



COVE Meeting

CITIZENS' CONSTRUCTION OVERSIGHT AND VALUE ENGINEERING

February 20, 2014

COVE Members Meeting Agenda

Thursday, February 20, 2014 @ 8:00 a.m.
Facilities Services - Building 200
6501 Magic Way, Orlando, Florida 32809

- I. Call to Order and Approval of January 2014 COVE Meeting Minutes -**
Egerton van den Berg - Chairman

- II. Departmental Reports**
 - a. **Project Status** - Regina Frazier Thomas and Jeff Hart
 - b. **Change Order Reports** - Roberto Pacheco

- III. Presentations**
 - a. **Sales Tax and Capital Renewal Audit Report** - Mr. Pat Knipe

- IV. Discussion and Adjournment**

COVE MEMBERS MEETING MINUTES
Thursday, January 16, 2014



The Construction Oversight and Value Engineering Committee (COVE) monthly meeting convened on Thursday January 16, 2014 at 8:15 a.m., at Facilities Services, 6501 Magic Way, Bldg. 200, Orlando, Florida 32809.

COVE Members in Attendance: Egerton van den Berg, Ksenia Merck, Mario Cuello, James Knapp, Pat Knipe, Stuart Kramer and Derryl Benton (via conference call).

OCPS Staff in Attendance: Dr. Barbara Jenkins, John Morris, Rick Collins, Faz Ali, Eileen Fernandez, Regina Frazier-Thomas, Jeff Hart, Joycelyn Henson, Mike Winter, Roberto Pacheco, Judith Padres, Basem Ghneim, Harold Jenkins and Mayra Monge as scribe.

Call to Order

Egerton van den Berg, