Position, Ending	<u>\$ 556,301,194</u>	<u>\$ 586,372,020</u>

The government-wide net position decreased by \$26,827,345 during the current fiscal year. The decrease represents an excess of expenses over revenues in the current year.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Governmental Activities.

Governmental activities decreased the District's net position by \$26,827,345, accounting for the total decrease in the net position of the District. Key elements of the decrease are as follows:

- Unrestricted Net Position decreased by \$19,970,090.
- Restricted Net Position decreased by \$21,178,264.
- Net Investment in Capital Assets, increased by \$11,077,528.

The largest revenue sources are the State of Florida and local sources. Combined, these two revenue sources account for 88 percent of total revenues. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Total state sources increased by \$19,826,859 or 7.65 percent primarily due to the increase in FEFP funding. Revenues from local sources consist primarily of ad valorem taxes and impact fees. Property tax revenues increased by \$8.47 million or 6.8 percent, primarily due to the increase in the local property tax base.

Instructional expenses represent 48.9 percent of total governmental expenses in the 2013-14 fiscal year. Instructional expenses increased by \$20,498,715 or 7.63 percent, from the previous fiscal year due to the increase in enrollment, base student allocation, and a new State appropriation for teacher salary increases.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, assigned plus unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds report combined ending fund balances of \$129,811,173, a decrease of \$21,686,376, in comparison with the 2012-13 fiscal year. Unassigned fund balance of \$33,702,182 represents 25.96 percent of the ending fund balances and is available to meet the District's short-term spending needs. Remaining fund balances are non-spendable, restricted, or assigned, to indicate that they are not available for new spending. Inventory balances of \$3,226,549 are considered non-spendable. Fund balances totaling \$78,112,872 are restricted for state required carryover programs, debt service payments, capital projects, other grants and programs, and food service. Fund balances totaling \$14,769,570 are assigned to cover carryover appropriations, special revenue, and a projected operating deficit in the subsequent year.

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the assigned plus unassigned fund balance of the General Fund was \$47,077,992, while total fund balance reached \$70,238,145. As a measure of the General Fund's liquidity, it may be useful to compare both assigned plus unassigned fund balance and total fund balance to total expenditures. Assigned plus unassigned fund balance represents 11.46 percent of total General Fund expenditures, while total fund balance represents 17.1 percent of that same amount.

During the current fiscal year, the fund balance of the General Fund decreased by \$5,815,581. This was a planned decrease resulting primarily from a reduction in transfers of ad valorem funds for maintenance activities.

There were no changes to the fund balances for the Special Revenue - Federal Economic Stimulus Funds during the fiscal year since revenue cannot be recognized prior to incurring expenditures.

The fund balance for the Debt Service- ARRA Economic Stimulus Funds increased by \$2,388,789, due to the annually required sinking fund payment beginning in the 2012-13 fiscal year.

There were no changes to the fund balances for the ARRA Economic Stimulus Capital Projects Fund since no qualifying expenditures were incurred during the current fiscal year.

The fund balance for the Other Capital Projects Fund decreased by \$8,012,955. This was a planned decrease in an effort to meet the District's abundant capital needs.

The fund balance for non-major funds – reported as Other Governmental Funds – decreased by \$10,246.629 to \$27,558,205. This is primarily due to certain planned spend-downs as well as the timing differences between collecting funds for and expending these funds on specific projects.

Proprietary Funds

The District's proprietary funds provide the same type of information found in the government-wide financial statements. The District's proprietary fund includes two internal service funds that are used to account for its self-insurance programs. Net position decreased by \$3,108,362 due to insurance claims and other expenses exceeding premiums.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of approximately \$4.8 million, or 1.2 percent. At the same time, final appropriations were less than the original budgeted amounts by approximately \$4.9 million, or 1.1 percent. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are \$263,839, or .07 percent, less than final budget amounts while actual expenditures are \$24,179,894, or 5.6 percent, less than final budget amounts. The positive variance was primarily due to continued cost containment measures implemented by the District.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for the governmental activities as of June 30, 2014, amounts to \$765,825,589 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; investments in the educational facilities benefit district; and audio visual materials and computer software. The total decrease in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$309,956, or a 0.04 percent decrease from the 2012-13 fiscal year.

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

- Completion of classroom reconfiguration at two middle schools, one elementary school, and a high school.
- Construction in Progress for renovation of cafeteria/admin/media areas at one elementary school.
- Construction in Progress for renovations at two high schools
- Completion of renovations at one high school.
- Completion of wing additions at one high school and one elementary school.
- Construction in Progress for wing additions at two elementary schools and one high school.
- Construction in Progress for the expansion of the technical education center.
- Construction in Progress for major renovations at an administrative annex.

Following is a summary of the District's capital assets as of June 30, 2014, compared to June 30, 2013.

Schedule of Capital Assets (net of accumulated depreciation)			
	Governmental Activities		
	June 30, 2014	June 30, 2013	
Land	\$ 51,744,731	\$ 50,129,878	
Construction in Progress	28,426,153	12,998,440	
Improvements Other Than Buildings	13,463,464	14,532,576	
Buildings and Fixed Equipment	640,897,017	657,406,670	
Furniture, Fixtures, and Equipment	14,199,062	13,465,045	
Motor Vehicles	8,703,650	10,507,927	
Investment In EFBD	5,977,628	6,126,758	
Audio Visual Materials and Computer Software	2,413,884	968,251	
Total	\$ 765,825,589	\$ 766,135,545	

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the District's long-term debt principal, excluding premiums and discounts, totals \$269,677,985. Of this amount, \$255,531,000 is outstanding bonded debt, \$10,126,546 is outstanding notes payable, and \$4,020,439 is other long-term debt. Bonded debt constituted the largest portion of long-term debt at the end of the fiscal year and was comprised of \$8,386,000 of bonds issued on behalf of and by the State Board of Education (SBE) and backed by the full faith and credit of the State of Florida; \$60,520,000 outstanding in District Revenue Bonds; and \$186,625,000 in certificates of participation.

Following is a summary of the District's long-term debt as of June 30, 2014, compared to June 30, 2013.

Schedule of Outstanding Long-Term Debt (excluding premiums and discounts)

	Governmental Activities	
	June 30, 2014	June 30, 2013
State School (SBE) Bonds	\$ 8,386,000	\$ 9,800,000
District Revenue Bonds	60,520,000	64,645,000
Certificates of Participation	186,625,000	194,500,000
Notes Payable	10,126,546	13,163,293
Installment Purchases Payable	-	93,280
Other Long-Term Debt	4,020,439	8,973,589
Total Outstanding Long-Term Debt	<u>\$ 269,677,985</u>	<u>\$ 291,175,162</u>

The District's total debt decreased by \$21,497,177 or 7.38 percent, during the current fiscal year.

Additional information on the District's long term debt can be found in Notes 6 through 11 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As of October 2014, the U.S. Bureau of Labor Statistics reports the unemployment rate for Osceola County, Florida, at 6.1 percent. This is a decrease from the rate of 7.4 percent a year ago and is slightly higher than the State's average unemployment rate of 6.0 percent.

During the current fiscal year, assigned plus unassigned fund balance in the General Fund decreased by \$6,000,407 from the prior year (\$53,078,399 to \$47,077,992). This is due to a planned spending of prior fund balance maintained for operations.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Osceola County School District, 817 Bill Beck Boulevard, Kissimmee, Florida 34744.

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BASIC FINANCIAL STATEMENTS



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

	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 74,538,083	\$ 15,316,150
Investments	75,877,942	4,487,441
Accounts Receivable	2,043,405	163,779
Interest Receivable	44,790	1,874
Deposits Receivable		107,500
Due from Trustec		564,565
Due from Other Agencies	6,560,892	2,707,609
Inventories	3,226,548	
Other Current Assets		1,032,891
Prepaid Items	1,912,098	232,032
Restricted Assets:		
Cash with Fiscal Agent	5,434,077	
Investments		334,182
Capital Assets:		
Land	51,744,731	13,443,413
Construction in Progress	28,426,153	
Improvements Other Than Buildings, Net	13,463,464	427,056
Leasehold Improvements		1,580,428
Buildings and Fixed Equipment, Net	640,897,017	32,885,810
Furniture, Fixtures and Equipment, Net	14,199,062	1,572,610
Motor Vehicles, Net	8,703,650	5,510
Investment in Educational Facilities Benefit District, Net	5,977,628	
Audio Visual Materials and Computer Software, Net	2,413,884	
Beneficial interest in assets held by others-restricted		1,245,596
Total Assets	935,463,424	76,108,446
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount on Debt Refunding	6,895,431	
Total Deferred Outflows of Resources	6,895,431	-
LIABILITIES		
Salaries and Benefits Payable	1,916,371	473,890
Bank Overdraft		103,062
Payroll Deductions and Withholdings	1,018,269	
Accounts Payable	4,963,992	1,756,150
Line of Credit		65,000
Construction Contracts Payable	2,433,725	
Construction Contracts Payable-Retainage	930,376	
Accrued Expenses		709,138
Due to Other Agencies	4,372,015	1,808,485
Due to Management Company		74,816
Due to Agency Fund		114
Sales Tax Payable	3,184	
Unearned Revenue	142,665	767,273
Accrued Interest Payable	2,036,564	1,058,664
Estimated Insurance Claims Payable	4,228,475	
Other Current Liabilities		26,112
Long-Term Liabilities:		
Portion Due Within One Year:		
Obligations Under Capital Leases		185,833
Bonds Payable	5,492,000	635,448
Notes Payable	3,200,178	
Certificates of Participation Payable	8,055,000	
Compensated Absences Payable	2,060,648	9,151
Educational Facilities Benefit District Agreement Payable	151,738	
Portion Due After One Year:		
Obligations Under Capital Leases		13,377,270
Bonds Payable	66,626,291	46,872,748
Notes Payable	6,926,369	
Certificates of Participation Payable	183,061,815	
Compensated Absences Payable	27,462,822	3,050
Other Postemployment Benefits Payable	46,277,359	
Impact Fee Credit Vouchers	6,250,107	
Educational Facilities Benefit District Agreement Payable	3,868,701	
Total Liabilities	381,478,664	67,926,204
DEFERRED INFLOWS OF RESOURCES		
Deferred Amount on Debt Refunding	4,578,997	
Total Deferred Inflows of Resources	4,578,997	-
NET POSITION		
Net Investment in Capital Assets	488,609,887	(7,622,861)
Restricted For:		
State Required Carryover Programs	15,795,186	
Debt Service	5,320,584	2,335,232
Capital Projects	39,181,919	795,435
Food Service	10,426,130	
Other Purposes		2,440,690
Unrestricted	(3,032,512)	10,233,746
Total Net Position	\$ 556,301,194	\$ 8,182,242

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

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

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
Governmental Activities:						
Instruction	\$ 289,204,178	\$ 2,076,715	\$ 34,462,494	\$	\$ (252,664,969)	
Pupil Personnel Services	25,492,366				(25,492,366)	
Instructional Media Services	4,925,391				(4,925,391)	
Instruction and Curriculum Development Services	16,183,836				(16,183,836)	
Instructional Staff Training Services	9,266,366				(9,266,366)	
Instruction Related Technology	4,042,170				(4,042,170)	
Board of Education	1,476,291				(1,476,291)	
General Administration	2,485,353				(2,485,353)	
School Administration	23,481,657				(23,481,657)	
Facilities Services	11,207,862			16,948,423	5,740,561	
Fiscal Services	2,058,395				(2,058,395)	
Food Services	31,570,344	4,291,076	26,203,051		(1,076,217)	
Central Services	6,790,680				(6,790,680)	
Pupil Transportation Services	21,373,354	392,314			(20,981,040)	
Operation of Plant	32,358,059				(32,358,059)	
Maintenance of Plant	8,541,140				(8,541,140)	
Administrative Technology Services	3,988,727				(3,988,727)	
Community Services	4,963,439	2,874,860			(2,088,579)	
Interest on Long-term Debt	13,886,389			2,162,255	(11,724,134)	
Unallocated Depreciation Expense*	35,516,948				(35,516,948)	
Total Primary Government	\$ 548,812,945	\$ 9,634,965	\$ 60,665,545	\$ 19,110,678	(459,401,757)	
Component Units:						
Charter Schools, Foundation and Benefit Districts	\$ 51,013,736	\$ 483,899	\$ 4,582,561	\$ 2,227,759		\$ (43,719,517)
General Revenues:						
Taxes:						
Property Taxes, Levied for Operational Purposes					105,900,393	
Property Taxes, Levied for Capital Projects					26,438,255	
Local Sales Taxes					10,600,770	
Federal						1,699
State passed through local school district						40,671,990
Debt forgiveness, from a related party						366,236
Grants and Contributions Not Restricted to Specific Programs					278,251,669	143,212
Unrestricted Investment Earnings					1,375,756	59,644
Other Income						428,136
Miscellaneous					10,007,569	516,569
Special Items						1,889,376
Total General Revenues					432,574,412	44,076,862
Change in Net Position					(26,827,345)	357,345
Net Position - Beginning - Restated					583,128,539	7,824,897
Net Position - Ending					\$ 556,301,194	\$ 8,182,242

*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.

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 20,523,231	\$	\$ 4,562,747	\$ 20,866,856	\$ 15	\$ 20,960,549	\$ 66,913,398
Investments	53,511,395			7,573,468		5,686,524	66,771,387
Accounts Receivable	571,049			426		920,536	1,492,011
Interest Receivable	36,815			4,623		3,352	44,790
Due from Other Funds	781,061	0		783,321		63,684	1,628,066
Due from Other Agencies	673,830	987,280		1,969,878		2,929,904	6,560,892
Inventories	2,077,676					1,148,872	3,226,548
Total Assets	\$ 78,175,057	\$ 987,280	\$ 4,562,747	\$ 31,198,572	\$ 15	\$ 31,713,421	\$ 146,637,092
LIABILITIES AND FUND BALANCES							
Liabilities:							
Salaries and Benefits Payable	\$ 1,427,609	\$ 99,099	\$	\$	\$	\$ 389,663	\$ 1,916,371
Payroll Deductions and Withholdings	870,233	25,937				122,099	1,018,269
Accounts Payable	1,471,367	554,338		888,356		1,449,860	4,363,921
Accrued Interest Payable						17,327	17,327
Construction Contracts Payable				2,159,423		274,302	2,433,725
Construction Contracts Payable-Retainage				698,732		231,644	930,376
Due to Other Funds	137,247	298,993				1,191,826	1,628,066
Due to Other Agencies	4,009,953	8,913				353,149	4,372,015
Sales Tax Payable	2,931					253	3,184
Unearned Revenue	17,572					125,093	142,665
Total Liabilities	7,936,912	987,280		3,746,511		4,155,216	16,825,919
Fund Balances:							
Nonspendable	2,077,677					1,148,872	3,226,549
Restricted	21,082,476		4,562,747	27,452,061	15	25,015,573	78,112,872
Assigned	13,375,810					1,393,760	14,769,570
Unassigned	33,702,182						33,702,182
Total Fund Balances	70,238,145		4,562,747	27,452,061	15	27,558,205	129,811,173
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,175,057	\$ 987,280	\$ 4,562,747	\$ 31,198,572	\$ 15	\$ 31,713,421	\$ 146,637,092

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

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

Total Fund Balances - Governmental Funds \$ 129,811,173

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.	765,825,589
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	20,826,726
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.	(2,036,564)
Deferred amount on refunding (loss) are not recognized in the fund level statements but are included in the government-wide statements.	6,895,431
Deferred amount on refunding (gain) are not recognized in the fund level statements but are included in the government-wide statements.	(4,578,997)

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 year-end consist of:

Bonds Payable	\$ 72,118,291	
Notes Payable	10,126,547	
Certificates of Participation Payable	191,116,815	
Cash held by Fiscal Agent for Advance Refunding	1,009,136	
Educational Facilities Benefit District Agreement Payable	4,020,439	
Impact Fee Credit Vouchers	6,250,107	
Compensated Absences Payable	29,523,470	
Other Post-employment Benefits Obligations	46,277,359	(360,442,164)

Total Net Position - Governmental Activities \$ 556,301,194

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

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

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Intergovernmental:							
Federal Direct	\$ 442,715	\$	\$ 2,162,255	\$	\$	\$ 1,277,372	\$ 3,882,342
Federal Through State	126,046	4,124,410				54,739,668	58,990,124
State	273,037,835			3,176,981		2,618,131	278,832,947
Local:							
Property Taxes	105,531,882					26,438,255	131,970,137
Local Sales Taxes						10,600,770	10,600,770
Impact Fees				21,612,978			21,612,978
Charges for Services - Food Service						4,291,076	4,291,076
Miscellaneous	11,220,999		214,831	912,551		4,561,555	16,909,936
Total Revenues	390,359,477	4,124,410	2,377,086	25,702,510		104,526,827	527,090,310
EXPENDITURES							
Current-Education:							
Instruction	262,242,312	392,069				17,695,154	280,329,535
Pupil Personnel Services	20,595,961					1,190,278	21,786,239
Instructional Media Services	4,715,798					55,249	4,771,047
Instruction and Curriculum Development Services	9,493,205	595,285				5,595,370	15,683,860
Instructional Staff Training Services	5,289,968	1,112,210				2,695,988	9,098,166
Instruction Related Technology	3,756,114					161,772	3,917,886
Board of Education	1,466,041						1,466,041
General Administration	1,388,727	38,834				987,713	2,415,274
School Administration	22,476,668						22,476,668
Facilities Services	3,381,700	6,893		2,352,154		5,440,481	11,181,228
Fiscal Services	1,936,268						1,936,268
Food Services	148,495					30,901,517	31,050,012
Central Services	5,965,092	437,709				139,084	6,541,885
Pupil Transportation Services	20,578,868					263,394	20,842,262
Operation of Plant	31,735,275					6,900	31,742,175
Maintenance of Plant	8,275,106					5,392	8,280,498
Administrative Technology Services	3,535,038	280,298					3,815,336
Community Services	887,295					3,988,986	4,876,281
Fixed Capital Outlay:							
Facilities Acquisition and Construction	1,464,093			18,748,637		8,327,497	28,540,227
Other Capital Outlay	1,376,397	1,261,112		912,818		5,050,075	8,600,402
Debt Service:							
Principal	93,280					16,610,899	16,704,179
Interest and Fiscal Charges	1,397		2,696,490			11,163,788	13,861,675
Dues, Fees and Issuance Costs			10,684			52,048	62,732
Total Expenditures	410,803,098	4,124,410	2,707,174	22,013,609		110,331,585	549,979,876
Excess (Deficiency) of Revenues Over Expenditures	(20,443,621)		(330,088)	3,688,901		(5,804,758)	(22,889,566)
OTHER FINANCING SOURCES (USES)							
Transfers In	14,555,571		2,718,877	3,377,306		17,807,230	38,458,984
Refunding Bonds Issued						1,796,000	1,796,000
Premium on Refunding Bonds						283,385	283,385
Proceeds from the Sale of Capital Assets				52,200			52,200
Insurance Loss Recoveries	72,469						72,469
Payments to Escrow Agent for Refunded Debt						(1,000,864)	(1,000,864)
Transfers Out				(15,131,362)		(23,327,622)	(38,458,984)
Total Other Financing Sources (Uses)	14,628,040		2,718,877	(11,701,856)		(4,441,871)	1,203,190
Net Change in Fund Balances	(5,815,581)		2,388,789	(8,012,955)		(10,246,629)	(21,686,376)
Fund Balances, July 1, 2013	76,053,726		2,173,958	35,465,016	15	37,804,834	151,497,549
Fund Balances, June 30, 2014	\$ 70,238,145	\$	\$ 4,562,747	\$ 27,452,061	\$ 15	\$ 27,558,205	\$ 129,811,173

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

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

Net Change in Fund Balances - Total Governmental Funds \$ (21,686,376)

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 expense. This is the amount of capital outlays in excess of depreciation expense in the current period.

Capital outlays net of amounts not capitalized	37,140,629	
Depreciation Expense	<u>(38,274,605)</u>	(1,133,976)

Capital assets donated to the District increase net position in the government-wide statements, but are not assets donated during the current year.
capital assets donated during the current year. 959,607

The cost of capital assets disposed of during the current year is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balances by the undepreciated cost of the disposed assets. (138,334)

Proceeds of refunding debt are reported as other financing sources in the governmental funds, while payments to the escrow agent for advance-refunding of outstanding debt are shown as other financing uses. Government-wide statements are affected only to the extent these amounts differ. Other long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Refunding State Board of Education Bonds Issued	(1,796,000)	
Payments to Escrow Agent for Refunding Debt	1,000,864	
Debt Principal Payments	<u>16,704,179</u>	15,909,043

Premiums and discounts on bonds issued are reported in the governmental funds, in the year the debt is issued, but are deferred and amortized over the life of the debt in the statement of activities. This is the amount in which additions exceed amortization in the current year. 443,527

The systematic recognition of the change in Deferred Outflows is not recognized as an expenditure in the fund level statements. In the government-wide statements, it reduces Net Position. (719,007)

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. This is the net change in accrued interest. 30,113

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (4,803,365)

In the statement of activities, the cost of other post-employment benefits is measured by the increase in the net OPEB obligation during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for the OPEB costs. This is the amount of the increase in the OPEB obligation in excess of the amount paid in the current period. (6,330,108)

Unearned revenues associated with impact fee credits are accrued in the government-wide statements, but are not recognized in the governmental funds. (6,250,107)

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. (3,108,362)

Change in Net Position of Governmental Activities \$ (26,827,345)

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Governmental Activities - Internal Service Funds
	<u> </u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 14,067,898
Investments	9,106,555
Accounts Receivable	551,394
Prepaid Items	1,912,098
Due from Other Funds	20,309
Total Current Assets	<u>25,658,254</u>
Total Assets	<u><u>\$ 25,658,254</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 582,744
Due to Other Funds	20,309
Estimated Insurance Claims Payable	4,228,475
Total Liabilities	<u>4,831,528</u>
NET POSITION	
Unrestricted	<u>20,826,726</u>
Total Liabilities and Net Position	<u><u>\$ 25,658,254</u></u>

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	\$ 52,623,543
Total Operating Revenues	<u>52,623,543</u>
OPERATING EXPENSES	
Purchased Services	6,133,872
Materials and Supplies	166
Capital Outlay	6,433
Insurance Claims	49,652,555
Total Operating Expenses	<u>55,793,026</u>
Operating Loss	<u>(3,169,483)</u>
NONOPERATING REVENUES	
Interest	61,121
Total NonOperating Revenues	<u>61,121</u>
Change In Net Position	<u>(3,108,362)</u>
Total Net Position - July 1, 2013	23,935,088
Total Net Position - June 30, 2014	<u><u>\$ 20,826,726</u></u>

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 52,302,163
Payments for Insurance Claims	(49,021,876)
Cash Payments to Vendors for Goods and Services	(6,746,481)
Net Cash Provided by Operating Activities	(3,466,194)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	(1,441,602)
Interest	66,110
Net Cash Provided by Investing Activities	(1,375,492)
Net Increase in Cash and Cash Equivalents	(4,841,686)
Cash and Cash Equivalents, Beginning	18,909,584
Cash and Cash Equivalents, Ending	\$ 14,067,898
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating Loss	\$ (3,169,483)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(241,734)
Increase in Due from Other Funds	(536,024)
Decrease in Accounts Payable	(606,010)
Increase in Due to Other Funds	456,378
Increase in Estimated Insurance Claims Payable	630,679
Total Adjustments	(296,711)
Net Cash Provided by Operating Activities	\$ (3,466,194)

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 4,768,119
Investments	3,061,545
Accounts Receivable	72,365
Due from School Board	7,133
Total Assets	\$ 7,909,162
LIABILITIES	
Salaries and Benefits Payable	\$ 3,878
Payroll Deductions and Withholdings	12,990
Accounts Payable	4,204,216
Internal Accounts Payable	3,688,078
Total Liabilities	\$ 7,909,162

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

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separated component units for which the primary government is financially accountable. The District has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense are not readily associated with a particular function and are reported as unallocated.

➤ **Reporting Entity**

The Osceola County School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Osceola County School District (District) is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education Rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Osceola 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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Units. The District's employee group health and life insurance program, described in Note 20, is administered through the Osceola County District School Board Group Health and Life Insurance Trust (Trust). Assets necessary to fund the program are transferred to the Trust; however, under the terms of the Trust agreement, the District retains control of the assets. Therefore, the financial activities of the Trust are reported in the District's financial statements. Separate financial statements for the Trust are not published.

The Osceola School Board Leasing Corporation, Inc. (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment. The governing board of the Leasing Corporation is the Board. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Foundation for Osceola Education, Inc., is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the Board, to promote education, and to encourage research, learning, and dissemination of information. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. An annual audit of the organization's financial statements is conducted by an independent certified public accountant and is filed in the District's administrative office.

The Bellalago Educational Facilities Benefit District and the Flora Ridge Educational Facilities Benefit District (Benefit Districts) are separate districts organized pursuant to Chapter 125, Florida Statutes, and Section 1013.355, Florida Statutes, to provide for the timely construction and maintenance of school facilities. The Benefit Districts are an alternate mechanism that allows for the sharing of educational facilities costs that are necessary to accommodate new growth and development. The Benefit Districts have imposed a specific financial burden on the Osceola County School District and are considered fiscally dependent in accordance with the criteria described in Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. A member of the Osceola County School District has been appointed to the board of each Benefit District. Audits of the Benefit District's annual financial statements are conducted by an independent certified public accountant and are filed in the District's administrative office.

Four Corners Charter School, Inc., Acclaim Academy Florida, Inc., Avant Garde Charter School, Florida Virtual Charter Academy at Osceola, iVirtual League Academy, Mavericks High School of Osceola County, New Dimensions High School, Inc., Renaissance Charter School at Poinciana, and UCP Osceola Charter School, 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, to enhance the education of those Osceola County students attending these schools. The charter schools operate under a charter approved by their sponsor, the Osceola County District School Board. The charter schools are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support and there is a potential for the charter school to provide specific financial benefits to, or impose specific financial burdens on, the District. Audits of the charter schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative office.

➤ **Basis of Presentation: Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

➤ **Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Economic Stimulus Program Funds - to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and fees related to Qualified School Construction Bonds.
- Capital Projects – ARRA Economic Stimulus Fund – to account for ARRA Federal grant resources to be used for educational capital outlay needs.
- Capital Projects – Other Fund – to account for other miscellaneous funds from various sources which are restricted for capital outlay purposes.

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

- Internal Service Funds – to account for the District's individual self-insurance programs.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities, and to account for the various resources of the Bellalago Charter Academy accounted for by the District.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

➤ **Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under the accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when payment is due. General capital asset acquisition are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The charter schools, the Foundation for Osceola Education, Inc., and the Benefit Districts, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

➤ **Cash and Cash Equivalents**

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

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

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

➤ **Investments**

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

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

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

Investments made locally consist of United States Treasury Bonds, Federal Agency Bonds, and commercial paper and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories and Prepaid Items**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories held at the maintenance department, transportation department, central warehouse and for the District's food service program are stated at cost valued on a weighted-average basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The District applies the consumption method to account for its inventories. As such, the expenditure for supplies inventory is recognized when the supplies are actually used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 for tangible personal property and \$25,000 for real property. 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.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 40 years
Buildings, Fixed Equipment, and Educational Facilities Benefit District	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of financial net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future periods(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in each of these categories, which is the deferred amount on debt refunding. A deferred amount on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

➤ **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 are deferred and amortized over the life of the debt using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium or discount.

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

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

➤ **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.

**OSCEOLA COUNTY
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NOTES TO FINANCIAL STATEMENTS
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➤ **Fund Balance Flow Assumption**

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

➤ **Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the Chief Business and Finance Officer to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the District has adopted Board Rule 7.10 which establishes "contingency reserves" to help sustain the financial stability of the District during times of emergency spending for items such as disaster recovery and revenue shortfalls that could potentially occur after the current year's budget adoption. School Board Rule 7.10 requires an amount equal to 6 percent of the current year's annual estimated general fund revenues to be reserved for contingency purposes. The Superintendent shall obtain approval from the School Board if at any time it is projected that this balance will not be maintained.

➤ **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.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

➤ **State Revenue Sources**

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

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 fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

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

➤ **District Property Taxes**

The School Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Osceola County Property Appraiser, and property taxes are collected by the Osceola County Tax Collector.

The School Board adopted the 2013 tax levy on September 3, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

➤ **Educational Impact Fees**

Osceola County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1992. This ordinance has been amended from time to time, most recently in August 2012, when Resolution No. 12-085R established the revised rates to be collected. The educational impact fee is collected for all new residential construction within the County. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees can only be used for capital expenditures directly affected by new residential growth. Educational impact fee credits granted in exchange for land are shown in the government-wide financial statements as unearned revenue until the credits are used, at which time the revenues are recognized.

➤ **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.

➤ **Compensated Absences**

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

➤ **Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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 the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. ACCOUNTING CHANGES

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for the 2013-14 fiscal year. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statements elements of deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in the financial statement presentations. Adoption of GASB 65 resulted in a change in net position of \$3,246,228 at the end of fiscal year 2013-14.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

3. INVESTMENTS

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

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration (SBA):		
Florida PRIME (1)	40 Day Average	\$ 39,491,709
Fund B Surplus Funds Trust Fund (Fund B)(2)	2.86 Year Average	240,334
Debt Service Accounts	6 Months	422,169
Florida Education Investment Trust Fund (1)	51 Day Average	5,123,612
US Treasury Bonds	1.91 Year Average	59,603,448
Federal Agency Bonds	1.86 Year Average	18,882,797
Commercial Paper	1.81 Year Average	6,706,601
Total Investments		<u>\$ 130,470,670</u>

Notes:

(1) Investments classified as cash equivalents

(2) Includes \$21,389, which is being held under a trust agreement in connection with the Certificates of Participation, Series 2002A.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

- The District's investment policy limits investments to a maximum of five years and the investment of current operating funds to no longer than two years.
- Florida PRIME had a weighted average days to maturity (WAM) of 40 days, and FEITF had a WAM of 44 days at June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amount used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.
- The District has \$6,273,892 in three obligations of Federal Home Loan Mortgage Corporation (Freddie Mac) that include embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. One security, for \$2,076,614 has a November, 13, 2014 call date and a November 13, 2015 maturity date. The second security, for \$2,075,261, has a September 30, 2014 call date and a December 30, 2015 maturity date. The third security, for \$2,122,016, has a March 27, 2015 call date and a March 27, 2017 maturity date.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

- The District’s investment policy allows for investments in certificates of deposit, time deposits, securities of the United States Government, other forms of authorized investments described in the Florida Statutes, and money market funds that are rated “AAA”, “AA”, or “AA-G” or better by Standard & Poor’s, or the equivalent by another rating agency.
- The District’s investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2014, the District’s investments in Florida PRIME and the FEITF are rated “AA” by Standard & Poor’s. Fund B is unrated.
- As of June 30, 2014, the District’s investments in U.S. Treasury and Federal Agency securities with PFM were rated AA+. The District’s investments in commercial paper securities were rated A-1 (short-term) by Standard & Poor’s.

Custodial credit risk is the risk of loss attributed to the failure of the depository bank.

- Section 218.415(18), Florida Statutes, require 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 in the United States which has a branch or principal place of business in the 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 investments are held by a safekeeping agent, in the name of the District.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District’s investment in a single issuer.

- The District’s investment policy limits the amounts the District may invest in any one issuer, based on the type of instrument as follows:

Florida Local Government Surplus Funds Trust Fund (SBA)	50%
United States Government Securities	100%
United States Government Agencies	25%
Federal Instrumentalities	40%
Interest Bearing Time Deposit or Savings Accounts	33%
Repurchase Agreements	25%
Commercial Paper	10%
Bankers' Acceptances	10%
Registered Investment Companies (Money Market Funds)	35%

- Most of the District’s investments are issued or explicitly guaranteed by the United States Government or are in external investment pools, which do not require disclosure for concentration of credit risk. Remaining investments are in compliance with investment policy limits.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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- As of June 30, 2014, more than 45 percent of the District's investment were in US Treasury Bonds, followed by Florida Prime at 30%, and Federal Agency Bonds at 15%. Federal Agency Bonds included investments in Federal National Mortgage Association (Fannie Mae), Federal Home Loan Bank Notes and Freddy Mac Global Notes, which were 6.0, 5.0 and 3.9 percent of total investments, respectively.

4. 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.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land & Improvements	\$ 50,129,878	\$ 1,614,853	\$ -	\$ 51,744,731
Construction in Progress	12,998,440	27,437,242	12,009,529	28,426,153
Total Capital Assets Not Being Depreciated	<u>63,128,318</u>	<u>29,052,095</u>	<u>12,009,529</u>	<u>80,170,884</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	34,942,921	705,136	-	35,648,057
Buildings and Fixed Equipment	927,577,515	11,304,393	-	938,881,908
Furniture, Fixtures, and Equipment	61,236,044	5,977,906	6,019,405	61,194,545
Investment in Educational Facilities Benefit				
District	8,255,001	-	-	8,255,001
Motor Vehicles	35,905,344	957,232	894,442	35,968,134
Audio-Visual Materials	64,557	7,928	9,313	63,172
Computer Software	6,939,113	2,107,822	177,616	8,869,319
Total Capital Assets Being Depreciated	<u>1,074,920,495</u>	<u>21,060,417</u>	<u>7,100,776</u>	<u>1,088,880,136</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	20,410,345	1,774,248	-	22,184,593
Buildings and Fixed Equipment	270,170,845	27,814,046	-	297,984,891
Furniture, Fixtures, and Equipment	47,770,999	5,123,425	5,898,941	46,995,483
Investment in Educational Facilities Benefit				
District	2,128,243	149,130	-	2,277,373
Motor Vehicles	25,397,417	2,757,658	890,591	27,264,484
Audio-Visual Materials	57,187	5,856	9,313	53,730
Computer Software	5,978,232	650,242	163,597	6,464,877
Total Accumulated Depreciation	<u>371,913,268</u>	<u>38,274,605</u>	<u>6,962,442</u>	<u>403,225,431</u>
Total Capital Assets Being Depreciated, Net	<u>703,007,227</u>	<u>(17,214,188)</u>	<u>138,334</u>	<u>685,654,705</u>
Governmental Activities Capital Assets, Net	<u>\$ 766,135,545</u>	<u>\$ 11,837,907</u>	<u>\$ 12,147,863</u>	<u>\$ 765,825,589</u>

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2014**

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 2,757,657
Unallocated	35,516,948
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 38,274,605</u>

6. NOTES PAYABLE

Notes payable are comprised of the following:

	Balance at 6/30/2014
School District of Indian River County, Florida	

Pursuant to Section 1013.68(6), Florida Statutes, the Board entered into an inter-local agreement in which the Board received \$9,308,048 in Classrooms First Funds allocated to Indian River County District School Board by the State of Florida. In return, the Board agreed to pay Indian River County District School Board the Classrooms First Funds it would have otherwise received from the State. The effective interest rate on the loan is 5.776 percent. Proceeds were used as capital funding for new school construction. The Board's intent is to repay the loan and related interest in 15 annual installments of \$897,039 through August 1, 2016.

\$ 2,407,754

School District of Collier County, Florida

Pursuant to Section 1013.68(6), Florida Statutes, the Board entered into an inter-local agreement in which the Board received \$29,176,952 in Classrooms First Funds allocated to Collier County District School Board by the State of Florida. In return, the Board agreed to pay Collier County District School Board the Classrooms First Funds it would have otherwise received from the State. The effective interest rate on the loan is 5.26 percent. Proceeds were used as capital funding for new school construction. The Board's intent is to repay the loan and related interest in 105 installments of \$401,693, seven per year, through May 31, 2017.

7,718,793

Total Notes Payable

\$ 10,126,547

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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Amounts payable for the planned extended repayment of the Section 1013.68, Florida Statutes, interlocal agreements are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2015	\$ 3,708,892	\$ 3,200,178	\$ 508,714
2016	3,708,892	3,372,420	336,472
2017	3,708,893	3,553,949	154,944
Total	<u>\$ 11,126,677</u>	<u>\$ 10,126,547</u>	<u>\$ 1,000,130</u>

7. EDUCATIONAL FACILITIES BENEFIT DISTRICT AGREEMENT PAYABLE

Pursuant to Section 1013.355, Florida Statutes, the District entered into an interlocal agreement with Osceola County, Florida, dated September 15, 2003, authorizing the creation of the Bellalago Educational Facilities Benefit District (Benefit District). The purpose of the Benefit District is to finance the construction of school facilities using a combination of sources, including impact fees, non-ad valorem assessments from homeowners, charter capital, and payments from the District. The District also entered into a charter contract on April 6, 2004, with the Foundation for Osceola Education, Inc. (Foundation), creating Bellalago Charter Academy. The Foundation entered into an interlocal agreement with the Benefit District under which it agreed to pay to the Benefit District any charter capital received in exchange for use of the school facilities. On December 16, 2003, the District entered into an interlocal funding agreement with the Benefit District and Avatar Properties, Inc., to formalize the obligations of the parties. Under the terms of this agreement, the District is obligated to pay the portion of debt service on bonds issued by the Benefit District not otherwise funded by impact fees, non-ad valorem assessments, and charter capital. Phase I of the construction was funded through bonds issued by the Benefit District at a rate of 6.05 percent. Phase II of the construction was funded by issuing a second series of bonds by the Benefit District at a rate of 5.83 percent.

On May 28, 2014, the District issued \$23,150,000 in refunding Capital Improvement Refunding Bonds, Series 2014A, with an average interest rate of 3.48 percent, to refund and redeem \$23,535,000 of the District's outstanding Capital Improvement Revenue Bonds Series 2004A and 2004B. The 2014A Series were issued to reduce the total debt service payments from the 2004A and 2004B certificates, resulting in savings to the District of \$6,181,793 over the next 20 years.

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**OSCEOLA COUNTY
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Estimated amounts payable for the Benefit District agreement are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2015	\$ 426,891	\$ 151,738	\$ 275,153
2016	440,727	183,703	257,024
2017	428,502	190,194	238,308
2018	422,480	202,369	220,111
2019-2023	1,907,764	1,064,430	843,334
2024-2028	1,580,494	1,114,714	465,780
2029-2033	1,203,371	1,041,928	161,443
2034-2035	71,363	71,363	-
Total	\$ 6,481,592	\$ 4,020,439	\$ 2,461,153

The amounts that may be required from the District in the future are dependent on the amount of charter capital received which is dependent on enrollment at the school and the level of funding appropriated annually by the Legislature.

8. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2014, are as follows:

Series	Amount Outstanding	Interest Rate (percent)	Lease Term Maturity	Original Amount
2004 COPS, Series A	\$ 3,605,000	3.375 - 5.0	2028	\$ 63,245,000
2004 COPS, Series B and C, Refunding	8,245,000	3.0 - 5.0	2019	18,850,000
2005 COPS Refunding	9,555,000	3.25 - 4.5	2024	12,095,000
2007 COPS, Series A and B Refunding	60,000,000	3.625 - 4.5	2027	62,755,000
2009 COPS Refunding	22,995,000	3.0 - 5.0	2024	35,165,000
2010 COPS, Series A (QSCB)	40,500,000	6.658 (1)	2027	40,500,000
2013 COPS Refunding	41,725,000	2.0 - 5.0	2028	41,880,000
Total	186,625,000			
Plus: Unamortized Premium	4,491,815			
Total Certificates of Participation	<u>\$ 191,116,815</u>			

Note (1): The Series 2010A Lease is designated as a "qualified school construction bond" as defined in Section 54F of the Internal Revenue Code, and pursuant to Section 6431 of the Code, the School Board has elected to receive federal subsidy payments on each interest payment date for the Series 2010A Certificates in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code.

The District entered into a master financing arrangement on April 1, 1992, which arrangement was characterized as a lease-purchase agreement, with the Osceola School Board Leasing Corporation, Inc., whereby the District secured financing of various educational facilities. The financings were accomplished through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

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As a condition of the financing arrangement, the District has given ground leases on District properties to the Osceola School Board Leasing Corporation, Inc., with a rental fee of \$1 per year. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the various Ground Lease Agreements for the benefit of the securers of the Certificates for a period of time specified by the arrangement as follows:

<u>Certificates</u>	<u>Lease Term</u>
Series 2004A	Earlier of date paid in full or June 30, 2028
Series 2004 B and C	Earlier of date paid in full or June 30, 2019
Series 2005	Earlier of date paid in full or August 30, 2024
Series 2007	Earlier of date paid in full or June 30, 2027
Series 2009	Earlier of date paid in full or June 30, 2024
Series 2010	Earlier of date paid in full or April 30, 2027
Series 2013	Earlier of date paid in full or June 30, 2028

The District properties included in the ground leases under this arrangement include the following:

<u>Certificates</u>	<u>Description of Properties</u>
Series 2004A, B, and C, Refunding	Poinciana High School (correct defects/deficiencies to original construction), Kissimmee Elementary School, Liberty High School, and Chestnut Elementary School
Series 2005, Refunding	Four Corners Charter School
Series 2007, Refunding	Celebration High School, Poinciana High School Auditorium, and the Osceola County School for the Arts
Series 2009, Refunding	Poinciana High School (correct defects/deficiencies to original construction), Horizon Middle School, Osceola High School Classroom Addition and Labs, and Kissimmee Elementary School
Series 2010	Osceola High School Renovations, Thacker Avenue Elementary School Renovations, and Highlands Elementary School Renovations
Series 2013, Refunding	Liberty High School and Chestnut Elementary School

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The lease payments are payable by the District, semiannually, on June 1 and December 1 for Series 2004, 2007, 2009, and 2013; February 1 and August 1 for Series 2005; and a bullet maturity due on April 1, 2027 for Series 2010. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2015	\$ 17,092,544	\$ 8,055,000	\$ 9,037,544
2016	17,086,519	8,325,000	8,761,519
2017	17,091,294	8,685,000	8,406,294
2018	17,091,234	9,045,000	8,046,234
2019-2023	85,419,685	51,495,000	33,924,685
2024-2028	119,997,010	101,020,000	18,977,010
Total Minimum Lease Payments	<u>\$ 273,778,286</u>	<u>186,625,000</u>	<u>\$ 87,153,286</u>
Plus: Unamortized Premium		<u>4,491,815</u>	
Total Certificate of Participation		<u>\$ 191,116,815</u>	

➤ **QUALIFIED SCHOOL CONSTRUCTION BONDS**

The District issued Certificates of Participation (COPs) dated April 29, 2010, under the Qualified School Construction Bond (QSCB) Program pursuant to Section 54F of the United States Internal Revenue Code of 1986 as amended (the Code). The QSCB Program provides for an issuer interest rate subsidy on certain bonds or COPs. The School District of Osceola County received an approved allocation of funds from the Florida Department of Education sufficient for the designation of the Series 2010A COP as a QSCB under the Code. Pursuant to Section 6431 of the Code, the District has elected to receive Federal subsidy payments (the Issuer Subsidy) from the United States Treasury on each interest payment date for the 2010A Certificates in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate pursuant to Section 54A(b)(3) of the Code. The tax credit rate which would have been applicable to the Series 2010A Certificates is 5.80 percent.

The Series 2010A Certificates were issued in the amount of \$40,500,000. Interest payments are to be made to the holders of the Certificates on April 1st and October 1st of each year at the stated coupon rate of 6.658 percent with the Issuer Subsidy received by the District on the same date. The principal amount of the Certificates is to be repaid in one lump sum on April 1, 2027. Beginning in 2013, the District is to deposit \$2,173,958 into a Sinking Fund annually on April 1st. The accumulated amount in this fund plus interest at a projected 3 percent is to be used to repay the principal amount of these certificates upon maturity.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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9. BONDS PAYABLE

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
State School Bonds:				
Series 2004A	\$ -	4.0 - 4.625	2024	\$ 1,595,000
Series 2005A	80,000	4.0 - 5.0	2025	1,685,000
Series 2005A, Refunding	1,835,000	4.0 - 5.0	2017	5,160,000
Series 2005B, Refunding	855,000	5.0	2020	1,715,000
Series 2006A	1,355,000	4.0 - 4.625	2026	1,810,000
Series 2009A, Refunding	480,000	4.0 - 5.0	2019	870,000
Series 2010A, Refunding	925,000	4.0 - 5.0	2022	1,205,000
Series 2011A, Refunding	1,060,000	3.0 - 5.0	2023	1,135,000
Series 2014A, Refunding	1,796,000	2.0 - 5.0	2025	1,796,000
District Revenue Bonds:				
Sales Tax Revenue Series 2007A	34,610,000	5.0	2025	47,580,000
Sales Tax Revenue Series 2007B	25,910,000	3.7 - 5.0	2024	32,255,000
Total Bonds	<u>68,906,000</u>			
Plus: Unamortized Bond Premium	<u>3,212,292</u>			
Total Bonds Payable	<u><u>\$ 72,118,292</u></u>			

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District Revenue Bonds**

The School Board issued Sales Tax Revenue Bonds, Series 2007A and 2007B on April 12, 2007, totaling \$47,580,000 and \$32,255,000, respectively. These bonds are authorized by Chapter 1001, Florida Statutes and Chapter 212, Part I, Florida Statutes. A resolution providing for the issuance of the bonds was adopted by the Board on March 20, 2007. Proceeds of the discretionary local government infrastructure sales tax surtax received by the District pursuant to an interlocal agreement between Osceola County, the cities of Kissimmee and St. Cloud, and the District are pledged for the payment of bonds. Proceeds of the 2007A bonds were used to finance the acquisition, construction, reconstruction, renovation, and equipping of certain capital improvements and educational facilities within the District. Proceeds of the 2007B bonds were used to advance-refund a portion of the District's outstanding Sales Tax Revenue Bonds, Series 2001.

**OSCEOLA COUNTY
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The District has pledged a combined total of \$79,552,963 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2007A and 2007B Sales Tax Revenue Bond issues described above. During the 2013-14 fiscal year, the District recognized sales tax revenues totaling \$10,600,770 and expended \$7,235,752 (68 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or June 1, 2025. Assuming a nominal growth rate in the collection of sales tax revenues, which are levied through June 30, 2025, approximately 51 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	\$ 1,653,218	\$ 1,272,000	\$ 381,218
2016	1,648,849	1,314,000	334,849
2017	1,611,585	1,339,000	272,585
2018	975,675	768,000	207,675
2019-2023	3,440,731	2,879,000	561,731
2024-2026	876,981	814,000	62,981
Total State School Bonds	<u>10,207,040</u>	<u>8,386,000</u>	<u>1,821,040</u>
District Revenue Bonds:			
2015	7,229,688	4,300,000	2,929,688
2016	7,234,688	4,520,000	2,714,688
2017	7,233,688	4,745,000	2,488,688
2018	7,231,438	4,980,000	2,251,438
2019-2023	36,156,463	28,525,000	7,631,463
2024-2025	14,467,000	13,450,000	1,017,000
Total District Revenue Bonds	<u>79,552,963</u>	<u>60,520,000</u>	<u>19,032,963</u>
Total	<u>\$ 89,760,002</u>	<u>\$ 68,906,000</u>	<u>\$ 20,854,002</u>

10. DEFEASED DEBT

The Florida Department of Education issued \$1,796,000 Capital Outlay Refunding Bonds, Series 2014A, dated May 22, 2014, with an average interest rate of 4.27 percent, to refund callable portions of the District's State School Bonds, Series 2004A and Series 2005A. The Refunding Bonds are being issued to refund the \$861,000 principal amount of the District's State School Bonds, Series 2004A, that mature on or after January 1, 2024 and to refund the \$935,000 principal amount of the District's State School Bonds, Series 2005A, that mature on or after January 1, 2025.

The District's pro rata share of net proceeds totaling \$2,071,897 (after deduction of \$12,408 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for future debt service payments. Of this amount, \$994,978 related to the Series 2004A bonds and \$1,076,919 related to the Series 2005A bonds. As a result, \$861,000 of the State School Bonds, Series 2001A and \$935,000 of the State School Bonds, Series 2001A are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-13	Additions	Deductions	Balance 6-30-14	Due in One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	\$ 93,280	\$ -	\$ 93,280	\$ -	\$ -
Notes Payable	13,163,292		3,036,745	10,126,547	3,200,178
Bonds Payable	76,149,609	1,796,000	5,827,318	72,118,291	5,572,000
Certificates of Participation Payable	193,328,587		2,211,772	191,116,815	8,055,000
Educational Facilities Benefit District					
Agreement Payable	8,973,589	-	4,953,150	4,020,439	151,738
Impact Fee Credit Vouchers	-	6,368,957	118,850	6,250,107	-
Other Postemployment Benefits Payable	39,947,251	8,382,176	2,052,068	46,277,359	-
Compensated Absences Payable	24,720,105	8,920,080	4,116,715	29,523,470	2,060,648
Total Governmental Activities	<u>\$ 356,375,713</u>	<u>\$ 25,467,213</u>	<u>\$ 22,409,898</u>	<u>\$ 359,433,028</u>	<u>\$ 19,039,564</u>

The District issues educational impact fee credits in exchange for land in connection with the construction of school facilities within the Bellalago Educational Facilities Benefit Districts (BEFBD) and Flora Ridge Educational Facilities Benefit District. Impact fee credits issued to the BEFBD are related to the K-8 portion of the educational impact fees authorized, while the FREFBD impact fee credits are related to the K-5 portion of the educational impact fees authorized. As of June 30, 2014 the balance of unused impact fee credits related to the BEFBD and FREFBD totaled \$4,115,431 and \$2,134,676 respectively.

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

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**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

12. FUND BALANCE REPORTING

The following is a schedule of fund balances by category at June 30, 2014:

	Major Funds						Total Governmental Funds
	General Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Nonmajor Governmental Funds		
Fund Balances							
Nonspendable:							
Inventory	\$ 2,077,677	\$ -	\$ -	\$ -	\$ 1,148,872		\$ 3,226,549
Restricted:							
State Categoricals	15,795,186	-	-	-	-		15,795,186
Debt Service	-	4,562,747	-	-	2,794,401		7,357,148
Capital Projects	-	-	27,452,061	15	12,943,914		40,395,990
Grants and Programs	5,287,290	-	-	-	9,277,258		14,564,548
Assigned:							
Contract Commitments	5,981,425	-	-	-	-		5,981,425
Carryover Appropriations	2,294,385	-	-	-	-		2,294,385
Projected Operating Deficit	5,100,000	-	-	-	-		5,100,000
Other Programs	-	-	-	-	1,393,760		1,393,760
Unassigned	<u>33,702,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>33,702,182</u>
Total Fund Balances	<u>\$ 70,238,145</u>	<u>\$ 4,562,747</u>	<u>\$ 27,452,061</u>	<u>\$ 15</u>	<u>\$ 27,558,205</u>		<u>\$ 129,811,173</u>

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies note disclosures, fund balance may be classified as follows:

- **Non-spendable Fund Balance.** Non-spendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. The District has inventory of \$3,226,549 classified as non-spendable.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District has a total of \$78,112,872 in restricted fund balance as of June 30, 2014.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the general fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. As discussed in the Fund Balance Policies note disclosure, the District has set aside “contingency reserves” as per School Board Rule 7.10. The contingency funds of \$24,300,000 are included as part of the unassigned general fund balance of \$33,702,182.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provision of Section 112.0801, Florida Statutes, employees who retire from the District, and eligible dependants, may continue to participate in the District's health and hospitalization plan for medical and prescriptions and life insurance coverage. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the Other Postemployment Benefit (OPEB) Plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advanced-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 402 retirees received other postemployment healthcare benefits, and another 465 retirees received only life insurance benefits. The District provided required contributions of \$2,052,068 toward the annual OPEB cost, net of retiree contributions totaling \$2,112,544, which represents 1 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 4,868,450
Amortization of Unfunded Actuarial Accrued Liability	<u>3,652,673</u>
Annual Required Contribution	8,521,123
Interest on Net OPEB Obligation	1,597,890
Adjustment to Annual Required Contribution	<u>(1,736,837)</u>
Annual OPEB Cost (Expense)	8,382,176
Contribution Toward the OPEB Cost	<u>(2,052,068)</u>
Increase in Net OPEB Obligation	6,330,108
Net OPEB Obligation, Beginning of Year	<u>39,947,251</u>
Net OPEB Obligation, End of Year	<u><u>\$ 46,277,359</u></u>

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB		Percentage of	Net OPEB
	Cost	Contribution	Annual OPEB Cost Contributed	
June 30, 2012	\$ 8,125,347	\$ 1,909,688	23.5%	\$ 33,495,522
June 30, 2013	8,784,991	2,333,262	26.6%	39,947,251
June 30, 2014	8,382,176	2,052,068	24.5%	46,277,359

Funded Status and Funding Progress. As of January 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$82,380,018, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability of \$82,380,018. The covered payroll (annual payroll for active participating employees) was \$252,453,236, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33 percent.

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

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

The District's OPEB actuarial valuation, as of January 1, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution as of June 30, 2014. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, projected salary increases of 4.5 percent to 8.38 percent, and an annual healthcare cost trend rate of 8 percent initially for the 2014 calendar year, reduced to an ultimate rate of 5.37 percent for the calendar year ending 2028. The investment rate and projected salary increases include an inflation rate of 3 percent. The unfunded actuarial accrued liability and gains/losses are being amortized as a level percentage of projected payroll on a closed basis over 30 years. The remaining amortization period at June 30, 2014, is 23 years.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 781,061	\$ 137,247
Debt Service:		
Other Debt Service	-	555,820
Capital Projects:		
Other	783,321	-
Special Revenue:		
Other Federal	63,684	636,007
Federal Economic Stimulus	-	298,992
Total	<u>\$ 1,628,066</u>	<u>\$ 1,628,066</u>

The interfund amounts represent temporary loans to cover expenditures incurred prior to reimbursement from outside sources. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 14,555,571	\$ -
Debt Service:		
Other Debt Service	20,526,107	3,377,306
Capital Projects:		
Nonvoted Capital Improvement	-	19,950,316
Other Capital Projects	3,377,306	15,131,362
Total	<u>\$ 38,458,984</u>	<u>\$ 38,458,984</u>

The major transfers out of the Capital Projects funds were to provide debt service principal and interest payments and to assist in funding maintenance operations of the District. The transfer out of the Debt Service – Other Fund was for the return of sales tax revenues not needed for debt repayment. The remaining transfers between funds were operational in nature.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
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June 30, 2014**

15. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 198,916,148
Categorical Educational Program - Class Size Reduction	62,637,108
Workforce Development Program	6,205,435
School Recognition Funds	1,958,226
Motor Vehicle License Tax (Including Capital Outlay and Debt Service)	2,256,163
Charter School Capital Outlay	3,057,850
Voluntary Prekindergarten Program	2,172,197
Food Service Supplement	522,327
Miscellaneous	1,107,494
Total	\$ 278,832,948

Accounting policies relating to certain State revenue sources are described in Note 1.

16. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.261	\$ 92,562,823
RLE Prior Period Adjustment	0.000	-
Basic Discretionary Local Effort	0.748	13,160,425
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	26,391,225
Total	7.509	\$ 132,114,473

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

17. FLORIDA RETIREMENT SYSTEM

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS 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 eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Elected County Officers	3.00	33.03
Florida Retirement System, Senior Management	3.00	18.31
Teachers' Retirement System, Plan E	6.25	11.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class or plan in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$19,127,358, \$16,399,033 and \$18,848,023, respectively, which were equal to the required contributions for each fiscal year. There were 7,975 participants during the 2013-14 fiscal year.

The District's contributions, including employee contributions, to the Investment Plan totaled \$1,898,224. There were 1,396 participants in the Investment Plan during the 2013-14 fiscal year.

The financial statements and other supplementary information of FRS are included in State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

18. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

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

Major Funds					
General Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,981,425	\$ -	\$ -	\$ -	\$ -	\$ 5,981,425

Construction Contracts. The following is a summary of major construction contract commitments remaining at fiscal year-end:

Description	Contract Amount	Total Completed	Balance Committed
Thacker Ave. Elementary Core Renovation & HVAC			
Contractor - Clancy & Theys Construction Co.	\$ 10,572,208	\$ 10,493,583	\$ 78,625
Architect - Schenkel & Schultz Inc.	997,998	961,556	36,442
Central Avenue Elementary Wing Addition			
Contractor - Ajax Building Corporation	3,114,599	2,152,858	961,741
Architect - Paul Stresing Associates, Inc.	108,930	94,100	14,830
Celebration High School Wing Addition			
Contractor - Gilbane Building Company	4,390,294	3,207,315	1,182,979
Architect - Schenkel & Schultz Inc.	303,083	258,216	44,867
Hickory Tree Elementary Wing Addition			
Contractor - James B. Pirtle Construction Co.	2,615,606	1,713,431	902,175
Architect - Song & Associates	113,775	87,643	26,132
Ross E. Jeffries Parent Center			
Contractor - Welbro/Quinn Constructors	1,645,813	1,551,572	94,241
Architect - Group 942 Architecture	87,451	83,361	4,090
	\$ 23,949,757	\$ 20,603,636	\$ 3,346,121

19. 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. Effective May 1, 2010, for Property Insurance and effective July 1, 2010 for all other Casualty and Workers' Compensation coverage, the School Board chose to leave the Florida School Boards Insurance Trust (FSBIT) program and implement a stand-alone program of self-insurance and insurance as recommended by the Board's Broker, Arthur J. Gallagher Risk Management Services.

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

The Board has established the Osceola County School Board Group Health and Life Insurance Trust to provide for a health, hospitalization, and life insurance program. These programs are accounted for in the District's Internal Service funds. The program is on a self-insured basis up to specified limits. The District did not elect to purchase the aggregate stop-loss coverage due to the rising premium cost and the high attachment point. The District elected to continue coverage for a specific stop-loss for any one claim of \$550,000. The Board has contracted with a professional administrator to administer the self-insurance program, including the processing, investigating, and payment of claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. A liability in the amount of \$4,214,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable for the group health program at June 30, 2014.

Effective July 1, 2003, the District's general liability and auto liability programs were established on a self-insured basis. These programs are administered by the Trust and are accounted for in the District's internal service funds. The program administrator held prefunded cash deposits of \$40,143 at June 30, 2014, which the District reports as cash with fiscal agent in the internal service funds. A liability of \$14,475 was established based on reserves for outstanding claims at June 30, 2014, as reported by the program administrator.

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

Fiscal Year	Beginning-of- Fiscal-Year Liability	Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012-13	\$ 4,541,224	\$ 43,066,218	\$ (44,009,645)	\$ 3,597,797
2013-14	3,597,797	50,224,233	(49,593,555)	4,228,475

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**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

20. BOND RATINGS

Following is a summary of the bond insurer for each of the District's issues and its rating as of June 30, 2014.

		Insurer Ratings		
		Fitch	Moody's	Standard & Poor's
Sales Tax Revenue Bonds				
2007 Sales Tax Revenue	Assured Guaranty Municipal Corp.**	Not Rated	A2/Outlook Stable	AA-/Outlook Stable
Certificates of Participation				
2004 COPs	Financial Guaranty Insurance Company*	Not Rated	Baa1/Outlook Positive	A/Outlook Stable
2005 COPs	National Public Finance Guarantee Corporation***	Not Rated	Baa1/Outlook Positive	A/Outlook Stable
2007 COPs	Ambac Assurance Corporation	Not Rated	Rating Withdrawn	Not Rated
2009 COPs	Assured Guaranty Corporation	Not Rated	A3/Outlook Stable	AA-/Outlook Stable

Note: The District's Certificates of Participation, Series 2010 and Certificates of Participation, Series 2013 are uninsured.

* Financial Guaranty Insurance Company ("FGIC") provided the financial guaranty insurance policy for these issues. Effective September 30, 2008, FGIC and MBIA Insurance Corporation ("MBIA") executed the Reinsurance Agreement (the "Reinsurance Agreement") pursuant to which MBIA agreed that, as long as the Reinsurance Agreement was in place, it would pay in accordance with covered FGIC policies, including municipal bond insurance policy with respect to this issue. On February 18, 2009, MBIA announced that it has transferred its public finance portfolio, including all of MBIA's rights, interests and obligations under the Reinsurance Agreement, to MBIA Insurance Corp. of Illinois, which has since been renamed National Public Finance Guarantee Corporation.

** Formerly known as Financial Security Assurance Inc.

*** MBIA provided the financial guaranty insurance policy for this issue. On February 18, 2009, MBIA announced that it had transferred its public finance portfolio, including the policy with respect to this issue, to MBIA Insurance Corp. of Illinois, which has been renamed National Public Finance Guarantee Corporation.

21. LITIGATION

The District is involved in several threatened and pending legal actions. In the opinion of the District's legal counsel and management, it is not probable that a material loss will occur from these actions.

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REQUIRED
SUPPLEMENTARY
INFORMATION



DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal Direct	\$ 462,000	\$ 442,715	\$ 442,715	\$
Federal Through State	158,466	144,371	126,046	(18,325)
State	279,015,636	273,170,856	273,037,835	(133,021)
Local:				
Property Taxes	105,723,246	105,531,882	105,531,882	
Miscellaneous	10,030,258	11,333,492	11,220,999	(112,493)
Total Revenues	<u>395,389,606</u>	<u>390,623,316</u>	<u>390,359,477</u>	<u>(263,839)</u>
EXPENDITURES				
Current - Education:				
Instruction	301,374,842	283,730,179	262,242,312	21,487,867
Pupil Personnel Services	19,700,226	20,627,135	20,595,961	31,174
Instructional Media Services	4,476,379	4,745,985	4,715,798	30,187
Instruction and Curriculum Development Services	8,600,715	9,570,465	9,493,205	77,260
Instructional Staff Training Services	5,547,312	5,663,983	5,289,968	374,015
Instruction Related Technology	3,255,566	3,756,141	3,756,114	27
Board of Education	1,435,882	1,495,991	1,466,041	29,950
General Administration	1,289,979	1,480,566	1,388,727	91,839
School Administration	21,352,002	22,477,394	22,476,668	726
Facilities Services	1,803,618	3,647,720	3,381,700	266,020
Fiscal Services	2,007,302	1,943,486	1,936,268	7,218
Food Services	199,886	148,495	148,495	
Central Services	6,017,153	6,344,391	5,965,092	379,299
Pupil Transportation Services	19,759,745	20,741,957	20,578,868	163,089
Operation of Plant	30,840,091	31,866,836	31,735,275	131,561
Maintenance of Plant	6,717,686	8,393,988	8,275,106	118,882
Administrative Technology Services	3,695,343	3,573,274	3,535,038	38,236
Community Services	691,699	1,072,966	887,295	185,671
Fixed Capital Outlay:				
Facilities Acquisition and Construction	704,000	1,924,880	1,464,093	460,787
Other Capital Outlay	221,598	1,682,160	1,376,397	305,763
Debt Service:				
Principal	157,000	93,603	93,280	323
Interest and Fiscal Charges		1,397	1,397	
Total Expenditures	<u>439,848,024</u>	<u>434,982,992</u>	<u>410,803,098</u>	<u>24,179,894</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(44,458,418)</u>	<u>(44,359,676)</u>	<u>(20,443,621)</u>	<u>23,916,055</u>
OTHER FINANCING SOURCES				
Transfers In	14,660,664	14,555,571	14,555,571	
Proceeds from the Sale of Capital Assets				
Insurance Loss Recoveries	66,000	72,469	72,469	
Total Other Financing Sources	<u>14,726,664</u>	<u>14,628,040</u>	<u>14,628,040</u>	
Net Change in Fund Balances	<u>(29,731,754)</u>	<u>(29,731,636)</u>	<u>(5,815,581)</u>	<u>23,916,055</u>
Fund Balances, July 1, 2013	76,053,726	76,053,726	76,053,726	
Fund Balances, June 30, 2014	<u>\$ 46,321,972</u>	<u>\$ 46,322,090</u>	<u>\$ 70,238,145</u>	<u>\$ 23,916,055</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE - FEDERAL ECONOMIC STIMULUS PROGRAMS FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal Through State	\$ 5,046,170	\$ 5,151,925	\$ 4,124,410	\$ (1,027,515)
Total Revenues	5,046,170	5,151,925	4,124,410	(1,027,515)
EXPENDITURES				
Current - Education:				
Instruction	377,967	424,334	392,069	32,265
Pupil Personnel Services	4,394	4,394		4,394
Instruction and Curriculum Development Services	2,030,688	1,158,238	595,285	562,953
Instructional Staff Training Services	804,735	1,484,289	1,112,210	372,079
General Administration	11,076	80,029	38,834	41,195
Facilities Services	6,893	6,893	6,893	
Central Services	419,269	450,698	437,709	12,989
Administrative Technology Services	206,833	280,298	280,298	
Fixed Capital Outlay:				
Other Capital Outlay	1,184,315	1,262,752	1,261,112	1,640
Total Expenditures	5,046,170	5,151,925	4,124,410	1,027,515
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Net Change in Fund Balances				
Fund Balances, July 1, 2013				
Fund Balances, June 30, 2014	\$	\$	\$	\$

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE - ARRA ECONOMIC STIMULUS FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal Direct	\$ 2,144,637	\$ 2,144,637	\$ 2,162,255	\$ 17,618
Local:				
Miscellaneous		214,831	214,831	
Total Revenues	<u>2,144,637</u>	<u>2,359,468</u>	<u>2,377,086</u>	<u>17,618</u>
EXPENDITURES				
Current - Education:				
Debt Service:				
Principal	2,173,958	2,173,958		2,173,958
Interest and Fiscal Charges	2,696,490	2,696,490	2,696,490	
Dues, Fees and Issuance Costs	10,000	10,684	10,684	
Total Expenditures	<u>4,880,448</u>	<u>4,881,132</u>	<u>2,707,174</u>	<u>2,173,958</u>
Deficiency of Revenues Under Expenditures	<u>(2,735,811)</u>	<u>(2,521,664)</u>	<u>(330,088)</u>	<u>2,191,576</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>2,735,811</u>	<u>2,736,495</u>	<u>2,718,877</u>	<u>(17,618)</u>
Total Other Financing Sources (Uses)	<u>2,735,811</u>	<u>2,736,495</u>	<u>2,718,877</u>	<u>(17,618)</u>
Net Change in Fund Balances		214,831	2,388,789	2,173,958
Fund Balances, July 1, 2013	<u>2,173,958</u>	<u>2,173,958</u>	<u>2,173,958</u>	
Fund Balances, June 30, 2014	<u>\$ 2,173,958</u>	<u>\$ 2,388,789</u>	<u>\$ 4,562,747</u>	<u>\$ 2,173,958</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS - OTHER FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
State	\$ 2,430,637	\$ 3,147,395	\$ 3,176,981	\$ 29,586
Local:				
Impact Fees	10,200,000	16,500,000	21,612,978	5,112,978
Miscellaneous	212,528	897,161	912,551	15,390
Total Revenues	<u>12,843,165</u>	<u>20,544,556</u>	<u>25,702,510</u>	<u>5,157,954</u>
EXPENDITURES				
Current - Education:				
Facilities Services	5,548,772	5,058,633	2,352,154	2,706,479
Fixed Capital Outlay:				
Facilities Acquisition and Construction	13,734,483	22,649,086	18,748,637	3,900,449
Other Capital Outlay	1,023,917	2,850,099	912,818	1,937,281
Total Expenditures	<u>20,307,172</u>	<u>30,557,818</u>	<u>22,013,609</u>	<u>8,544,209</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,464,007)</u>	<u>(10,013,262)</u>	<u>3,688,901</u>	<u>13,702,163</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,314,458	4,277,223	3,377,306	(899,917)
Proceeds from the Sale of Capital Assets		52,200	52,200	
Transfers Out	<u>(15,730,670)</u>	<u>(15,131,859)</u>	<u>(15,131,362)</u>	<u>497</u>
Total Other Financing Sources (Uses)	<u>(12,416,212)</u>	<u>(10,802,436)</u>	<u>(11,701,856)</u>	<u>(899,420)</u>
Net Change in Fund Balances	<u>(19,880,219)</u>	<u>(20,815,698)</u>	<u>(8,012,955)</u>	<u>12,802,743</u>
Fund Balances, July 1, 2013	<u>35,465,016</u>	<u>35,465,016</u>	<u>35,465,016</u>	
Fund Balances, June 30, 2014	<u>\$ 15,584,797</u>	<u>\$ 14,649,318</u>	<u>\$ 27,452,061</u>	<u>\$ 12,802,743</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS - ARRA ECONOMIC STIMULUS FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Local:				
Miscellaneous	\$	\$	\$	\$
Total Revenues				
EXPENDITURES				
Current - Education:				
Facilities Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay				
Total Expenditures				
Deficiency of Revenues Under Expenditures				
Fund Balances, July 1, 2013			15	
Fund Balances, June 30, 2014	\$	\$	\$ 15	\$

**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b) (1)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a) / c)</u>
6/30/2014	\$ -	\$ 75,830,525	\$ 75,830,525	0.00%	\$ 275,178,737	27.56%
6/30/2013	-	75,830,525	75,830,525	0.00%	243,874,665	31.09%
6/30/2012	-	56,466,367	56,466,367	0.00%	238,782,722	23.65%

Note (1): The District uses the entry age normal cost actuarial method .

**OSCEOLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014**

1. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (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 legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund-function level. The Board made several supplemental budgetary appropriations throughout the year. Supplemental budgetary appropriations are presented in budget and actual comparison statements by original budget and final budget amounts and discussed in the Management's Discussion and Analysis (MD&A).

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The District is required to perform periodic actuarial valuations of its postemployment benefits other than pensions. For the January 1, 2014, valuation, the following key assumptions were modified to reflect current experience: (1) the cost of coverage per OPEB Plan member increased with no increase in the premiums required from retirees; (2) populations of both retirees and active employees increased; (3) trend rates for medical and prescription costs increased; (4) rates of retiree participation once eligible for Medicare were revised; and (5) certain demographic assumptions were revised to reflect the changes made by the Florida Retirement System in its July 1, 2013 actuarial valuation.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES



**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,044,447	\$ 1,087,121	\$ 12,828,981	\$ 20,960,549
Investments	4,388,026	210,630	1,087,868	5,686,524
Accounts Receivable	5,721	914,815		920,536
Interest Receivable	2,686		666	3,352
Due from Other Funds	63,684			63,684
Due from Other Agencies	1,756,098	1,155,731	18,075	2,929,904
Inventories	1,148,872			1,148,872
Total Assets	<u>\$ 14,409,534</u>	<u>\$ 3,368,297</u>	<u>\$ 13,935,590</u>	<u>\$ 31,713,421</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries and Benefits Payable	\$ 389,663	\$	\$	\$ 389,663
Payroll Deductions and Withholdings	122,099			122,099
Accounts Payable	963,380	750	485,730	1,449,860
Accrued Interest Payable		17,327		17,327
Construction Contracts Payable			274,302	274,302
Construction Contracts Payable-Retainage			231,644	231,644
Due to Other Funds	636,007	555,819		1,191,826
Due to Other Agencies	353,149			353,149
Sales Tax Payable	253			253
Unearned Revenue	125,093			125,093
Total Liabilities	<u>2,589,644</u>	<u>573,896</u>	<u>991,676</u>	<u>4,155,216</u>
FUND BALANCES				
Nonspendable	1,148,872			1,148,872
Restricted	9,277,258	2,794,401	12,943,914	25,015,573
Assigned	1,393,760			1,393,760
Total Fund Balances	<u>11,819,890</u>	<u>2,794,401</u>	<u>12,943,914</u>	<u>27,558,205</u>
Total Liabilities and Fund Balances	<u>\$ 14,409,534</u>	<u>\$ 3,368,297</u>	<u>\$ 13,935,590</u>	<u>\$ 31,713,421</u>

**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental:				
Federal Direct	\$ 1,277,372	\$	\$	\$ 1,277,372
Federal Through State	54,739,668			54,739,668
State	395,649	1,630,218	592,264	2,618,131
Local:				
Property Taxes			26,438,255	26,438,255
Local Sales Taxes		10,600,770		10,600,770
Charges for Services - Food Service	4,291,076			4,291,076
Miscellaneous	3,257,944	1,145,912	157,699	4,561,555
Total Revenues	<u>63,961,709</u>	<u>13,376,900</u>	<u>27,188,218</u>	<u>104,526,827</u>
EXPENDITURES				
Current - Education:				
Instruction	17,695,154			17,695,154
Pupil Personnel Services	1,190,278			1,190,278
Instructional Media Services	55,249			55,249
Instruction and Curriculum Development Services	5,595,370			5,595,370
Instructional Staff Training Services	2,695,988			2,695,988
Instruction Related Technology	161,772			161,772
General Administration	987,713			987,713
Facilities Services			5,440,481	5,440,481
Food Services	30,901,517			30,901,517
Central Services	139,084			139,084
Pupil Transportation Services	263,394			263,394
Operation of Plant	6,900			6,900
Maintenance of Plant	5,392			5,392
Community Services	3,988,986			3,988,986
Fixed Capital Outlay:				
Facilities Acquisition and Construction	749,282		7,578,215	8,327,497
Other Capital Outlay	1,820,644		3,229,431	5,050,075
Debt Service:				
Principal		16,610,899		16,610,899
Interest and Fiscal Charges		11,162,531	1,257	11,163,788
Dues, Fees and Issuance Costs		52,048		52,048
Total Expenditures	<u>66,256,723</u>	<u>27,825,478</u>	<u>16,249,384</u>	<u>110,331,585</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,295,014)</u>	<u>(14,448,578)</u>	<u>10,938,834</u>	<u>(5,804,758)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In		17,807,230		17,807,230
Refunding Bonds Issued		1,796,000		1,796,000
Premium on Refunding Bonds		283,385		283,385
Payments to Escrow Agent for Refunded Debt		(1,000,864)		(1,000,864)
Transfers Out		<u>(3,377,306)</u>	<u>(19,950,316)</u>	<u>(23,327,622)</u>
Total Other Financing Sources (Uses)		<u>15,508,445</u>	<u>(19,950,316)</u>	<u>(4,441,871)</u>
Net Change in Fund Balances	<u>(2,295,014)</u>	<u>1,059,867</u>	<u>(9,011,482)</u>	<u>(10,246,629)</u>
Fund Balances, July 1, 2013	14,114,904	1,734,534	21,955,396	37,804,834
Fund Balances, June 30, 2014	<u>\$ 11,819,890</u>	<u>\$ 2,794,401</u>	<u>\$ 12,943,914</u>	<u>\$ 27,558,205</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
June 30, 2014

	Special Revenue Funds			
	Food Service	Other Federal Programs	Miscellaneous Special Revenue	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,606,642	\$	\$ 1,437,805	\$ 7,044,447
Investments	4,388,026			4,388,026
Accounts Receivable	5,309	412		5,721
Interest Receivable	2,686			2,686
Due from Other Funds	183	63,501		63,684
Due from Other Agencies	289,206	1,466,892		1,756,098
Inventory	1,148,872			1,148,872
Total Assets	<u>\$ 11,440,924</u>	<u>\$ 1,530,805</u>	<u>\$ 1,437,805</u>	<u>\$ 14,409,534</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Salaries and Benefits Payable	\$ 66,678	\$ 307,233	\$ 15,752	\$ 389,663
Payroll Deductions and Withholdings	20,428	89,886	11,785	122,099
Accounts Payable	713,047	249,670	663	963,380
Sales Tax Payable	253			253
Due to Other Agencies	89,295	248,009	15,845	353,149
Due to Other Funds		636,007		636,007
Unearned Revenue	125,093			125,093
Total Liabilities	<u>1,014,794</u>	<u>1,530,805</u>	<u>44,045</u>	<u>2,589,644</u>
FUND BALANCES				
Nonspendable	1,148,872			1,148,872
Restricted	9,277,258			9,277,258
Assigned			1,393,760	1,393,760
Total Fund Balances	<u>10,426,130</u>		<u>1,393,760</u>	<u>11,819,890</u>
Total Liabilities and Fund Balances	<u>\$ 11,440,924</u>	<u>\$ 1,530,805</u>	<u>\$ 1,437,805</u>	<u>\$ 14,409,534</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014

	Special Revenue Funds			Total Nonmajor Special Revenue Funds
	Food Service	Other Federal Programs	Miscellaneous Special Revenue	
REVENUES				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State	25,807,402	1,277,372		1,277,372
Federal Through Local		28,932,266		54,739,668
State	395,649			395,649
Local:				
Property Taxes				
Local Sales Taxes				
Impact Fees				
Charges for Services - Food Service	4,291,076			4,291,076
Miscellaneous	66,459	59,397	3,132,088	3,257,944
Total Revenues	<u>30,560,586</u>	<u>30,269,035</u>	<u>3,132,088</u>	<u>63,961,709</u>
EXPENDITURES				
Current - Education:				
Instruction		17,694,567	587	17,695,154
Pupil Personnel Services		1,173,609	16,669	1,190,278
Instructional Media Services		55,249		55,249
Instruction and Curriculum Development Services		5,595,370		5,595,370
Instructional Staff Training Services		2,695,988		2,695,988
Instruction Related Technology		161,772		161,772
General Administration		987,713		987,713
Food Services	30,901,517			30,901,517
Central Services	140	138,769	175	139,084
Pupil Transportation Services		263,394		263,394
Operation of Plant	479		6,421	6,900
Maintenance of Plant			5,392	5,392
Community Services		1,198,090	2,790,896	3,988,986
Fixed Capital Outlay:				
Facilities Acquisition and Construction	749,282			749,282
Other Capital Outlay	1,516,130	304,514		1,820,644
Total Expenditures	<u>33,167,548</u>	<u>30,269,035</u>	<u>2,820,140</u>	<u>66,256,723</u>
Excess of Revenues Over Expenditures	<u>(2,606,962)</u>		<u>311,948</u>	<u>(2,295,014)</u>
Net Change in Fund Balances	(2,606,962)		311,948	(2,295,014)
Fund Balances, July 1, 2013	13,033,092		1,081,812	14,114,904
Fund Balances, June 30, 2014	<u>\$ 10,426,130</u>	<u>\$</u>	<u>\$ 1,393,760</u>	<u>\$ 11,819,890</u>

**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
 June 30, 2014**

	Debt Service Funds		
	SBE/COBI Bonds	Other Debt Service	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,083,440	\$ 3,681	\$ 1,087,121
Investments	207,339	3,291	210,630
Accounts Receivable		914,815	914,815
Due from Other Agencies		1,155,731	1,155,731
Total Assets	<u>\$ 1,290,779</u>	<u>\$ 2,077,518</u>	<u>\$ 3,368,297</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$	\$ 750	\$ 750
Accrued Interest Payable	17,327		17,327
Due to Other Funds		555,819	555,819
Total Liabilities	<u>17,327</u>	<u>556,569</u>	<u>573,896</u>
FUND BALANCES			
Restricted	<u>1,273,452</u>	<u>1,520,949</u>	<u>2,794,401</u>
Total Fund Balances	<u>1,273,452</u>	<u>1,520,949</u>	<u>2,794,401</u>
Total Liabilities and Fund Balances	<u>\$ 1,290,779</u>	<u>\$ 2,077,518</u>	<u>\$ 3,368,297</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014

	Debt Service Funds		
	SBE/COBI Bonds	Other Debt Service	Total Nonmajor Debt Service Funds
REVENUES			
Intergovernmental:			
State	\$ 1,630,218	\$	\$ 1,630,218
Local		11,746,682	11,746,682
Total Revenues	<u>1,630,218</u>	<u>11,746,682</u>	<u>13,376,900</u>
EXPENDITURES			
Debt Service:			
Principal	1,200,000	15,410,899	16,610,899
Interest and Fiscal Charges	458,895	10,703,636	11,162,531
Dues, Fees and Issuance Costs	25,136	26,912	52,048
Total Expenditures	<u>1,684,031</u>	<u>26,141,447</u>	<u>27,825,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,813)</u>	<u>(14,394,765)</u>	<u>(14,448,578)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In		17,807,230	17,807,230
Refunding Bonds Issued	1,796,000		1,796,000
Premium on Refunding Bonds	283,385		283,385
Payments to Escrow Agent for Refunded Debt	(1,000,864)		(1,000,864)
Transfers Out		(3,377,306)	(3,377,306)
Total Other Financing Sources (Uses)	<u>1,078,521</u>	<u>14,429,924</u>	<u>15,508,445</u>
Net Change in Fund Balances	1,024,708	35,159	1,059,867
Fund Balances, July 1, 2013	248,744	1,485,790	1,734,534
Fund Balances, June 30, 2014	<u>\$ 1,273,452</u>	<u>\$ 1,520,949</u>	<u>\$ 2,794,401</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
June 30, 2014

	Capital Projects Funds		
	Capital Outlay and Debt Service Funds (CO & DS)	Capital Improvement Section 1011.71(2) F.S.	Total Nonmajor Capital Project Funds
ASSETS			
Cash and Cash Equivalents	\$ 450,696	\$ 12,378,285	\$ 12,828,981
Investments		1,087,868	1,087,868
Interest Receivable		666	666
Due from Other Agencies		18,075	18,075
Total Assets	<u>\$ 450,696</u>	<u>\$ 13,484,894</u>	<u>\$ 13,935,590</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$	\$ 485,730	\$ 485,730
Construction Contracts Payable		274,302	274,302
Construction Contracts Payable-Retainage Percentage		231,644	231,644
Total Liabilities		<u>991,676</u>	<u>991,676</u>
FUND BALANCES			
Restricted	450,696	12,493,218	12,943,914
Total Fund Balances	<u>450,696</u>	<u>12,493,218</u>	<u>12,943,914</u>
Total Liabilities and Fund Balances	<u>\$ 450,696</u>	<u>\$ 13,484,894</u>	<u>\$ 13,935,590</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2014

	Capital Projects Funds			
	Capital Outlay Bond Issues (COBI)	Capital Outlay and Debt Service Funds (CO & DS)	Capital Improvement Section 1011.71(2) F.S.	Total Nonmajor Capital Project Funds
REVENUES				
Intergovernmental:				
State	\$	\$ 592,264	\$	\$ 592,264
Local:				
Property Taxes			26,438,255	26,438,255
Miscellaneous	205	706	156,788	157,699
Total Revenues	<u>205</u>	<u>592,970</u>	<u>26,595,043</u>	<u>27,188,218</u>
EXPENDITURES				
Current - Education:				
Facilities Services	9,000	581,471	4,850,010	5,440,481
Fixed Capital Outlay:				
Facilities Acquisition and Construction	4,336		7,573,879	7,578,215
Other Capital Outlay			3,229,431	3,229,431
Debt Service:				
Interest and Fiscal Charges		1,257		1,257
Total Expenditures	<u>13,336</u>	<u>582,728</u>	<u>15,653,320</u>	<u>16,249,384</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,131)</u>	<u>10,242</u>	<u>10,941,723</u>	<u>10,938,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out			(19,950,316)	(19,950,316)
Total Other Financing Sources (Uses)			<u>(19,950,316)</u>	<u>(19,950,316)</u>
Net Change in Fund Balances	(13,131)	10,242	(9,008,593)	(9,011,482)
Fund Balances, July 1, 2013	13,131	440,454	21,501,811	21,955,396
Fund Balances, June 30, 2014	<u>\$</u>	<u>\$ 450,696</u>	<u>\$ 12,493,218</u>	<u>\$ 12,943,914</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - FOOD SERVICE
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal Through State	\$ 23,483,000	\$ 25,807,402	\$ 25,807,402	\$
State	374,400	395,649	395,649	
Local:				
Charges for Service - Food Service	4,416,000	4,291,076	4,291,076	
Miscellaneous	26,800	64,207	66,459	2,252
Total Revenues	<u>28,300,200</u>	<u>30,558,334</u>	<u>30,560,586</u>	<u>2,252</u>
EXPENDITURES				
Current - Education:				
Food Services	28,196,700	36,952,946	30,901,517	6,051,429
Central Services		140	140	
Maintenance of Plant		479	479	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		10,523	749,282	(738,759)
Other Capital Outlay	867,425	1,758,171	1,516,130	242,041
Total Expenditures	<u>29,064,125</u>	<u>38,722,259</u>	<u>33,167,548</u>	<u>5,554,711</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(763,925)</u>	<u>(8,163,925)</u>	<u>(2,606,962)</u>	<u>5,556,963</u>
Net Change in Fund Balances	(763,925)	(8,163,925)	(2,606,962)	5,556,963
Fund Balances, July 1, 2013	13,033,092	13,033,092	13,033,092	
Fund Balances, June 30, 2014	<u>\$ 12,269,167</u>	<u>\$ 4,869,167</u>	<u>\$ 10,426,130</u>	<u>\$ 5,556,963</u>

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - OTHER FEDERAL PROGRAMS
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal Direct	\$ 1,395,821	\$ 1,395,822	\$ 1,277,372	\$ (118,450)
Federal Through State	35,550,954	37,359,870	28,932,266	(8,427,604)
Local:				
Miscellaneous		59,397	59,397	
Total Revenues	<u>36,946,775</u>	<u>38,815,089</u>	<u>30,269,035</u>	<u>(8,546,054)</u>
EXPENDITURES				
Current - Education:				
Instruction	25,976,845	24,027,544	17,694,567	6,332,977
Pupil Personnel Services	1,164,674	1,412,553	1,173,609	238,944
Instructional Media Services	74,493	92,017	55,249	36,768
Instruction and Curriculum Development Services	5,633,486	6,436,817	5,595,370	841,447
Instructional Staff Training Services	2,159,966	3,180,378	2,695,988	484,390
Instruction Related Technology	62,400	218,758	161,772	56,986
General Administration	84,069	1,094,362	987,713	106,649
School Administration	1,500	1,500		1,500
Central Services	85,390	155,095	138,769	16,326
Pupil Transportation Services	180,055	452,780	263,394	189,386
Community Services	1,300,113	1,314,623	1,198,090	116,533
Fixed Capital Outlay:				
Other Capital Outlay	223,784	428,662	304,514	124,148
Total Expenditures	<u>36,946,775</u>	<u>38,815,089</u>	<u>30,269,035</u>	<u>8,546,054</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Net Change in Fund Balances				
Fund Balances, July 1, 2013				
Fund Balances, June 30, 2014	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - MISCELLANEOUS
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Local:				
Miscellaneous	\$ 2,778,460	\$ 3,130,275	\$ 3,132,088	\$ 1,813
Total Revenues	<u>2,778,460</u>	<u>3,130,275</u>	<u>3,132,088</u>	<u>1,813</u>
EXPENDITURES				
Current - Education:				
Instruction		587	587	
Pupil Personnel Services		16,669	16,669	
Central Services		175	175	
Operation of Plant		6,421	6,421	
Maintenance of Plant		5,392	5,392	
Community Services	3,004,729	3,327,300	2,790,896	536,404
Total Expenditures	<u>3,004,729</u>	<u>3,356,544</u>	<u>2,820,140</u>	<u>536,404</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(226,269)</u>	<u>(226,269)</u>	<u>311,948</u>	<u>538,217</u>
Net Change in Fund Balances	(226,269)	(226,269)	311,948	538,217
Fund Balances, July 1, 2013	1,081,812	1,081,812	1,081,812	
Fund Balances, June 30, 2014	<u>\$ 855,543</u>	<u>\$ 855,543</u>	<u>\$ 1,393,760</u>	<u>\$ 538,217</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS - SBE/COBI BONDS
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
State	\$ 1,610,275	\$ 1,630,218	\$ 1,630,218	\$
Total Revenues	1,610,275	1,630,218	1,630,218	
EXPENDITURES				
Current - Education:				
Debt Service:				
Principal	1,200,000	1,200,000	1,200,000	
Interest and Fiscal Charges	458,895	458,895	458,895	
Dues, Fees and Issuance Costs		25,136	25,136	
Total Expenditures	1,658,895	1,684,031	1,684,031	
Deficiency of Revenues Under Expenditures	(48,620)	(53,813)	(53,813)	
OTHER FINANCING SOURCES (USES)				
Refunding Bonds Issued		1,796,000	1,796,000	
Premium on Refunding Bonds		283,385	283,385	
Payments to Escrow Agent for Refunded Debt		(1,000,864)	(1,000,864)	
Total Other Financing Sources (Uses)		1,078,521	1,078,521	
Net Change in Fund Balances	(48,620)	1,024,708	1,024,708	
Fund Balances, July 1, 2013	248,744	248,744	248,744	
Fund Balances, June 30, 2014	\$ 200,124	\$ 1,273,452	\$ 1,273,452	\$

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS - OTHER
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Local:				
Local Sales Taxes	\$ 10,548,720	\$ 10,937,770	\$ 10,600,770	\$ (337,000)
Miscellaneous	1,135,273	1,135,309	1,145,912	10,603
Total Revenues	<u>11,683,993</u>	<u>12,073,079</u>	<u>11,746,682</u>	<u>(326,397)</u>
EXPENDITURES				
Current - Education:				
Debt Service:				
Principal	15,410,899	15,410,899	15,410,899	
Interest and Fiscal Charges	10,703,636	10,704,037	10,703,636	401
Dues, Fees and Issuance Costs	30,602	40,865	26,912	13,953
Total Expenditures	<u>26,145,137</u>	<u>26,155,801</u>	<u>26,141,447</u>	<u>14,354</u>
Deficiency of Revenues Under Expenditures	<u>(14,461,144)</u>	<u>(14,082,722)</u>	<u>(14,394,765)</u>	<u>(312,043)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	17,805,347	17,814,935	17,807,230	(7,705)
Certificates of Participation Issued				
Discount on Certificates of Participation				
Premium on Certificates of Participation				
Payments to Escrow Agent for Refunded Debt				
Transfers Out	<u>(3,314,458)</u>	<u>(3,703,508)</u>	<u>(3,377,306)</u>	<u>326,202</u>
Total Other Financing Sources (Uses)	<u>14,490,889</u>	<u>14,111,427</u>	<u>14,429,924</u>	<u>318,497</u>
Net Change in Fund Balances	29,745	28,705	35,159	6,454
Fund Balances, July 1, 2013	1,485,790	1,485,790	1,485,790	
Fund Balances, June 30, 2014	<u>\$ 1,515,535</u>	<u>\$ 1,514,495</u>	<u>\$ 1,520,949</u>	<u>\$ 6,454</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS - CAPITAL OUTLAY BOND ISSUES (COBI)
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Local:				
Miscellaneous	\$	\$ 205	\$ 205	\$
Total Revenues		205	205	
EXPENDITURES				
Current - Education:				
Facilities Services	5,122	9,000	9,000	
Fixed Capital Outlay:				
Facilities Acquisition and Construction	7,556	4,336	4,336	
Total Expenditures	12,678	13,336	13,336	
Deficiency of Revenues Under Expenditures	(12,678)	(13,131)	(13,131)	
Net Change in Fund Balances	(12,678)	(13,131)	(13,131)	
Fund Balances, July 1, 2013	13,131	13,131	13,131	
Fund Balances, June 30, 2014	\$ 453	\$	\$	\$

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECT FUNDS - CAPITAL OUTLAY & DEBT SERVICE (CO&DS)
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Intergovernmental:				
State	\$ 466,497	\$ 1,183,272	\$ 592,264	\$
Local:				
Miscellaneous		706	706	
Total Revenues	<u>466,497</u>	<u>1,183,978</u>	<u>592,970</u>	
EXPENDITURES				
Current - Education:				
Facilities Services	810,449	821,911	581,471	240,440
Debt Service:				
Interest and Fiscal Charges		1,257	1,257	
Total Expenditures	<u>810,449</u>	<u>823,168</u>	<u>582,728</u>	<u>240,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(343,952)</u>	<u>360,810</u>	<u>10,242</u>	<u>240,440</u>
Net Change in Fund Balances	(343,952)	360,810	10,242	240,440
Fund Balances, July 1, 2013	440,454	440,454	440,454	
Fund Balances, June 30, 2014	<u>\$ 96,502</u>	<u>\$ 801,264</u>	<u>\$ 450,696</u>	<u>\$ 240,440</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS - LOCAL CAPITAL IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Local:				
Property Taxes	\$ 26,391,225	\$ 26,470,271	\$ 26,438,255	\$ (32,016)
Miscellaneous	30,911	99,594	156,788	57,194
Total Revenues	<u>26,422,136</u>	<u>26,569,865</u>	<u>26,595,043</u>	<u>25,178</u>
EXPENDITURES				
Current - Education:				
Facilities Services	4,268,583	10,616,656	4,850,010	5,766,646
Fixed Capital Outlay:				
Facilities Acquisition and Construction	11,652,443	9,939,895	7,573,879	2,366,016
Other Capital Outlay	1,637,825	4,188,070	3,229,431	958,639
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>17,558,851</u>	<u>24,744,621</u>	<u>15,653,320</u>	<u>9,091,301</u>
Excess of Revenues Over Expenditures	<u>8,863,285</u>	<u>1,825,244</u>	<u>10,941,723</u>	<u>9,116,479</u>
OTHER FINANCING (USES)				
Proceeds from the Sale of Capital Assets				
Transfers Out	<u>(19,471,152)</u>	<u>(20,800,539)</u>	<u>(19,950,316)</u>	<u>850,223</u>
Total Other Financing Sources (Uses)	<u>(19,471,152)</u>	<u>(20,800,539)</u>	<u>(19,950,316)</u>	
Net Change in Fund Balances	<u>(10,607,867)</u>	<u>(18,975,295)</u>	<u>(9,008,593)</u>	<u>9,966,702</u>
Fund Balances, July 1, 2013	<u>21,501,811</u>	<u>21,501,811</u>	<u>21,501,811</u>	
Fund Balances, June 30, 2014	<u>\$ 10,893,944</u>	<u>\$ 2,526,516</u>	<u>\$ 12,493,218</u>	<u>\$ 9,966,702</u>

**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014**

	Self-Insurance Trust Fund	Casualty Insurance Loss Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 11,905,617	\$ 2,162,281	\$ 14,067,898
Investments	5,732,026	3,374,529	9,106,555
Accounts Receivable	551,394		551,394
Interest Receivable			
Prepaid Items		1,912,098	1,912,098
Due from Other Funds	20,309		20,309
Total Current Assets	<u>18,209,346</u>	<u>7,448,908</u>	<u>25,658,254</u>
Noncurrent Assets:			
Cash with Fiscal Agent			
Total Noncurrent Assets			
 Total Assets	 <u>\$ 18,209,346</u>	 <u>\$ 7,448,908</u>	 <u>\$ 25,658,254</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 571,759	\$ 10,985	\$ 582,744
Due to Other Funds		20,309	20,309
Estimated Insurance Claims Payable	4,214,000	14,475	4,228,475
Total Liabilities	<u>4,785,759</u>	<u>45,769</u>	<u>4,831,528</u>
NET POSITION			
Unrestricted	13,423,587	7,403,139	20,826,726
Total Liabilities and Net Position	<u>\$ 18,209,346</u>	<u>\$ 7,448,908</u>	<u>\$ 25,658,254</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014

	Self-Insurance Trust Fund	Casualty Insurance Loss Fund	Total Internal Service Funds
OPERATING REVENUES			
Premium Revenues	\$ 48,388,926	\$ 4,234,617	\$ 52,623,543
Total Operating Revenues	48,388,926	4,234,617	52,623,543
OPERATING EXPENSES			
Purchased Services	3,374,869	2,759,003	6,133,872
Materials and Supplies	166		166
Capital Outlay	6,433		6,433
Insurance Claims	48,238,686	1,413,869	49,652,555
Total Operating Expenses	51,620,154	4,172,872	55,793,026
Operating Income	(3,231,228)	61,745	(3,169,483)
NONOPERATING REVENUES			
Interest Revenue	47,260	13,861	61,121
Total Nonoperating Revenues	47,260	13,861	61,121
Change In Net Position	(3,183,968)	75,606	(3,108,362)
Net Position - July 1, 2013	16,607,555	7,327,533	23,935,088
Net Position - June 30, 2014	\$ 13,423,587	\$ 7,403,139	\$ 20,826,726

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014

	Self-Insurance Trust Fund	Casualty Insurance Loss Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Board Funds and Participants	\$ 48,044,238	\$ 4,257,925	\$ 52,302,163
Payments for Insurance Claims	(47,406,686)	(1,615,190)	(49,021,876)
Cash Payments to Vendors for Goods and Services	(3,986,128)	(2,760,353)	(6,746,481)
Net Cash Provided by Operating Activities	<u>(3,348,576)</u>	<u>(117,618)</u>	<u>(3,466,194)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments	531,346	(1,972,948)	(1,441,602)
Interest	51,573	14,537	66,110
Net Cash Provided by Investing Activities	<u>582,919</u>	<u>(1,958,411)</u>	<u>(1,375,492)</u>
Net Increase in Cash and Cash Equivalents	(2,765,657)	(2,076,029)	(4,841,686)
Cash and Cash Equivalents - Beginning	14,671,274	4,238,310	18,909,584
Cash and Cash Equivalents - Ending	<u>\$ 11,905,617</u>	<u>\$ 2,162,281</u>	<u>\$ 14,067,898</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ (3,231,228)	\$ 61,745	\$ (3,169,483)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities:			
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(241,734)		(241,734)
(Increase) Decrease in Due from Other Funds	(539,024)	3,000	(536,024)
Decrease in Accounts Payable	(604,660)	(1,350)	(606,010)
Increase in Due to Other Funds	436,070	20,308	456,378
Increase (Decrease) in Estimated Insurance Claims Payable	832,000	(201,321)	630,679
Total Adjustments	<u>(117,348)</u>	<u>(179,363)</u>	<u>(296,711)</u>
Net Cash Provided by Operating Activities	<u>\$ (3,348,576)</u>	<u>\$ (117,618)</u>	<u>\$ (3,466,194)</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL INTERNAL FUNDS AGENCY FUND
For the Fiscal Year Ended June 30, 2014

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 3,261,709	\$ 10,369,080	\$ 9,902,441	\$ 3,728,348
Accounts Receivable	12,880	14,378	12,880	14,378
Due from School Board	7,205	7,029	7,205	7,029
Total Assets	<u>\$ 3,281,794</u>	<u>\$ 10,390,487</u>	<u>\$ 9,922,526</u>	<u>\$ 3,749,755</u>
LIABILITIES				
Accounts Payable	\$ 145,527	\$ 61,746	\$ 145,527	\$ 61,746
Internal Accounts Payable	3,136,267	10,328,741	9,776,999	3,688,009
Total Liabilities	<u>\$ 3,281,794</u>	<u>\$ 10,390,487</u>	<u>\$ 9,922,526</u>	<u>\$ 3,749,755</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
BELLALAGO CHARTER ACADEMY AGENCY FUND
For the Fiscal Year Ended June 30, 2014

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 307,972	\$ 10,634,350	\$ 9,902,551	\$ 1,039,771
Investments	3,034,592	26,953		3,061,545
Accounts Receivable	1,590	57,987	1,590	57,987
Due from School Board	1,441	679,498	680,835	104
Total Assets	<u>\$ 3,345,595</u>	<u>\$ 11,398,788</u>	<u>\$ 10,584,976</u>	<u>\$ 4,159,407</u>
LIABILITIES				
Salaries and Benefits Payable	\$ 2,731	\$ 5,258,126	\$ 5,256,979	\$ 3,878
Payroll Deductions and Withholdings	8,248	2,366,410	2,361,668	12,990
Accounts Payable	3,334,616	5,055,646	4,247,792	4,142,470
Internal Accounts Payable		2,079,636	2,079,567	69
Total Liabilities	<u>\$ 3,345,595</u>	<u>\$ 14,759,818</u>	<u>\$ 13,946,006</u>	<u>\$ 4,159,407</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014

	Balances July 1, 2013	Additions	Deductions	Balances June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 3,569,681	\$ 21,003,430	\$ 19,804,992	\$ 4,768,119
Investments	3,034,592	26,953		3,061,545
Accounts Receivable	14,470	72,365	14,470	72,365
Due from School Board	8,646	686,527	688,040	7,133
Total Assets	<u>\$ 6,627,389</u>	<u>\$ 21,789,275</u>	<u>\$ 20,507,502</u>	<u>\$ 7,909,162</u>
LIABILITIES				
Salaries and Benefits Payable	\$ 2,731	\$ 5,258,126	\$ 5,256,979	\$ 3,878
Payroll Deductions and Withholdings	8,248	2,366,410	2,361,668	12,990
Accounts Payable	3,480,143	5,117,392	4,393,319	4,204,216
Internal Accounts Payable	3,136,267	12,408,377	11,856,566	3,688,078
Total Liabilities	<u>\$ 6,627,389</u>	<u>\$ 25,150,305</u>	<u>\$ 23,868,532</u>	<u>\$ 7,909,162</u>

**DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF NET POSITION
COMBINING STATEMENT OF COMPONENT UNITS
June 30, 2014**

	Bellalago Educational Facilities Benefit District	Flora Ridge Educational Facilities Benefit District	The Foundation for Osceola Education, Inc.	Four Corners Charter School, Inc.	New Dimensions Charter School, Inc.	New Alternative Education High School of Osceola County, Inc.
ASSETS						
Cash and Cash Equivalents	\$ 3,590,286	\$ 970,020	\$ 5,371,938	\$ 2,471,872	\$ 1,117,068	\$ 932,651
Investments			4,487,441			
Accounts Receivable	43,190			2,293		
Interest Receivable			1,874			
Deposits			52,784		8,771	31,817
Due from Trustee						
Due from Other Agencies	867,590		58,689			11,110
Prepaid Items			27,784			176,121
Other Assets:						
Bond Issuance Costs, net	438,574		555,475		31,528	
Other						
Restricted Assets:						
Investments		334,182				
Capital Assets:						
Land	1,000,000		238,220		275,000	
Improvements Other Than Buildings, Net	306,722		47,486	4,235	68,613	
Leasehold Improvements				1,579,747		681
Buildings and Fixed Equipment, Net	18,426,431		10,510,037		3,949,342	
Furniture, Fixtures and Equipment, Net	227,048		305,136	135,176	69,902	144,644
Motor Vehicles, Net					5,510	
Beneficial interest in assets held by others-restricted			1,245,596			
Total Assets	\$ 24,899,841	\$ 1,304,202	\$ 22,902,460	\$ 4,193,323	\$ 5,525,734	\$ 1,297,024
LIABILITIES						
Salaries and Benefits Payable	\$	\$	\$	\$	\$ 152,750	\$
Bank Overdraft						
Accounts Payable	23,593	32,468	266,547	494,643		27,524
Line of Credit						
Accrued Expenses			653,694			55,444
Due to Other Agencies			1,796,635		11,850	
Due to Management Company			74,816			
Due to Agency Fund			114			
Unearned Revenue	763,427					
Accrued Interest Payable	591,852	161,650	284,320			
Other Liabilities			26,112			
Long-Term Liabilities:						
Portion Due Within One Year:						
Compensated Absences						
Obligations Under Capital Leases						
Bonds Payable		60,000	511,398		64,050	
Portion Due After One Year:						
Compensated Absences						
Obligations Under Capital Leases						
Bonds Payable	24,012,598	7,230,885	13,590,483		2,038,782	
Total Liabilities	25,391,470	7,485,003	17,204,119	494,643	2,267,432	82,968
NET POSITION						
Net Investment in Capital Assets	(1,578,419)	(6,284,165)	(2,979,138)	1,719,158	2,297,063	145,325
Restricted For:						
Debt Service			2,335,232			
Other Purposes	1,086,790	103,364	1,250,536			
Capital Outlay			795,435			
Unrestricted			4,296,276	1,979,522	961,239	1,068,731
Total Net Position	\$ (491,629)	\$ (6,180,801)	\$ 5,698,341	\$ 3,698,680	\$ 3,258,302	\$ 1,214,056

Acclaim Academy Florida, Inc.	Florida Virtual Charter Academy at Osceola	iVirtual League Academy	Renaissance Charter School at Poinciana	UCP Osceola Child Development Center Charter School	Avant Garde Academy, Inc.	Total Component Units
\$ 28,621	\$ 148,553	\$	\$ 685,141	\$	\$	\$ 15,316,150
91,206			27,090			4,487,441
			13,348		780	163,779
			564,565			1,874
			81,254	1,688,966		107,500
			7,660		20,467	564,565
						2,707,609
						232,032
7,314						1,025,577
						7,314
						334,182
			11,930,193			13,443,413
						427,056
						1,580,428
						32,885,810
30,210			590,152	479	69,863	1,572,610
						5,510
						1,245,596
<u>\$ 157,351</u>	<u>\$ 148,553</u>	<u>\$</u>	<u>\$ 13,899,403</u>	<u>\$ 1,689,445</u>	<u>\$ 91,110</u>	<u>\$ 76,108,446</u>
\$	\$	\$	\$ 260,279	\$	\$ 60,861	\$ 473,890
195,653	148,553		503,336	52,449	11,384	103,062
65,000						1,756,150
						65,000
						709,138
						1,808,485
						74,816
						114
			3,846			767,273
					20,842	1,058,664
						26,112
			9,151			9,151
			185,833			185,833
						635,448
			3,050			3,050
			13,377,270			13,377,270
						46,872,748
<u>260,653</u>	<u>148,553</u>	<u></u>	<u>14,342,765</u>	<u>52,449</u>	<u>196,149</u>	<u>67,926,204</u>
30,210			(1,042,758)		69,863	(7,622,861)
						2,335,232
						2,440,690
						795,435
(133,512)			599,396	1,636,996	(174,902)	10,233,746
<u>\$ (103,302)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (443,362)</u>	<u>\$ 1,636,996</u>	<u>\$ (105,039)</u>	<u>\$ 8,182,242</u>

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY
STATEMENT OF ACTIVITIES
COMBINING STATEMENT OF COMPONENT UNITS
For the Fiscal Year Ended June 30, 2014

	Bellalago Educational Facilities Benefit District	Flora Ridge Educational Facilities Benefit District	The Foundation for Osceola Education, Inc.	Four Corners Charter School, Inc.	New Dimensions Charter School, Inc.	New Alternative Education High School of Osceola County, Inc.
Component Unit Activities:						
Instruction	\$	\$	\$ 11,277,152	\$ 4,769,021	\$ 1,583,217	\$ 1,134,714
Pupil Personnel Services						
Instructional Media Services						
Instruction and Curriculum Development						
Instructional Staff Training Services						165,603
Instruction Related Technology						
Board	8,439	45,066		6,800		
General Administration	64,147	23,253		714,983	69,550	223,383
School Administration			2,862,080		444,737	
Facilities Acquisition and Construction	542,557		1,241,746	1,341,646	148,937	
Fiscal Services						631,096
Food Services						
Central Services						
Pupil Transportation Services					99,243	101,385
Operation of Plant			3,076,341		61,966	831,842
Maintenance of Plant					62,538	
Community Services			3,256,414			
Interest on Long Term Debt	1,440,497	389,506	705,241		137,606	
Unallocated Depreciation/Amortization		15,508				
Total Expenses	<u>2,055,640</u>	<u>473,333</u>	<u>22,418,974</u>	<u>6,832,450</u>	<u>2,607,794</u>	<u>3,088,023</u>
Program Revenues						
Charges for Services			248,287		72,150	
Operating Grants and Contributions			3,037,813	461,745		31,025
Capital Grants and Contributions			1,272,556		240,743	329,274
Net (Expenses) Revenue	<u>(2,055,640)</u>	<u>(473,333)</u>	<u>(17,860,318)</u>	<u>(6,370,705)</u>	<u>(2,294,901)</u>	<u>(2,727,724)</u>
General Revenues						
Federal						
State passed through local school district			17,568,919	6,370,880	2,200,460	3,043,214
Debt forgiveness, from a related party						
Grants and Contributions not restricted to specific programs						
Investment Earnings	325	107	57,492	652	1,068	
Other Income			343,223	7,556		
Miscellaneous	510,639					5,930
Special Items	1,374,273	515,103				
Total General Revenues	<u>1,885,237</u>	<u>515,210</u>	<u>17,969,634</u>	<u>6,379,088</u>	<u>2,201,528</u>	<u>3,049,144</u>
Change in Net Position	<u>(170,403)</u>	<u>41,877</u>	<u>109,316</u>	<u>8,383</u>	<u>(93,373)</u>	<u>321,420</u>
Net Position - beginning	<u>(321,226)</u>	<u>(6,222,678)</u>	<u>5,589,025</u>	<u>3,690,297</u>	<u>3,351,675</u>	<u>892,636</u>
Adjustments to Beginning Net Position						
Net Position - beginning - restated	<u>(321,226)</u>	<u>(6,222,678)</u>	<u>5,589,025</u>	<u>3,690,297</u>	<u>3,351,675</u>	<u>892,636</u>
Net Position - ending	<u>\$ (491,629)</u>	<u>\$ (6,180,801)</u>	<u>\$ 5,698,341</u>	<u>\$ 3,698,680</u>	<u>\$ 3,258,302</u>	<u>\$ 1,214,056</u>

Acclaim Academy Florida, Inc.	Florida Virtual Charter Academy at Osceola	iVirtual League Academy	Renaissance Charter School at Poinciana	UCP Osceola Child Development Center Charter School	Avant Garde Academy, Inc.	Total Component Units
\$ 1,697,789	\$ 84,448	\$ 78,141	\$ 3,272,315	\$ 661,645	\$ 823,231	\$ 25,381,673
108,177	13,561		191,534			313,272
			695			695
	213,900		280			214,180
33,987		1,705	22,351			223,646
29,922	15,622		40,440			56,062
75,188	8,600	5,045	21,625		2,753	128,250
719,372	18,647			324,978		1,514,129
	1,415	778	319,117		304,696	4,652,195
59,788	9	1,254	565,894		180,601	3,455,487
9,632			305,225		82,978	1,341,019
1,613			3,284		6,206	321,063
239,990			52,297		10,054	14,951
727,919	16,742	4,322	744,661		50,730	543,645
			183,917		90,650	5,554,443
			100,360		24,277	270,732
679			961,641		20,842	3,356,774
						3,656,012
						15,508
<u>3,704,056</u>	<u>372,944</u>	<u>91,245</u>	<u>6,785,636</u>	<u>986,623</u>	<u>1,597,018</u>	<u>51,013,736</u>
			163,462			483,899
255,868			729,770		66,340	4,582,561
			385,186			2,227,759
<u>(3,448,188)</u>	<u>(372,944)</u>	<u>(91,245)</u>	<u>(5,507,218)</u>	<u>(986,623)</u>	<u>(1,530,678)</u>	<u>(43,719,517)</u>
1,699						1,699
3,372,998	372,944		5,465,586	1,225,637	1,051,352	40,671,990
					366,236	366,236
87,528		55,684				143,212
		14,662	54,644		8,051	59,644
						428,136
						516,569
						1,889,376
<u>3,462,225</u>	<u>372,944</u>	<u>70,346</u>	<u>5,520,230</u>	<u>1,225,637</u>	<u>1,425,639</u>	<u>44,076,862</u>
14,037		(20,899)	13,012	239,014	(105,039)	357,345
<u>(117,339)</u>		<u>20,899</u>	<u>(456,374)</u>	<u>1,397,982</u>		<u>7,824,897</u>
(117,339)		20,899	(456,374)	1,397,982		7,824,897
<u>\$ (103,302)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (443,362)</u>	<u>\$ 1,636,996</u>	<u>\$ (105,039)</u>	<u>\$ 8,182,242</u>

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STATISTICAL SECTION



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Introduction to the Statistical Section

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Schedule 1	Net Position by Component
Schedule 2	Changes in Net Position
Schedule 3	General Revenues and Total Changes in Net Position
Schedule 4	Fund Balances, Governmental Funds
Schedule 5	Governmental Funds Revenues
Schedule 6	Governmental Funds Expenditures and Debt Service Ratio
Schedule 7	Other Financing Sources and Uses and Net Change in Fund Balances

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

Schedule 8	Assessed Value and Estimated Actual Value of Taxable Property
Schedule 9	Direct and Overlapping Property Tax Rates
Schedule 10	Principal Osceola County Property Tax Payers
Schedule 11	Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Schedule 12	Outstanding Debt by Type
Schedule 13	Direct and Overlapping Governmental Activities Debt
Schedule 14	Legal Debt Margin Information
Schedule 15	Pledged-Revenue Coverage

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Schedule 16	Demographic and Economic Statistics
Schedule 17	Osceola County Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Schedule 18	Full-time-Equivalent District Employees by Type
Schedule 19	Operating Statistics
Schedule 20	Teacher Salaries
Schedule 21	School Building Information

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

Schedule 1
 District School Board of Osceola County
 Net Position by Component - Primary Government
 Last Ten Fiscal Years
(accrual basis of accounting)
 Unaudited

	For the Fiscal Year ending June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities				
Net investment in capital assets	\$ 222,190,069	\$ 266,793,746	\$ 306,948,191	\$ 354,211,777
Restricted	109,140,237	119,218,431	144,452,132	220,147,769
Unrestricted	<u>22,008,531</u>	<u>31,290,686</u>	<u>41,579,693</u>	<u>27,348,239</u>
Total governmental activities net position	<u>\$ 353,338,837</u>	<u>\$ 417,302,863</u>	<u>\$ 492,980,016</u>	<u>\$ 601,707,785</u>

Source:
 District records

	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>
\$	438,988,320	\$	471,185,896	\$	492,955,678	\$	488,096,469	\$	477,532,359	\$	494,470,617
	155,942,301		116,539,697		81,462,943		75,558,613		91,902,083		75,247,973
	<u>22,289,318</u>		<u>28,633,813</u>		<u>50,433,333</u>		<u>40,835,214</u>		<u>16,937,578</u>		<u>(10,626,220)</u>
<u>\$</u>	<u>617,219,939</u>	<u>\$</u>	<u>616,359,406</u>	<u>\$</u>	<u>624,851,954</u>	<u>\$</u>	<u>604,490,296</u>	<u>\$</u>	<u>586,372,020</u>	<u>\$</u>	<u>559,092,370</u>

Schedule 2
District School Board of Osceola County
Changes in Net Position - Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

For the Fiscal Year ending June 30

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Primary Government:				
Expenses				
Governmental activities:				
Instruction	\$ 175,571,358	\$ 198,468,516	\$ 232,617,922	\$ 261,976,401
Pupil personnel services	16,119,414	18,442,786	20,886,005	24,153,125
Instructional media services	4,163,815	4,835,861	5,161,195	6,059,524
Instruction and curriculum development services	15,828,787	16,961,003	22,429,022	23,464,063
Instructional staff training services	5,109,676	6,011,555	4,569,743	9,507,952
Instruction related technology		3,512,400	3,946,935	4,373,774
Board of education	1,285,843	1,419,189	1,823,925	2,179,387
General administration	2,256,900	2,575,054	2,228,563	2,589,737
School administration	14,785,560	17,214,383	19,747,072	22,649,997
Facilities services	14,678,682	16,612,944	16,584,696	19,814,471
Fiscal services	1,268,262	1,601,831	1,887,436	2,062,828
Food services	15,822,309	18,965,217	20,795,040	25,147,719
Central services	7,698,586	5,941,266	6,536,936	7,135,483
Pupil transportation services	15,176,499	17,657,424	19,413,234	21,620,725
Operation of plant	26,500,887	24,722,169	27,205,818	31,115,952
Maintenance of plant	5,136,806	7,570,851	7,968,053	8,896,778
Administrative technology services		3,188,644	2,949,505	3,604,125
Community services	1,982,934	2,262,183	3,487,806	3,798,924
Interest on long-term debt	14,312,804	14,760,893	12,752,067	15,859,473
Loss on disposal of capital assets	346,800	308,966		
Unallocated depreciation expense	21,895,591	22,312,499	24,223,111	27,626,338
Total expenses - Primary Government	<u>\$ 359,941,513</u>	<u>\$ 405,345,634</u>	<u>\$ 457,214,084</u>	<u>\$ 523,636,776</u>
Program Revenues				
Governmental Activities				
Charges for Services				
Instruction	\$ 3,130,251	\$ 1,123,318	\$ 1,421,447	\$ 1,426,889
Food services	5,524,431	6,437,902	7,100,817	6,861,017
Pupil transportation services	2,124,247	141,429	172,377	190,009
Community services		2,028,638	2,236,882	2,568,696
Operating Grants and Contributions				
Instruction				
Food services	10,988,391	12,144,814	13,391,527	14,897,448
Pupil transportation services	8,095,754	10,364,641	9,701,290	9,633,899
Capital Grants and Contributions				
Facilities acquisition and construction	74,103,881	48,575,015	48,636,658	120,851,798
Maintenance of plant			2,059,611	
Interest on long-term debt	1,487,504	1,581,675	1,767,682	1,758,040
Total Program Revenues - Primary Government	<u>\$ 105,454,459</u>	<u>\$ 82,397,432</u>	<u>\$ 86,488,291</u>	<u>\$ 158,187,796</u>
Net (Expense) - Primary Government	<u>\$ (254,487,054)</u>	<u>\$ (322,948,202)</u>	<u>\$ (370,725,793)</u>	<u>\$ (365,448,980)</u>

Source:
District records

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	243,009,744	\$ 255,220,829	\$ 268,395,640	\$ 256,106,769	\$ 268,705,463	\$ 290,738,409
	23,755,838	21,883,642	21,854,182	21,838,137	21,225,019	22,892,264
	5,292,967	4,562,986	4,517,888	4,213,693	4,590,168	4,954,439
	20,144,676	15,244,383	15,053,689	12,918,163	13,955,272	16,291,806
	6,556,067	8,854,691	10,019,346	8,893,254	8,683,127	9,304,247
	4,534,355	3,624,384	3,371,658	3,506,394	3,400,004	4,070,147
	1,594,329	1,678,822	1,365,918	1,735,224	1,449,083	1,478,064
	2,988,478	2,906,023	3,776,911	2,778,064	2,223,978	2,494,349
	20,969,528	23,215,807	22,598,190	21,712,072	22,187,638	23,645,915
	15,224,107	14,397,625	11,792,702	7,231,837	7,301,809	11,431,928
	1,872,802	1,807,456	1,861,512	1,795,816	2,068,151	2,073,286
	22,822,423	21,173,003	22,286,139	23,211,603	26,792,335	31,642,638
	6,693,873	6,711,505	6,467,196	6,866,451	6,854,756	6,828,128
	21,163,277	20,792,056	22,121,651	21,866,622	22,887,687	24,340,819
	29,917,708	31,691,252	28,932,290	26,379,530	30,799,393	32,314,289
	8,415,184	8,075,524	8,425,120	12,068,670	7,116,029	8,587,830
	3,435,841	3,590,304	3,334,012	3,159,953	3,920,100	4,012,196
	3,670,126	3,690,087	4,194,564	4,427,474	4,607,250	4,978,829
	15,144,497	16,245,397	15,944,978	14,542,638	15,195,406	11,420,473
	963,035					
	28,832,502	29,437,348	31,169,680	32,061,585	34,621,488	35,275,678
<u>\$</u>	<u>487,001,357</u>	<u>\$ 494,803,124</u>	<u>\$ 507,483,266</u>	<u>\$ 487,313,949</u>	<u>\$ 508,584,156</u>	<u>\$ 548,775,734</u>
\$	1,577,484	\$ 1,828,659	\$ 2,220,174	\$ 2,126,462	\$ 2,303,121	\$ 2,076,715
	6,905,070	6,136,837	5,881,978	5,718,630	4,791,692	4,291,076
	470,324	370,221	543,684	613,100	589,816	392,314
	2,572,933	2,527,935	2,774,330	2,598,249	2,750,258	2,874,860
						97,871,733
	15,988,714	17,894,469	19,400,609	21,165,198	23,618,227	26,203,051
	9,315,616	9,436,136	8,978,796	9,626,629		
	11,622,121	11,544,613	11,019,085	11,851,852	584,483	16,532,017
	10,719,386					
	20,557	23,037	23,505	21,870	1,654,690	1,630,218
<u>\$</u>	<u>59,192,205</u>	<u>\$ 49,761,907</u>	<u>\$ 50,842,161</u>	<u>\$ 53,721,990</u>	<u>\$ 36,292,287</u>	<u>\$ 151,871,984</u>
<u>\$</u>	<u>(427,809,152)</u>	<u>\$ (445,041,217)</u>	<u>\$ (456,641,105)</u>	<u>\$ (433,591,959)</u>	<u>\$ (472,291,869)</u>	<u>\$ (396,903,750)</u>

Schedule 3
District School Board of Osceola County
General Revenues and Total Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	For the Fiscal Year ending June 30			
	2005	2006	2007	2008
Net (Expense)/Revenue - Primary Government	<u>\$ (254,487,054)</u>	<u>\$ (322,948,202)</u>	<u>\$ (370,725,793)</u>	<u>\$ (365,448,980)</u>
General Revenues and Changes in Net Position				
Taxes:				
Property taxes, levied for operational purposes	\$ 81,989,285	\$ 95,898,951	\$ 121,689,421	\$ 145,250,546
Property taxes, levied for debt service	3,753,855	3,728,353	7,326	
Property taxes, levied for capital projects	26,321,324	31,289,374	42,088,335	50,327,124
Local sales taxes	3,704,309	7,948,681	9,998,541	10,292,844
Impact Fees				
Grants and contributions not restricted to specific programs	200,943,463	225,092,552	248,564,737	248,186,167
Investment earnings	4,344,278	8,893,900	12,932,806	9,128,755
Miscellaneous	4,906,224	13,956,269	11,121,780	10,991,313
Special Items				
Total General Revenues - Primary Government	<u>\$ 325,962,738</u>	<u>\$ 386,808,080</u>	<u>\$ 446,402,946</u>	<u>\$ 474,176,749</u>
Changes in Net Position - Primary Government	<u>\$ 71,475,684</u>	<u>\$ 63,859,878</u>	<u>\$ 75,677,153</u>	<u>\$ 108,727,769</u>

Source:
District records

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	<u>\$ (427,809,152)</u>	<u>\$ (445,041,217)</u>	<u>\$ (456,641,105)</u>	<u>\$ (433,591,959)</u>	<u>\$ (472,291,869)</u>	<u>\$ (396,903,750)</u>
\$	151,594,547	\$ 135,881,016	\$ 115,231,090	\$ 104,108,613	\$ 98,493,989	\$ 105,900,393
	1,671					
	46,094,101	33,142,748	27,606,863	25,707,956	25,367,760	26,438,255
	9,143,244	9,035,938	9,511,482	9,925,207	10,416,923	10,600,770
					12,286,659	
	223,928,922	253,310,535	294,754,205	262,026,194	299,164,318	215,374,466
	3,253,100	2,345,647	2,099,168	1,801,749	483,975	1,199,839
	9,305,721	10,464,800	15,930,845	9,660,582	7,959,969	10,018,020
						92,357
	<u>\$ 443,321,306</u>	<u>\$ 444,180,684</u>	<u>\$ 465,133,653</u>	<u>\$ 413,230,301</u>	<u>\$ 454,173,593</u>	<u>\$ 369,624,100</u>
\$	<u>15,512,154</u>	<u>\$ (860,533)</u>	<u>\$ 8,492,548</u>	<u>\$ (20,361,658)</u>	<u>\$ (18,118,276)</u>	<u>\$ (27,279,650)</u>

Schedule 4
District School Board of Osceola County
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	For the Fiscal Year Ending June 30			
	Restated (a) <u>2005</u>	Restated (a) <u>2006</u>	Restated (a) <u>2007</u>	Restated (a) <u>2008</u>
General Fund				
Nonspendable	\$	\$	\$	\$
Restricted	3,618,175	2,453,921	2,468,816	2,270,876
Assigned				
Unassigned	<u>14,725,944</u>	<u>33,914,236</u>	<u>52,649,019</u>	<u>52,509,629</u>
Total General Fund	<u>\$ 18,344,119</u>	<u>\$ 36,368,157</u>	<u>\$ 55,117,835</u>	<u>\$ 54,780,505</u>
All Other Governmental Funds				
Nonspendable	\$	\$	\$	\$
Restricted	61,106,271	74,955,676	40,229,851	91,963,365
Assigned				
Unassigned	<u>115,968,050</u>	<u>90,056,429</u>	<u>168,446,299</u>	<u>181,930,542</u>
Total All Other Governmental Funds	<u>\$ 177,074,321</u>	<u>\$ 165,012,105</u>	<u>\$ 208,676,150</u>	<u>\$ 273,893,907</u>
Total Governmental Funds	<u>\$ 195,418,440</u>	<u>\$ 201,380,262</u>	<u>\$ 263,793,985</u>	<u>\$ 328,674,412</u>

Note:

(a) The District implemented GASB 54 for the fiscal year ended June 30, 2011. The fund balances from the prior fiscal years were restated for comparison purposes.

Source:

District records

Restated (a) <u>2009</u>	Restated (a) <u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 15,237,098	\$ 18,790,895	\$ 1,805,173	\$ 1,838,068	\$ 1,931,315	\$ 2,077,677
44,255,581	51,822,880	15,432,710	16,184,090	21,044,012	21,082,476
		21,373,716	13,663,265	8,688,530	13,375,810
<u>\$ 59,492,679</u>	<u>\$ 70,613,775</u>	<u>\$ 91,601,580</u>	<u>\$ 84,317,016</u>	<u>\$ 76,053,726</u>	<u>\$ 70,238,145</u>
\$ 29,301,405	\$ 72,871,696	\$ 535,522	\$ 416,365	\$ 724,170	\$ 58,179,268
167,008,297	101,538,230	107,041,853	73,935,852	73,637,841	1,393,760
		684,791	774,561	1,081,812	
<u>\$ 196,309,702</u>	<u>\$ 174,409,926</u>	<u>\$ 108,262,166</u>	<u>\$ 75,126,778</u>	<u>\$ 75,443,823</u>	<u>\$ 59,573,028</u>
<u>\$ 255,802,381</u>	<u>\$ 245,023,701</u>	<u>\$ 199,863,746</u>	<u>\$ 159,443,794</u>	<u>\$ 151,497,549</u>	<u>\$ 129,811,173</u>

Schedule 5
 District School Board of Osceola County
 Governmental Funds Revenues
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	For the Fiscal Year Ending June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Federal direct	\$ 538,586	\$ 507,224	\$ 1,053,161	\$ 1,850,561
Federal through State	33,514,246	41,607,113	38,267,515	43,185,868
State sources	211,747,093	227,589,538	244,655,637	320,426,143
Local sources	<u>174,534,294</u>	<u>203,133,467</u>	<u>244,404,884</u>	<u>258,384,589</u>
Total revenues	<u>\$ 420,334,219</u>	<u>\$ 472,837,342</u>	<u>\$ 528,381,197</u>	<u>\$ 623,847,161</u>

Source:
 District records

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,544,576	\$ 4,346,224	\$ 6,773,076	\$ 6,333,326	\$ 4,390,418	\$ 3,882,342
44,917,130	74,445,447	86,017,868	53,248,874	59,529,883	58,990,124
214,028,791	205,192,571	236,185,377	235,804,919	259,006,088	278,832,947
<u>239,855,958</u>	<u>209,624,727</u>	<u>182,822,924</u>	<u>171,187,869</u>	<u>167,952,654</u>	<u>185,384,897</u>
<u>\$ 502,346,455</u>	<u>\$ 493,608,969</u>	<u>\$ 511,799,245</u>	<u>\$ 466,574,988</u>	<u>\$ 490,879,043</u>	<u>\$ 527,090,310</u>

Schedule 6

District School Board of Osceola County

Governmental Funds Expenditures and Debt Service Ratio

Last Ten Fiscal Years

(modified accrual basis of accounting)

Unaudited

	For the Fiscal Year Ending June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenditures				
Instruction	\$ 177,377,831	\$ 195,786,614	\$ 228,926,351	\$ 252,436,907
Pupil personnel services	16,435,466	18,082,451	20,467,855	23,004,870
Instructional media services	4,241,207	4,772,082	5,083,212	5,860,992
Instruction and curriculum development services	16,094,907	16,700,234	21,798,585	22,507,401
Instructional staff training services	5,078,031	5,958,714	4,624,539	9,150,787
Instruction related technology		3,380,672	3,884,887	4,151,534
Board of Education	1,290,353	1,414,978	1,823,258	2,150,486
General administration	2,270,644	2,526,892	2,186,576	2,605,401
School administration	14,874,908	16,704,133	19,189,405	21,535,497
Facilities services	14,723,275	16,580,781	16,535,413	19,708,502
Fiscal services	1,251,447	1,534,493	1,870,512	2,028,443
Food services	15,930,723	18,828,603	20,563,324	24,583,165
Central services	7,758,248	5,863,915	6,470,672	6,773,727
Pupil transportation services	13,948,013	15,598,236	17,014,402	18,468,240
Operation of plant	27,017,226	24,784,882	27,710,926	30,798,725
Maintenance of plant	5,216,672	7,419,369	7,809,981	8,512,770
Administrative technology services		3,038,578	2,860,025	3,439,879
Community services	2,004,318	2,236,213	3,397,490	3,666,415
Capital outlay				
Facilities acquisition and construction	40,545,616	62,304,787	73,466,105	51,547,603
Other capital outlay	9,862,578	13,907,537	6,092,674	14,507,098
Debt service				
Principal	13,444,462	17,176,291	19,293,444	16,271,911
Interest and fees	13,309,796	14,204,319	14,379,361	15,473,269
Total expenditures	<u>\$ 402,675,721</u>	<u>\$ 468,804,774</u>	<u>\$ 525,448,997</u>	<u>\$ 559,183,622</u>
Debt Service as a Percentage of Noncapital Expenditures	8.22%	8.69%	8.17%	6.88%

Source:

District records

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	242,419,425	\$ 252,269,672	\$ 266,865,399	\$ 253,767,483	\$ 264,220,967	\$ 280,329,535
	23,775,514	21,596,468	21,710,031	21,600,574	20,837,078	21,786,239
	5,308,109	4,528,355	4,500,290	4,171,544	4,516,147	4,771,047
	20,161,819	15,096,682	14,940,593	12,852,001	13,670,171	15,683,860
	6,589,861	8,768,979	10,034,314	8,831,137	8,545,858	9,098,166
	4,514,440	3,552,968	3,274,513	3,445,793	3,319,737	3,917,886
	1,596,656	1,680,070	1,363,448	1,737,280	1,445,253	1,466,041
	2,991,604	2,847,678	3,742,052	2,737,481	2,210,250	2,415,274
	21,017,289	22,478,323	22,458,336	21,548,515	21,860,841	22,476,668
	15,195,444	14,275,962	11,790,607	7,495,265	8,908,965	11,181,228
	1,840,274	1,784,591	1,818,535	1,763,306	2,020,295	1,936,268
	22,795,237	20,976,967	22,195,655	23,043,598	26,592,821	31,050,012
	6,656,102	6,597,053	6,368,452	6,849,484	6,780,716	6,541,885
	17,861,972	17,280,750	18,853,529	18,599,266	19,696,499	20,842,262
	30,466,641	34,035,187	29,305,887	27,341,814	30,585,170	31,742,175
	8,366,744	7,919,591	8,351,687	12,011,268	7,023,537	8,280,498
	3,431,664	3,527,874	3,396,158	3,194,658	3,844,461	3,815,336
	3,680,873	3,643,310	4,174,899	4,409,058	1,840,018	4,876,281
	97,801,621	68,920,961	66,602,017	36,644,633	16,040,556	28,540,227
	9,803,355	4,238,945	5,859,310	4,111,070	4,009,251	8,600,402
	14,186,717	14,817,845	14,034,285	15,564,668	16,079,567	16,704,179
	14,819,480	14,933,194	15,475,625	15,520,709	15,353,689	13,924,407
<u>\$</u>	<u>575,280,841</u>	<u>\$ 545,771,425</u>	<u>\$ 557,115,622</u>	<u>\$ 507,240,605</u>	<u>\$ 499,401,847</u>	<u>\$ 549,979,876</u>

6.61%

6.30%

6.48%

7.14%

7.02%

6.35%

Schedule 7
 District School Board of Osceola County
 Other Financing Sources and Uses and Net Change in Fund Balances
 Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	For the Fiscal Year Ending June 30			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Excess of revenues over (under) expenditures	<u>\$ 17,658,498</u>	<u>\$ 4,032,568</u>	<u>\$ 2,932,200</u>	<u>\$ 64,663,539</u>
Other Financing Sources	131,626,971	66,941,168	154,306,121	35,948,759
Other Financing Uses	<u>54,686,222</u>	<u>64,898,617</u>	<u>94,824,598</u>	<u>35,731,871</u>
Net change in fund balances	<u><u>\$ 94,599,247</u></u>	<u><u>\$ 6,075,119</u></u>	<u><u>\$ 62,413,723</u></u>	<u><u>\$ 64,880,427</u></u>

Source:
 District records

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ (72,934,386)</u>	<u>\$ (52,162,456)</u>	<u>\$ (45,316,377)</u>	<u>\$ (40,665,617)</u>	<u>\$ (8,522,804)</u>	<u>\$ (22,889,566)</u>
37,734,305	112,616,204	34,699,272	37,188,470	76,326,708	40,663,038
<u>37,671,950</u>	<u>71,232,428</u>	<u>34,542,850</u>	<u>36,942,805</u>	<u>75,750,149</u>	<u>39,459,848</u>
<u><u>\$ (72,872,031)</u></u>	<u><u>\$ (10,778,680)</u></u>	<u><u>\$ (45,159,955)</u></u>	<u><u>\$ (40,419,952)</u></u>	<u><u>\$ (7,946,245)</u></u>	<u><u>\$ (21,686,376)</u></u>

Schedule 8
 District School Board of Osceola County
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years (In thousands)
 Unaudited

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2004	\$ 10,761,639	\$ 11,198,376	\$ 1,278,296	\$ 1,330,173
2005	12,259,605	12,986,870	1,326,423	1,405,109
2006	14,717,778	15,283,259	1,420,128	1,474,692
2007	20,226,914	22,154,342	1,570,993	1,720,693
2008	24,673,342	25,228,366	1,652,151	1,689,316
2009	24,464,364	24,562,614	1,510,465	1,516,531
2010	19,971,753	19,832,923	1,531,250	1,520,606
2011	16,573,745	16,673,788	1,473,806	1,482,702
2012	15,288,985	15,942,633	1,356,605	1,414,604
2013	15,075,763	15,970,088	1,387,049	1,469,332

Note: Centrally assessed property consists of railroads and other systems which are assessed by the State of Florida.

2014 information not available.

⁽¹⁾ Per \$1,000 of assessed value

Source:
 Osceola County Comprehensive Annual Financial Report, FYE 9/30/13

Centrally Assessed Property		Total		Total Direct Rate ⁽¹⁾
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
\$ 5,426	\$ 5,646	\$ 12,045,361	\$ 12,534,195	\$ 8.798
6,182	6,549	13,592,210	14,398,528	8.514
3,790	3,936	16,141,696	16,761,887	8.367
4,562	4,997	21,802,469	23,880,032	7.782
4,495	4,596	26,329,988	26,922,278	7.772
3,785	3,800	25,978,614	26,082,945	7.513
4,129	4,100	21,507,132	21,357,629	7.699
3,677	3,699	18,051,228	18,160,189	7.715
4,083	4,258	16,649,673	17,361,495	7.577
4,184	4,432	16,466,996	17,443,852	7.323

Schedule 9
District School Board of Osceola County
Direct and Overlapping Property Tax Rates
Last Ten Levy Years

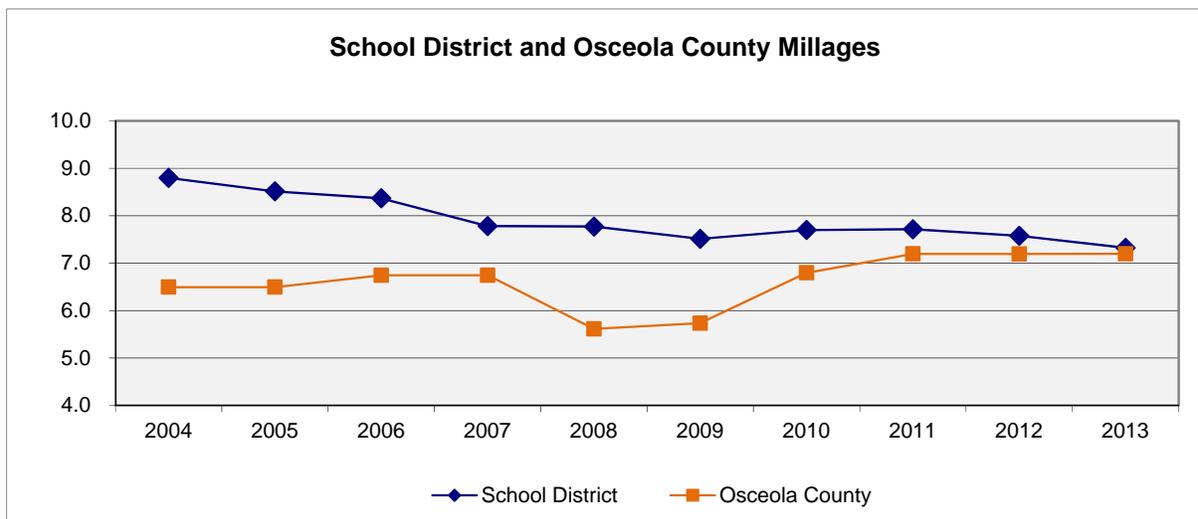
(rate per \$1,000 of assessed value)
 Unaudited

Levy Year	District Direct Rates						Overlapping Rates
	Required Local Effort	Capital Outlay	Basic Discretionary	Supplemental Discretionary	Voted Debt Service	Total Direct	Osceola County
2004	5.784	2.000	0.510	0.185	0.319	8.798	6.495
2005	5.540	2.000	0.510	0.179	0.285	8.514	6.495
2006	5.369	2.000	0.510	0.250	0.238	8.367	6.744
2007	5.022	2.000	0.510	0.250		7.782	6.744
2008	5.052	2.000	0.510	0.210		7.772	5.615
2009	5.059	1.750	0.498	0.206		7.513	5.736
2010	5.201	1.500	0.748	0.250		7.699	6.797
2011	5.217	1.500	0.748	0.250		7.715	7.196
2012	5.329	1.500	0.748			7.577	7.195
2013	5.075	1.500	0.748			7.323	7.197

Source:

District records
 Osceola County Comprehensive Annual Financial Report, FYE 9/30/13

2014 information not available.



Schedule 10
District School Board of Osceola County
Principal Osceola County Property Tax Payers
September 30, 2013 and Nine Years Earlier
(In thousands)
Unaudited

Taxpayer	September 30, 2013			September 30, 2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Westgate Properties/Resorts/Towers	\$ 776,877	1	4.72%	\$		
The Walt Disney Company	582,534	2	3.54%	511,100	2	3.66%
Lando Resorts Corporation	378,603	3	2.30%	98,734	8	0.71%
G.P. Limited Partnership	269,981	4	1.64%	258,249	3	1.85%
Progress Energy Florida Inc.	267,507	5	1.62%			
Star Island/Vacation Break/Wyndham	259,728	6	1.58%	92,075	9	0.66%
Tempus Palms International	254,618	7	1.55%	214,560	4	1.54%
Silver Lake Resort	110,089	8	0.67%			
Omni-Championsgate Resort Hotel LLC	100,494	9	0.61%			
Genon Florida LP	97,465	10	0.59%			
Central Florida Investments				560,557	1	4.02%
Florida Power Corporation				195,247	5	1.40%
Fairfield Communities				188,048	6	1.35%
Reliant Energy Osceola LLC				137,646	7	0.99%
Ginn-LA / Reunion				75,908	10	0.54%
Total taxable assessed value ten largest taxpayers	3,097,896		18.82%	2,332,124		16.72%
Total taxable assessed value all other taxpayers	13,369,100		81.18%	9,713,237		83.28%
Total taxable assessed value all taxpayers	\$ 16,466,996		100.00%	\$ 12,045,361		100.00%

Source:

Osceola County Comprehensive Annual Financial Report, FYE 9/30/13

Schedule 11
District School Board of Osceola County
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year	Taxes Levied for the Fiscal Year	Collected with the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 116,134,509	\$ 111,708,607	96.19%	\$ 811,581	\$ 112,520,188	96.89%
2006	135,485,708	130,105,098	96.03%	91,059	130,196,157	96.10%
2007	171,119,959	160,954,578	94.06%	26,733	160,981,311	94.08%
2008	206,374,025	195,550,937	94.76%	1,962,978	197,513,915	95.71%
2009	203,106,867	195,727,342	96.37%	981,585	195,727,342	96.37%
2010	174,578,023	168,042,178	96.26%	845,047	168,887,225	96.74%
2011	148,427,619	141,992,906	95.66%	914,896	142,907,802	96.28%
2012	134,835,605	128,901,673	95.60%	555,818	129,457,491	96.01%
2013	128,129,837	123,305,931	96.24%	462,603	123,768,534	96.60%
2014	137,619,241	131,876,045	95.83%		131,876,045	95.83%

Note: Property Taxes become due and payable on November 1st of each year. A four percent (4%) discount is allowed if taxes are paid in November, with the discounts declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never be 100% of the tax levy. Taxes become delinquent on April 1st of each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1st of each year.

Source:
District records

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Schedule 12
 District School Board of Osceola County
 Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Capital Leases and Installment Purchases	Notes	Bonds	Certificates Of Participation
2005	\$ 11,308,878	\$ 32,492,160	\$ 66,274,574	\$ 199,595,993
2006	5,962,320	30,495,288	63,716,002	194,270,400
2007	7,763,937	28,391,020	104,795,299	188,836,531
2008	3,794,475	26,173,571	100,475,993	183,202,405
2009	2,554,486	23,836,843	95,971,687	177,228,279
2010	1,454,074	21,374,409	91,284,157	211,997,778
2011	669,702	18,779,496	86,957,159	206,341,984
2012	343,646	16,044,967	82,639,229	199,375,637
2013	93,280	13,163,292	76,149,609	193,328,587
2014		10,126,547	68,906,000	186,625,000

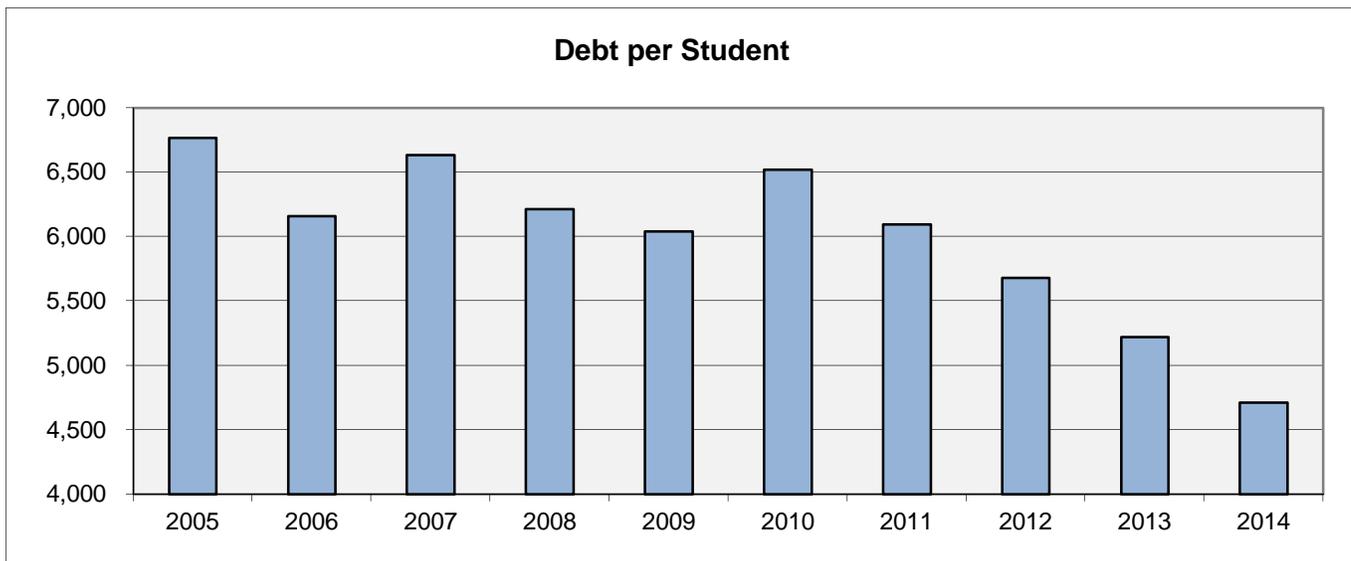
(1) Schedule 16 Personal Income (thousands) divided by Total Debt.

(2) Total Debt divided by Schedule 19 Student Enrollment.

N/A = Not Available

Source:

District records



EFBD Agreement Payable	Total	Percentage of Personal Income ⁽¹⁾	Outstanding Debt Per Student ⁽²⁾
\$ 7,764,964	\$ 317,436,569	1.45%	\$ 6,770
8,805,939	303,249,949	1.71%	6,162
8,912,464	338,699,251	1.69%	6,633
9,023,280	322,669,724	1.89%	6,213
9,139,035	308,730,330	1.97%	6,040
9,519,989	335,630,407	2.03%	6,522
9,715,198	322,463,539	2.18%	6,096
9,346,115	307,749,594	2.44%	5,680
8,973,589	291,708,357	2.69%	5,219
4,020,439	269,677,986	N/A	4,710

Schedule 13
 District School Board of Osceola County
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2014
 Unaudited

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Osceola County			
Limited General Obligation Bonds	\$ 33,380,000	100.00%	\$ 33,380,000
Revenue Bonds	386,445,000	100.00%	386,445,000
Special Assessment Bonds	2,750,000	100.00%	<u>2,750,000</u>
Subtotal, overlapping debt			<u>422,575,000</u>
District direct debt			<u>269,677,986</u>
Total direct and overlapping debt			<u><u>\$ 692,252,986</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Osceola County. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt, of each overlapping government.

Source:

District records
 Osceola County Comprehensive Annual Financial Report, FYE 9/30/13

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Schedule 14
District School Board of Osceola County
Legal Debt Margin Information
Last Ten Fiscal Years (In thousands)
Unaudited

	Fiscal Year			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed value	\$ 12,045,361	\$ 13,592,210	\$ 16,141,696	\$ 21,802,469
Debt limit (10% of assessed value)	1,204,536	1,359,221	1,614,170	2,180,247
Debt applicable to limit:				
Bonds payable	<u>67,009</u>	<u>66,275</u>	<u>63,716</u>	<u>104,795</u>
Total net debt applicable to limit	<u>67,009</u>	<u>66,275</u>	<u>63,716</u>	<u>104,795</u>
Legal debt margin	<u>\$ 1,137,527</u>	<u>\$ 1,292,946</u>	<u>\$ 1,550,454</u>	<u>\$ 2,075,452</u>
Total net debt applicable to the limit as a percentage of debt limit	5.56%	4.88%	3.95%	4.81%

Note: This schedule was previously presented as a requirement of Rule 6A-1.037(2) State Board of Education, Florida Administration Code, which established a legal debt limit of 10 percent of the assessed valuation of the District. Rule 6A-1.037 was repealed in March 2006, however, management believes this information may still be of value to users.

2014 information not available.

Source:

District records
Osceola County Comprehensive Annual Financial Report, FYE 9/30/13

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	26,329,988	\$ 25,978,614	\$ 21,507,132	\$ 18,051,228	\$ 16,649,673	\$ 16,466,996
	2,632,999	2,597,861	2,150,713	1,805,123	1,664,967	1,646,700
	<u>100,476</u>	<u>95,972</u>	<u>91,284</u>	<u>86,957</u>	<u>82,639</u>	<u>77,371</u>
	<u>100,476</u>	<u>95,972</u>	<u>91,284</u>	<u>86,957</u>	<u>82,639</u>	<u>77,371</u>
\$	<u>2,532,523</u>	\$ <u>2,501,889</u>	\$ <u>2,059,429</u>	\$ <u>1,718,166</u>	\$ <u>1,582,328</u>	\$ <u>1,569,329</u>
	3.82%	3.69%	4.24%	4.82%	4.96%	4.70%

Schedule 15
District School Board of Osceola County
Pledged-Revenue Coverage
Last Ten Fiscal Years
Unaudited

Fiscal Year	Sales Tax Revenue Bonds				
	Local Sales Tax Revenue	Debt Service		Coverage	
		Principal	Interest		
2005	\$ 3,704,309	\$	\$	2,112,393	175.4%
2006	7,948,681			2,112,393	376.3%
2007	9,998,541	1,420,000		2,112,393	283.1%
2008	10,292,844	3,235,000		3,996,563	142.3%
2009	9,143,244	3,370,000		3,864,203	126.4%
2010	9,035,938	3,510,000		3,724,783	124.9%
2011	9,511,482	3,645,000		3,587,442	131.5%
2012	9,925,207	3,790,000		3,441,102	137.3%
2013	10,416,923	3,950,000		3,279,877	144.1%
2014	10,600,770	4,125,000		3,109,678	146.5%

Source: District records

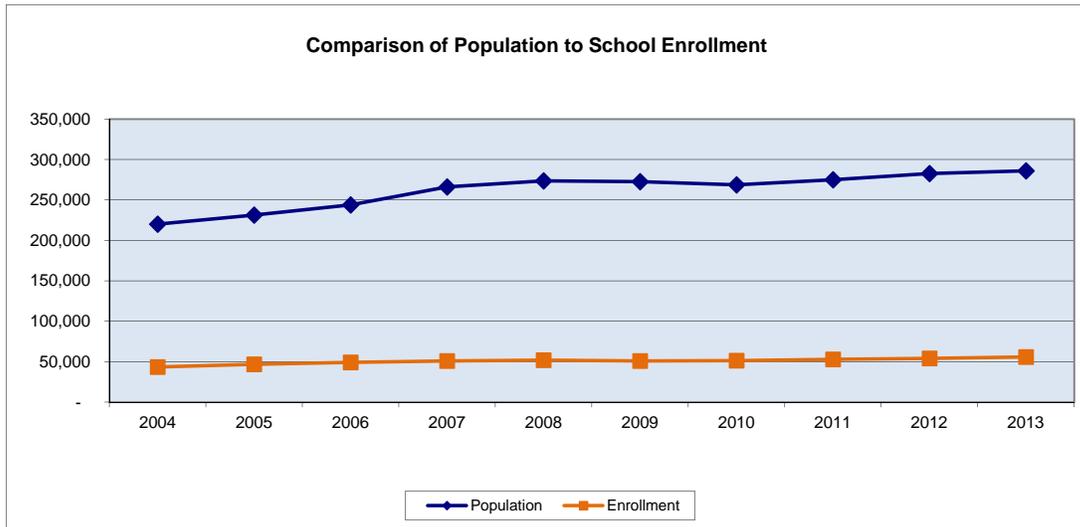
Schedule 16
 District School Board of Osceola County
 Demographic and Economic Statistics
 Last Ten Calendar Years
 Unaudited

Year	Population ⁽¹⁾	Personal Income ⁽²⁾ (in thousands)	Per Capita Personal Income ⁽²⁾	Median Age ⁽¹⁾	School Enrollment ⁽³⁾	Unemployment Rate ⁽²⁾
2004	220,217	\$ 4,175,478	\$ 20,325	34.4	43,652	4.5%
2005	231,482	4,611,683	21,025	34.3	46,891	3.8%
2006	244,045	5,195,652	22,514	34.5	49,214	3.1%
2007	266,123	5,708,018	23,359	34.9	51,060	4.3%
2008	273,709	6,087,831	23,797	34.4	51,934	6.4%
2009	272,788	6,086,173	22,311	34.6	51,118	11.3%
2010	268,685	6,814,171	25,180	35.6	51,458	12.4%
2011	275,010	7,022,084	26,033	35.5	52,900	11.6%
2012	282,676	7,503,530	27,171	36.0	54,197	9.4%
2013	286,001	7,851,188	27,316	35.9	55,892	7.2%

Note: Information not available for 2014

Sources:

- ⁽¹⁾ Metro Orlando Economic Development Commission
- ⁽²⁾ State of Florida Office of Economic and Demographic Research
- ⁽³⁾ District records



Schedule 17
District School Board of Osceola County
Osceola County Principal Employers
September 30, 2013 and Nine Years Earlier
Unaudited

Employer	September 30, 2013			September 30, 2004 ⁽⁴⁾		
	Employees	Rank	Percentage of Total Labor Force Employed	Employees	Rank	Percentage of Total Labor Force Employed
Total Labor Force Employed ⁽¹⁾	135,220			99,747		
Osceola School District ⁽²⁾	6,832	1	5.05%	5,246	1	5.26%
Walt Disney World (Osceola County only) ⁽³⁾	3,700	2	2.74%	1,450	4	1.45%
Wal-Mart Stores, Inc.	2,730	3	2.02%			
Osceola County Government	2,348	4	1.74%	1,500	3	1.50%
Florida Hospital Celebration/Kissimmee	1,750	5	1.29%	1,504	2	1.51%
Gaylord Palms Resort & Convention Center	1,445	6	1.07%			
Osceola Regional Medical Center	1,357	7	1.00%			
Publix Supermarkets	1,350	8	1.00%			
McLane/Suncoast Incorporated	900	9	0.67%			
Lowes Regional Distribution Center	607	10	0.45%			
Total principal employers	23,019		17.02%	9,700		9.72%

Note:

- ⁽¹⁾ Total Labor Force Employed for Osceola County as reported by the Metro Orlando Economic Development Commission.
- ⁽²⁾ School District employees are shown as of June 30, 2013 and 2004. (See Schedule 18)
- ⁽³⁾ Walt Disney World is a primary employer. Total employment in 2013 ranged between 54,000 and 60,000 employees. Number of employees from Osceola County is estimated.
- ⁽⁴⁾ Only the top four employers could be determined with available data.

Source:

Osceola County Comprehensive Annual Financial Report, FYE 9/30/13
Metro Orlando Economic Development Commission
District records

Schedule 18
District School Board of Osceola County
Full-time-Equivalent District Employees by Type
Last Ten Fiscal Years
Unaudited

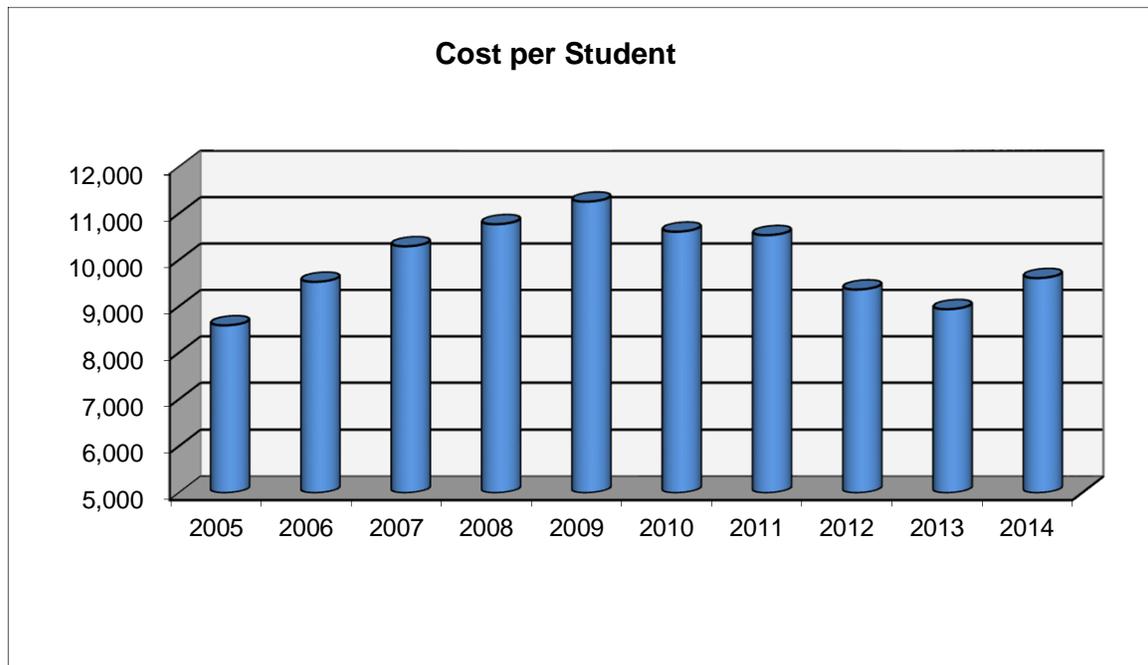
	Full-time-Equivalent Employees as of June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Supervisory										
Officials, Administrators and Managers	35	42	43	44	44	44	43	43	51	69
Consultants/Supervisors of Instruction	4	5	7	8	8	11	11	11	11	10
Principals	46	46	45	48	52	55	55	55	58	61
Assistant Principals	56	64	66	70	63	66	69	64	69	71
Deans/Curriculum Coordinators	5	2	4	7	2	5	6	9	9	8
Total supervisory	146	159	165	177	169	181	184	182	198	219
Instruction										
Classroom Teachers, Elementary (PK, K-5)	1,052	1,157	1,242	1,297	1,290	1,291	1,401	1,438	1,447	1,463
Classroom Teachers, Secondary (6-12)	1,063	1,138	1,210	1,336	1,279	1,245	1,307	1,359	1,405	1,417
Exceptional Education Teachers	377	399	424	421	407	410	411	395	402	437
Other Teachers	95	76	86	93	80	102	118	127	130	135
Total instruction	2,587	2,770	2,962	3,147	3,056	3,048	3,237	3,319	3,384	3,452
Student Services										
Guidance Counselors	96	95	93	97	90	92	99	98	100	100
Social Workers	10	11	13	14	14	12	9	9	11	10
School Psychologists	31	31	34	34	37	33	31	31	30	32
Librarians/Audio-Visual Workers	35	39	39	46	45	47	48	47	45	46
Other Professional Staff, Instructional	273	321	334	387	356	267	261	262	277	304
Other Professional Staff, Non-Instructional	189	190	196	210	224	199	190	186	183	183
Aides	735	805	779	775	696	575	666	694	728	786
Technicians	55	78	96	107	102	110	65	124	119	124
Total student services	1,424	1,570	1,584	1,670	1,564	1,335	1,369	1,451	1,493	1,585
Support and Administration										
Clerical/Secretarial	467	508	539	561	564	537	536	494	519	518
Service Workers	906	1,162	1,275	1,331	1,301	1,101	1,108	1,101	1,147	1,150
Skilled Crafts Workers	55	63	65	71	72	67	66	66	67	66
Unskilled Laborers	22	18	23	26	23	22	21	20	24	19
Total support and administration	1,450	1,751	1,902	1,989	1,960	1,727	1,731	1,681	1,757	1,753
Total	5,607	6,250	6,613	6,983	6,749	6,291	6,521	6,633	6,832	7,009

Source: Florida Department of Education,
Education Information and Accountability Services

Schedule 19
 District School Board of Osceola County
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Expenditures	Student Enrollment	Cost per Student	Number of Schools
2005	\$ 402,675,721	46,891	\$ 8,587	39
2006	468,804,774	49,214	9,526	39
2007	525,448,997	51,060	10,291	43
2008	559,183,622	51,934	10,767	43
2009	575,280,841	51,118	11,254	47
2010	545,771,425	51,458	10,606	46
2011	557,115,622	52,900	10,531	47
2012	507,240,605	54,197	9,359	47
2013	499,401,847	55,892	8,935	47
2014	549,979,876	57,252	9,606	47

Source: District records
 Florida Department of Education, Education Information and Accountability Services,
 PK - 12 Public School Data Publications and Reports, Students,
 Free/Reduced Price Lunch Eligibility



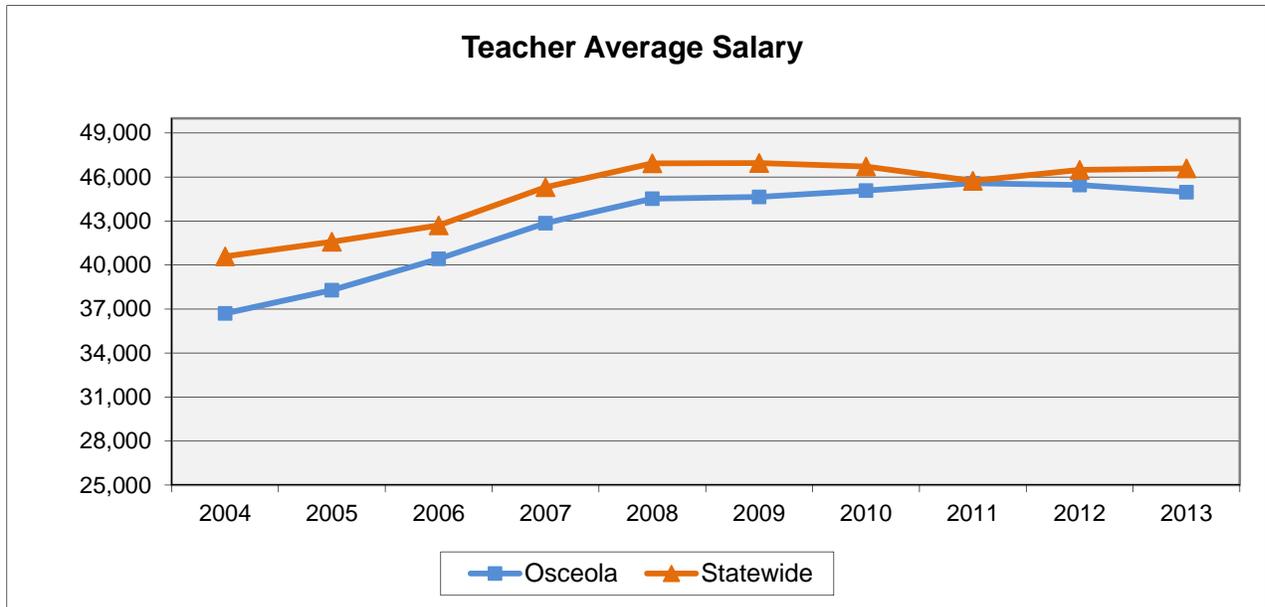
Number of Classroom Teachers	Pupil/Teacher Ratio	Percentage of Students Receiving Free/Reduced Meals	
		Osceola	Statewide
2,587	18.1	55.1%	46.0%
2,770	17.8	55.7%	45.8%
2,962	17.2	57.2%	45.4%
3,147	16.5	58.7%	45.8%
3,056	16.7	62.7%	49.6%
3,048	16.9	67.4%	53.5%
3,237	16.3	68.4%	56.0%
3,319	16.3	70.7%	57.6%
3,384	16.5	71.7%	58.6%
3,452	16.6	64.1%	54.2%

Schedule 20
 District School Board of Osceola County
 Teacher Salaries
 Last Ten Fiscal Years
 Unaudited

Fiscal Year	Minimum Salary ⁽¹⁾	Maximum Salary ⁽¹⁾	Osceola Average Salary ⁽²⁾	Statewide Average Salary ⁽²⁾
2004	\$ 30,600	\$ 53,575	\$ 36,702	\$ 40,587
2005	31,600	55,350	38,292	41,581
2006	33,400	58,850	40,418	42,705
2007	36,000	61,275	42,851	45,307
2008	37,500	65,685	44,519	46,930
2009	37,500	65,685	44,639	46,950
2010	37,650	66,185	45,070	46,708
2011	37,800	66,485	45,574	45,732
2012	38,036	66,485	45,457	46,479
2013	38,036	66,485	44,965	46,583

Source:

- ⁽¹⁾ District records
- ⁽²⁾ Florida Department of Education
 Education Information and Accountability Services



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Schedule 21
District School Board of Osceola County
School Building Information & Unweighted Full-Time Equivalent Enrollment Data
Last Ten Fiscal Years
Unaudited

	Current		Unweighted Full-Time Equivalent Enrollment Data		
	Square Footage	Student Capacity	2013-14	2012-13	2011-12
Elementary Schools (Placed in Service)					
Boggy Creek (1982)	103,810	896	746	720	718
Central Avenue (1934)	132,498	1,034	736	711	686
Chestnut (2005)	125,008	1,044	697	671	683
Cypress (1991)	109,578	800	718	755	727
Deerwood (1990)	130,077	990	651	676	698
East Lake (2010)	116,807	1,092	920	867	859
Flora Ridge (2007)	122,977	1,062	949	1,122	1,071
Hickory Tree (1983)	131,734	954	653	620	604
Highlands (1959)	133,987	1,009	916	963	905
Kissimmee (2000)	130,749	1,118	1,036	843	835
Koa (2009)	108,348	898	783	816	863
Lakeview (1985)	113,017	808	656	645	637
Michigan Avenue (1971)	96,385	738	634	618	608
Mill Creek (1986)	141,177	1,120	868	786	867
Narcoossee (2009)	113,913	920	717	748	734
Neptune (2007)	119,701	1,066	907	886	882
Partin Settlement (2002)	127,416	895	854	790	818
Pleasant Hill (1986)	140,278	1,056	891	880	936
Poinciana Academy of Fine Arts (2001)	142,990	890	749	714	707
Reedy Creek (1980)	104,872	973	909	730	763
Saint Cloud (2005)	125,891	1,098	971	924	921
Sunrise (2005)	121,880	1,066	928	814	817
Thacker Avenue (1963)	145,787	928	850	791	729
Ventura (1987)	135,995	1,084	919	967	917
Total Elementary Schools			19,658	19,057	18,985
Middle Schools (Placed in Service)					
Denn John (1973)	132,401	1,431	1,140	1,169	1,181
Discovery (2000)	278,322	1,638	1,193	1,219	1,291
Horizon (1993)	175,626	1,433	1,213	1,158	1,199
Kissimmee (1995)	179,572	1,579	1,300	1,307	1,215
Narcoossee (2000)	186,927	1,565	1,092	1,069	1,041
Neptune (1987)	186,051	1,660	1,369	1,385	1,399
Parkway (1986)	154,416	1,290	1,018	1,011	929
Saint Cloud (1974)	137,084	1,593	1,139	1,180	1,230
Total Middle Schools			9,464	9,498	9,485
High Schools (Placed in Service)					
Celebration (2001)	344,743	2,735	2,005	1,995	1,864
Gateway (1981)	292,871	2,832	2,421	2,317	2,241
Harmony (2004)	303,576	2,067	1,782	1,806	1,858
Liberty (2007)	303,370	2,331	1,873	1,898	2,052
Osceola (1962)	318,648	2,801	2,477	2,285	2,080
PATHS Technical Education Center (1990)	167,139	1,585	641	681	694
Poinciana (1991)	308,052	1,870	1,416	1,447	1,348
Saint Cloud (1962)	272,021	2,281	2,073	2,057	1,886
Total High Schools			14,688	14,486	14,023
Multilevel Schools (Placed in Service)					
Celebration (1995)	218,871	1,682	1,280	1,282	1,319
Harmony (2007)	106,691	915	855	799	800
New Beginnings Educational Complex (2009)	75,372	816	229	269	296
Osceola County School for the Arts (2002)	177,693	1,068	859	852	828
Westside K-8 (2009)	189,495	1,697	1,351	1,523	1,359
Total Multilevel Schools			4,574	4,725	4,602
Total K-12 Schools			48,384	47,766	47,095

Note: The District's two adult schools, Technical Education Center Osceola (TECO) and Adult Learning Center Osceola (ALCO), are not included on this report.

Source:
Florida Department of Education, Educational Facilities Summary Report
District records

2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
702	698	711	740	825	858	779
608	610	661	716	850	850	832
664	680	982	1,084	1,117	1,037	
728	797	789	815	930	982	939
636	685	976	1,079	1,074	1,049	1,507
764						
994	967	950	750			
607	514	563	899	909	744	738
755	735	767	794	779	853	876
801	725	726	744	1,063	1,157	1,259
860	881					
636	685	717	725	1,016	928	790
635	700	688	950	992	997	849
908	978	997	1,045	952	952	892
620	1,129	1,127				
828	737	660	707			
782	857	971	963	1,024	957	961
935	951	1,039	991	991	970	924
704	615	916	1,017	1,112	1,153	1,517
813	784	1,150	1,138	989	901	1,331
901	836	832	989	984	797	
827	799	895	896	990	737	
777	685	589	642	695	718	632
897	977	1,004	1,120	1,128	1,106	1,114
<u>18,382</u>	<u>18,025</u>	<u>18,710</u>	<u>18,804</u>	<u>18,420</u>	<u>17,746</u>	<u>15,939</u>
1,156	1,148	1,132	1,083	1,157	1,236	1,347
1,376	1,398	1,471	1,596	1,619	1,593	1,504
1,209	1,163	1,472	1,553	1,609	1,423	1,353
1,182	1,119	1,151	1,106	1,030	1,112	1,206
892	666	663	1,738	1,579	1,362	1,232
1,281	1,423	1,449	1,473	1,509	1,432	1,676
871	897	889	886	1,023	1,029	1,114
1,349	1,204	1,200	1,216	1,311	1,200	884
<u>9,316</u>	<u>9,018</u>	<u>9,427</u>	<u>10,651</u>	<u>10,837</u>	<u>10,387</u>	<u>10,317</u>
1,860	1,694	1,654	1,704	1,847	1,738	1,731
2,287	2,324	2,377	2,333	2,269	2,354	2,580
1,832	1,880	1,859	1,891	1,696	1,481	1,306
2,146	2,062	1,974	2,020			
1,963	1,945	2,147	2,359	2,433	2,374	2,443
681	684	691	696	660	685	599
1,230	1,203	1,366	2,785	2,785	2,568	2,454
1,747	1,683	1,753	1,741	1,674	1,595	1,644
<u>13,746</u>	<u>13,475</u>	<u>13,821</u>	<u>15,529</u>	<u>13,364</u>	<u>12,795</u>	<u>12,757</u>
1,172	1,197	1,284	1,338	1,248	1,176	1,270
921	930	747				
268	288	334				
740	736	498	678	750	659	599
1,481	1,206					
<u>4,582</u>	<u>4,357</u>	<u>2,863</u>	<u>2,016</u>	<u>1,998</u>	<u>1,835</u>	<u>1,869</u>
<u>46,026</u>	<u>44,875</u>	<u>44,821</u>	<u>47,000</u>	<u>44,619</u>	<u>42,763</u>	<u>40,882</u>

SINGLE AUDIT SECTION



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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10,553	321	\$ 5,279,361	\$
National School Lunch Program	10,555 ⁽²⁾	300	19,456,431	
Summer Food Service Program for Children	10,555 ⁽²⁾	323	806,949	
Total United States Department of Agriculture			25,542,741	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84,063	N/A	1,183,695	
Fund for the Improvement of Education	84,215	N/A	93,676	
Total Direct			1,277,371	
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84,010	212,222,223,226,228	12,580,880	613,547
Total Title I, Part A Cluster			12,580,880	613,547
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84,027	263	10,069,900	
Special Education - Preschool Grants	84,173	267	177,921	
Total Special Education Cluster			10,247,821	
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84,377	126	31,562	
ARRA - School Improvement Grants, Recovery Act	84,388	126	73,970	
Total School Improvement Grant Cluster			105,532	
Florida Department of Education:				
Adult Education - Basic Grants to States	84,002	191, 193	637,035	
Migrant Education - State Grant Program	84,011	217	98,484	
Title I Program for Neglected and Delinquent Children	84,013	214	154,623	
Career and Technical Education - Basic Grants to States	84,048	161	558,329	1,919
Education for Homeless Children and Youth	84,196	127	122,024	
Charter Schools	84,282	298	405,473	405,473
Twenty-First Century Community Learning Centers	84,287	244	1,785,469	
English Language Acquisition Grants	84,365	102	1,317,753	24,724
Improving Teacher Quality State Grants	84,367	224	1,052,208	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84,395	RL1, RD2, RG3, RG4, RS6	4,077,640	81,220
Total Indirect			33,143,271	1,126,883
Total United States Department of Education			34,420,642	1,126,883
United States Department of Health and Human Services:				
Indirect:				
Early Learning Coalition of Osceola County:				
Child Care and Development Block Grant	93,575	None	99,441	
Total United States Department of Health and Human Services			99,441	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	198,764	
Navy Junior Reserve Officers Training Corps	None	N/A	52,422	
Air Force Junior Reserve Officers Training Corps	None	N/A	127,078	
Marine Junior Reserve Officers Training Corps	None	N/A	62,050	
Total United States Department of Defense			440,314	
Total Expenditures of Federal Awards			\$ 60,503,138	1,126,883

Notes: (1) Basis of Presentation The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2013-14 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.
National School Lunch Program. Includes \$ 1,651,713 of donated food used during the 2013-14 fiscal year.
Donated foods are valued at fair value as determined at the time of donation.

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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

Chairman and Members of
The District School Board of Osceola County, Florida

We have audited, in accordance with the 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 District School Board of Osceola County, Florida (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 and have issued our report thereon dated February 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the agency funds and aggregate discretely presented component units, as described in our report on the District'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 over financial reporting 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.

Chairman and Members of
The District School Board of Osceola County, Florida

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, 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*.

Pursuant to provisions of Chapter 10.800, *Rules of the Auditor General*, we reported certain matters to management of the District in a separate management letter and Independent Accountant's Report dated February 23, 2015.

Purpose of this Report

The purpose of this report 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A."

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Chairman and Members of
The District School Board of Osceola County, Florida

Report on Compliance for Each Major Federal Program

We have audited the compliance of the District School Board of Osceola County, Florida (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget ("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 year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management 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 year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the District 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the basic financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of 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. We issued our report thereon dated February 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Chairman and Members of
The District School Board of Osceola County, Florida

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 (Cont.)

The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Moore Stephens Lovelace, P.A.".

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

For The Year Ended June 30, 2014

Section II - Findings Related to the Financial Statement Audit, as required to be reported in accordance with *Government Auditing Standards*.

No matters are reported.

Section III - Federal Award Findings and Questioned Costs Section reported in accordance with OMB Circular A-133.

No matters are reported.

DISTRICT SCHOOL BOARD OF OSCEOLA COUNTY, FLORIDA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For The Year Ended June 30, 2014

FEDERAL AUDIT FINDINGS

Federal Awards Finding No. 1 and No. 2 reported in the prior year have been addressed or are no longer relevant.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Chairman and Members of
The District School Board of Osceola County, Florida

Report on Financial Statements

We have audited the financial statements of the District School Board of Osceola County, Florida (the "District") as of and for the year ended June 30, 2014, and have issued our report thereon dated February 23, 2015.

Auditor's Responsibility

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; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance and Report on the Expenditure of Federal Awards Required by OMB Circular A-133, Schedule of Findings and Questioned Costs; and our Independent Accountant's Report in accordance with the provisions of Chapter 10.800, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated February 23, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General* requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. In conjunction with our audit, the District took corrective action on all findings identified in the preceding annual financial report and on all findings identified in the second preceding annual financial report.

Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General* requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met. In conjunction with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Chairman and Members of
The District School Board of Osceola County, Florida

Financial Condition (Cont.)

Pursuant to Sections 10.804(1)(f)5a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by the same. The assessment was prepared as of fiscal year end.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires the auditor to state whether or not the District complied with transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain-language version of each proposed, tentative and official budget that describes each budget line item in terms that are easily understandable to the public). In conjunction with our audit, we determined that the District complied with transparency requirements.

Other Matters

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In conjunction with our audit, we had the following recommendation:

MLO 2014-001 RECONCILIATION OF CERTAIN GENERAL LEDGER ACCOUNTS

Condition

During our audit, we noted several variances between our calculations and the amounts reported on the District's balance sheet and statement of net position. None of these variances were deemed significant. Upon identification, management made corrections for these variances so that as of June 30, 2014, the changes would be reflected in the District's financial statements.

Criteria

The District's financial reporting process should include a careful review of year-end reconciliations to ensure that any variances identified are corrected.

Cause

The condition appears to primarily be the result of turnover in the District's Finance Department personnel.

Effect

While not significant to the financial statements, unadjusted variances can cause confusion when comparing amounts reported in the financial statements to the supporting documentation.

Recommendation

We recommend that management review its year-end reconciliation procedures for balance sheet accounts to ensure that any variances identified through the reconciliations are corrected. In addition, we recommend that management ensure that its new accounting personnel are properly trained and aware of their responsibilities regarding year-end procedures.

Chairman and Members of
The District School Board of Osceola County, Florida

MLO 2014-001 RECONCILIATION OF CERTAIN GENERAL LEDGER ACCOUNTS (Cont.)

Management Response

Management recognizes there were variances identified through the auditor's reconciliation process. These were the result of staff members posting adjusting entries to the general ledger after the trial balance was provided to the audit staff. The District's staff has acclimated to their new role and understands the importance of timely posting adjusting entries to avoid confusion when preparing financial statements. The prescribed deadlines in the District's closing process will be reiterated with staff to avoid such confusion.

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In conjunction with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the District School Board members, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 23, 2015

APPENDIX B

Four Corners Charter School, Inc. 2014 Audited Financial Statements

**FOUR CORNERS
CHARTER SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund information of Four Corners Charter School, Inc. (the "Corporation") and a component unit of the School Board of Osceola County, Florida as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 governmental activities and each major fund of the Corporation, as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 supplemental 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 the 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 Corporation's internal control over financial reporting and compliance.

September 24, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Four Corners Charter School, Inc. (the "Corporation") a component unit of the School Board of Osceola County, Florida, we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended June 30, 2014 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the Corporation's financial activities, (c) identify changes in the Corporation's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements found starting on page 8.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$3,698,680.
- The Corporation's total net position increased by \$8,383.
- As of the close of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances \$1,979,522.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$740,385.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation'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 future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, general administration, and facilities are examples of the Corporation's governmental activities.

The government-wide financial statements include only the Corporation itself, which is a component unit of the School District of Osceola County, Florida. The School District of Osceola County, Florida includes the operations of the Corporation in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a collection of related accounts grouped together to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the Corporation are presented in governmental funds only.

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 in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains two individual government funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

The Corporation adopts an annual appropriated budget for its entire operations. Budgetary comparison schedules and notes to these schedules have been provided to demonstrate compliance with this budget and can be found on pages 26 through 28 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by \$3,698,680 at the close of the most recent fiscal year.

The largest portion of the Corporation's net position is the unrestricted portion. Another portion of the Corporation's net position reflects its investment in capital assets (e.g., leasehold improvements; furniture, fixtures and equipment; improvements other than buildings; and IT equipment). The Corporation uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The investment in capital assets totaled \$1,719,158 at June 30, 2014.

Comparison of the condensed statement of net position and the statement of activities are provided below:

Four Corners Charter School, Inc. Statement of Net Position

	Governmental Activities		
	2014	2013	Variance
ASSETS			
Current assets	\$2,474,165	\$3,460,113	\$ (985,948)
Capital assets, net of accumulated depreciation	1,719,158	1,938,523	(219,365)
Total assets	4,193,323	5,398,636	(1,205,313)
LIABILITIES			
Current liabilities	494,643	1,708,339	(1,213,696)
Total liabilities	494,643	1,708,339	(1,213,696)
NET POSITION			
Net investment in capital assets	1,719,158	1,938,523	(219,365)
Unrestricted	1,979,522	1,751,774	227,748
Total net position	\$3,698,680	\$3,690,297	\$ 8,383

Current assets and liabilities decreased from prior year due to the timing of the facility lease payments and management fees made subsequent to year end. Capital assets decreased from prior year due to current year depreciation expense.

Four Corners Charter School, Inc.
Statement of Activities

	Governmental Activities		
	2014	2013	Variance
Revenues:			
Program revenues:			
Operating grants and contributions	\$ 461,745	\$ 363,689	\$ 98,056
General revenues:			
State passed through local school district	6,370,880	6,094,471	276,409
Other revenues	7,556	-	7,556
Interest income	652	573	79
Total revenues	<u>6,840,833</u>	<u>6,458,733</u>	<u>382,100</u>
Expenses:			
Basic instruction	4,769,021	4,521,713	247,308
Board of directors	6,800	-	6,800
General administration	714,983	677,165	37,818
Facilities	1,341,646	1,336,686	4,960
Total expenses	<u>6,832,450</u>	<u>6,535,564</u>	<u>296,886</u>
Change in net position	8,383	(76,831)	85,214
Net position - beginning	<u>3,690,297</u>	<u>3,767,128</u>	<u>(76,831)</u>
Net position - ending	<u>\$ 3,698,680</u>	<u>\$ 3,690,297</u>	<u>\$ 8,383</u>

State passed through local school district revenues and basic instruction expenses both increased due to an overall increase in funding from the state of Florida. Operating grants and contributions increased due to an increase in capital outlay funding. General administration expenditure increased due to higher administration fees being calculated based on increased funding.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of \$1,979,522.

The general fund is the main operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$740,385.

The fund balance of the Corporation's general fund increased by \$227,748 during the current fiscal year.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted revenues by \$29,869 because there was an increase in enrollment that led to an unanticipated increase in earned revenues. Budgeted general fund expenditures exceeded actual expenditures by \$287,592 because expenditures related to the facilities and general administration were less than projected. As a result, the budgeted increase in fund balance exceeded the actual increase in fund balance by \$317,461. The budgetary information can be found on pages 26 through 28 of this report.

Capital Asset and Debt Administration

Capital Assets. The Corporation's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$1,719,158 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment, improvements other than buildings, leasehold improvements, and IT equipment.

Economic Factors. A majority of the Corporation's funding is determined by the number of enrolled students. The Corporation is forecasting enrollment to remain at capacity at approximately 1,050 students for the 2014-15 school year.

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those with an interest in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Migdalia Gonzalez Mercado, Director of Finance at the School District of Osceola County, Florida, 817 Bill Beck Boulevard, Kissimmee, Florida, 34744-4495.

Four Corners Charter School, Inc.

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 2,471,872
Accounts receivable	2,293
Total current assets	<u>2,474,165</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Furniture, fixtures and equipment	45,542
Improvements other than buildings	4,235
Leasehold improvements	1,579,747
IT equipment	89,634
Total capital assets	<u>1,719,158</u>
Total assets	<u>4,193,323</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to management company	494,643
Total liabilities	<u>494,643</u>
NET POSITION	
Investment in capital assets	1,719,158
Unrestricted	1,979,522
Total net position	<u>\$ 3,698,680</u>

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

Four Corners Charter School, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 4,769,021	\$ -	\$ -	\$ -	\$ (4,769,021)
Board of directors	6,800	-	-	-	(6,800)
General administration	714,983	-	-	-	(714,983)
Facilities	1,341,646	-	461,745	-	(879,901)
Total governmental activities	<u>\$ 6,832,450</u>	<u>\$ -</u>	<u>\$ 461,745</u>	<u>\$ -</u>	<u>(6,370,705)</u>
General revenues:					
					6,370,880
					7,556
					652
					<u>6,379,088</u>
					8,383
					<u>3,690,297</u>
					<u>\$ 3,698,680</u>

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

Four Corners Charter School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS			
Cash	\$ 2,471,872	\$ -	\$ 2,471,872
Accounts receivable	2,293	-	2,293
Total assets	\$ 2,474,165	\$ -	\$ 2,474,165
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to management company	\$ 494,643	\$ -	\$ 494,643
Total liabilities	494,643	-	494,643
FUND BALANCES			
Assigned	1,239,137	-	1,239,137
Unassigned	740,385	-	740,385
Total fund balances	1,979,522	-	1,979,522
Total liabilities and fund balances	\$ 2,474,165	\$ -	\$ 2,474,165

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

Four Corners Charter School, Inc.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Fund balances - total governmental funds \$ 1,979,522

The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Furniture, fixtures and equipment, net	\$ 45,542	
Improvements other than buildings, net	4,235	
Leasehold improvements, net	1,579,747	
IT equipment, net	<u>89,634</u>	
Total capital assets		<u>1,719,158</u>
Total net position of governmental activities		<u>\$ 3,698,680</u>

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

Four Corners Charter School, Inc.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the year ended June 30, 2014

	General Fund	Capital Outlay Fund	Total Governmental Funds
Revenues			
State passed through local school district	\$ 6,370,880	\$ 461,745	\$ 6,832,625
Other revenues	8,208	-	8,208
Total revenues	<u>6,379,088</u>	<u>461,745</u>	<u>6,840,833</u>
Expenditures			
Current:			
Basic instruction	4,651,947	-	4,651,947
Board of directors	6,800	-	6,800
General administration	714,983	-	714,983
Facilities	1,120,293	-	1,120,293
Fixed capital outlay	119,062	-	119,062
Total expenditures	<u>6,613,085</u>	<u>-</u>	<u>6,613,085</u>
Excess (deficiency) of revenues over (under) expenditures	(233,997)	461,745	227,748
Other financing sources and (uses)			
Transfers in	461,745	-	461,745
Transfers out	-	(461,745)	(461,745)
Total other financing sources (uses)	<u>461,745</u>	<u>(461,745)</u>	<u>-</u>
Net change in fund balances	227,748	-	227,748
Fund balances at July 1, 2013	<u>1,751,774</u>	<u>-</u>	<u>1,751,774</u>
Fund balances at June 30, 2014	<u>\$ 1,979,522</u>	<u>\$ -</u>	<u>\$ 1,979,522</u>

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

Four Corners Charter School, Inc.

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Net change in fund balances - total government funds		\$	227,748
The change in net position reported for governmental activities in the statement of activities is different because:			
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Total fixed capital outlay	\$	119,062	
Less: depreciation		<u>(338,427)</u>	<u>(219,365)</u>
Change in net position of governmental activities		\$	<u>8,383</u>

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

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Four Corners Charter School, Inc. (the "Corporation"), which is a component unit of the School District of Osceola County, Florida is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the Corporation is the Board of Directors, which is comprised of five members.

The Corporation was formed to operate Four Corners Charter School (the "School") in Osceola County, Florida. The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under charter of the sponsoring school district, the School District of Osceola County, Florida (the "District"). The current charter is effective until June 30, 2014. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the Corporation in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the Corporation with public funds and any unencumbered public funds revert back to the District. The Corporation is considered a component unit of the School District of Osceola County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the Corporation. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Corporation does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, restricted net assets, and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the Corporation has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the Corporation's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. The Corporation reports the general fund and capital outlay fund as its major funds. Reconciliations are provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditure only when payment is due.

The Corporation's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The Corporation reports the following major governmental funds:

General Fund - is the general operating fund of the Corporation and is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with the guidelines established by the District, this fund accounts for all resources for the leasing and acquisition of capital facilities by the Corporation to the extent funded by capital outlay funds.

The Corporation has contracted operations of the School to a commercial management company. The management company accounts for certain school level assets, liabilities, revenues and expenses that are not a part of the Corporation. These items, including the functional classification of expenses, are not reported in the Corporation's financial statements.

4. Cash

The Corporation's cash consists of a checking account held at a financial institution. Deposits are held and maintained by the District. The Corporation does not have any cash equivalents.

5. Interfund receivables, payables and transfers

Interfund receivables and payables represent activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are referred to as either due to/from other funds. The capital outlay fund transferred \$461,745 to the general fund for payment of rent expense related to the facilities sub-lease (see Note E-2).

6. Capital assets

Capital assets are reported in the governmental columns on the government-wide financial statements. Capital assets are defined by the Corporation as assets with an initial individual cost of more than \$750 or a total invoice cost of greater than \$5,000 and an estimated useful life of greater than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital assets (continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture, fixtures and equipment	5 - 7
Improvements other than buildings	7 - 10
IT equipment	3
Computer equipment	3
Audio visual equipment	5 - 7

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the Corporation's charter agreement with the District. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the schools is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the schools during the designated FTE student survey periods.

The Corporation receives federal awards for the enhancement of various educational programs. The assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

8. Expenses

A commercial management company operates the School pursuant to a long-term contract with the Corporation. The management company is responsible for payment of virtually all operating expenses. Actual expenses paid by the management company may differ significantly from amounts paid and expensed by the Corporation. For this reason, functional detail of the Corporation's expenditures is not available and has not been presented in the financial statements.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Income taxes

The Corporation is a component unit of the School Board of Osceola County, Florida and therefore as a government is not required to file an income tax return.

10. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

11. Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Corporation is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expense) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Corporation itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Corporation takes the same highest level action to remove or change the constraint.

For the year ended June 30, 2014, the breakout of the fund balance is shown below:

	<u>General Fund</u>
Assigned	
Facilities and maintenance	\$ 150,000
Facilities use fee	1,089,137
Unassigned	<u>740,385</u>
	<u>\$ 1,979,522</u>

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classification (continued)

Assigned fund balance - amounts the Corporation intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. The amount assigned by the Board of Directors is made up of the facility use fee \$1,089,137, as well as \$150,000 set aside each year to facilities and maintenance.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are only reported in the general fund.

The Corporation would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the Corporation's deposits may not be returned to it. The Corporation does not have a formal policy regarding custodial credit risk. The bank balance of the Corporation's deposits was \$3,944,999.56 at June 30, 2014. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Corporation pursuant to section 280.08, Florida Statutes.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets depreciated:				
Furniture, fixtures and equipment	\$1,057,305	\$ 2,825	\$ -	\$ 1,060,130
Improvements other than buildings	34,167	-	-	34,167
Leasehold improvements	2,193,298	-	-	2,193,298
IT equipment	477,750	116,237	-	593,987
Computer equipment	77,232	-	-	77,232
Audio visual equipment	1,555	-	-	1,555
Total assets depreciated	3,841,307	\$ 119,062	\$ -	3,960,369
Less accumulated depreciation:				
Furniture, fixtures and equipment	993,001	\$ 21,587	\$ -	1,014,588
Improvements other than buildings	27,909	2,023	-	29,932
Leasehold improvements	394,221	219,330	-	613,551
IT equipment	408,866	95,487	-	504,353
Computer equipment	77,232	-	-	77,232
Audio visual equipment	1,555	-	-	1,555
Total accumulated depreciation	1,902,784	\$ 338,427	\$ -	2,241,211
Total governmental activities capital assets, net	\$1,938,523			\$ 1,719,158

Depreciation expense for the year ended June 30, 2014 was charged to functions of the Corporation as follows:

Basic instruction	\$ 117,074
Facilities	221,353
	\$ 338,427

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-7, the Corporation receives revenues for current operations primarily from the State of Florida passed through the District. The following is a schedule of revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
School Board of Osceola County, Florida:	
Base funding	\$ 4,181,124
Class size reduction	1,219,918
Discretionary local effort	239,915
Supplemental academic instruction	231,915
Discretionary millage compression allocation	161,315
Instructional materials	86,353
Exceptional student education guaranteed allocation	39,058
Safe schools	19,576
Discretionary lottery	10,227
Additional allocation	3,713
Teacher Salary Allocation	181,684
Proration to funds available	<u>(19,580)</u>
Subtotal	6,355,218
Capital outlay funds	461,745
Florida teacher lead program	<u>15,662</u>
Total School Board of Osceola County, Florida	6,832,625
Other revenues	7,556
Interest income	<u>652</u>
Total revenues	<u><u>\$ 6,840,833</u></u>

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

On September 16, 2010, the Corporation entered into a new management agreement. The agreement is for a term of four years commencing on July 1, 2011. The contract terminates the earlier of June 30, 2015 or the termination date of the charter if the District chooses to early terminate or not to renew when expired.

The management company will manage and operate the School during the term of the agreement and is guaranteed a fee of \$370,000 plus contingent incentive fees. The incentive fees are calculated as the difference between the guaranteed fee and 12% of FEFP operational revenues, and subject to performance requirements as detailed in the management agreement. Current year management fees charged to operations totaled \$714,983.

2. Facilities sub-lease

The real property, buildings, and other assets, which comprise the Corporation's facilities, are owned by the District. Construction of the buildings was financed by the issuance of \$8,315,000 principal amount of Certificates of Participation, Series 2000A and \$6,385,000 principal amount of Certificates of Participation, Series 2000B (the "Certificates"), which are obligations of the District.

On April 19, 2005, the District issued \$12,095,000 principal amount of Certificates of Participation, Series 2005. The proceeds were used to refund a portion of the outstanding Series 2000 Certificates maturing on and after August 1, 2011 (the "Refunded Certificates") and, therefore, refinanced a portion of the cost of the acquisition, construction and equipping of the Series 2000 Facilities and reduced the corresponding basic lease payments due under the lease.

The Corporation is entitled to use the facilities under a sub-lease agreement with the District that requires annual payments in amounts equal to the annual debt service payments on the Certificates. Such annual payments range from \$648,896 to \$1,118,156 for the Corporation. At the end of the term of the charter including renewals, if any, possession of the facilities will revert to the District which will be liable for all future payments.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

2. Facilities sub-lease (continued)

Current year facilities lease expense charged to operations totaled \$1,120,293. This amount is included in the "Facilities" functional expense category on the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances. A portion of the facility use fee in the amount of \$461,745 was reimbursed through capital outlay funds.

Current aggregate remaining rental commitments, including all extensions, under this sub-lease agreement are summarized as follows at June 30:

2015	\$ 1,112,756
2016	1,113,556
2017	1,118,156
2018	1,110,363
2019	1,110,513
2020-2024	<u>5,565,819</u>
	<u>\$ 11,131,163</u>

NOTE F - RISK MANAGEMENT

The Corporation and School are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the liability is \$25,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage during the previous three years.

NOTE G - RELATED PARTIES

1. Due to management company

The Corporation has entered into an agreement with a management company for professional services to manage and operate the School (See Note E-1). All monies received by revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for management fees. As of June 30, 2014, the Corporation has an outstanding payable due to the management company in the amount \$494,643.

Four Corners Charter School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G - RELATED PARTIES (continued)

2. Due to school district

All monies received by revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for lease payments to the District (see Note E-2). At June 30, 2014, the balance sheet reflects no payable due to the school district.

3. Due to Four Corners Charter School

All monies received by revenue, grants and revenue allocations are initially deposited with the Corporation. The Corporation retains funds in order to pay for facility maintenance. At June 30, 2014, the balance sheet reflects a payable due to Four Corners Charter School in the amount of \$0.

NOTE H - SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through September 24, 2014 the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Four Corners Charter School, Inc.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the year ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district	\$ 6,326,597	\$ 6,341,010	\$ 6,370,880	\$ 29,870
Other revenues	900	8,209	8,208	(1)
Total revenues	<u>6,327,497</u>	<u>6,349,219</u>	<u>6,379,088</u>	<u>29,869</u>
Expenditures				
Current:				
Basic instruction	4,620,806	4,651,947	4,651,947	-
Board of directors	8,550	6,800	6,800	-
General administration	785,525	788,912	714,983	73,929
Facilities	1,133,956	1,333,956	1,120,293	213,663
Fixed capital outlay	-	119,062	119,062	-
Total expenditures	<u>6,548,837</u>	<u>6,900,677</u>	<u>6,613,085</u>	<u>287,592</u>
Deficiency of revenues under expenditures	(221,340)	(551,458)	(233,997)	317,461
Other financing sources				
Transfers in	363,689	461,745	461,745	-
Net change in fund balance	142,349	(89,713)	227,748	317,461
Fund balance at July 1, 2013	1,751,774	1,751,774	1,751,774	-
Fund balance at June 30, 2014	<u>\$ 1,894,123</u>	<u>\$ 1,662,061</u>	<u>\$ 1,979,522</u>	<u>\$ 317,461</u>

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

Four Corners Charter School, Inc.

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL OUTLAY**

For the year ended June 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State passed through local school district	\$ 363,689	\$ 461,745	\$ 461,745	\$ -
Other financing uses				
Transfers out	<u>(363,689)</u>	<u>(461,745)</u>	<u>(461,745)</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at June 30, 2014	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Four Corners Charter School, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2014

NOTE A - BUDGETARY BASIS OF ACCOUNTING

1. Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2014, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

Although budgets are adopted for the entire operation, budgetary comparisons have been presented for the general fund and each major fund for which a legally adopted budget exists.

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

Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

We have audited, in accordance with the 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, and each major fund information of Four Corners Charter School, Inc. (the "Corporation") and a component unit of the School Board of Osceola County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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*.

Purpose of this Report

The purpose of this report 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 24, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Board of Directors
Four Corners Charter School, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Four Corners Charter School, Inc. (the "Corporation"); a component unit of the School Board of Osceola County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 24, 2014.

Auditor's Responsibility

We conducted our audit 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.

Other Reporting Required by *Government Auditing Standards*

We have issued our 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*. Disclosures in that report, which is dated September 24, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Financial Condition

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the Corporation has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Corporation did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the Corporation. It is management's responsibility to monitor the Corporation's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the Corporation maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Corporation maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the Corporation is Four Corners Charter School, Inc., which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Corporation's management, Board of Directors, others within the Corporation, the School Board of Osceola County, Florida, the State of Florida Office of the Auditor General, Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 24, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Prior Year Findings, Recommendations and Other Matters

13-01 Amend Annual Operating Budget

Criteria: Section 1002.33(9)j of the Florida Statutes requires that the governing body of the charter school adopt an annual budget. This budget should be amended if management believes expenditures will exceed actual appropriations.

Condition: During the current year, actual expenditures exceeded final budgeted appropriations of the general fund by \$88,525.

Effect: The School's actual expenditures exceeded budgeted appropriations.

Auditors' recommendation: It is our recommendation that the School amend their budget to ensure that all of the School's expenditures do not exceed the budget. These expenditures should include all estimated accruals, contributed services and assets.

Status at June 30, 2014: **Corrected.**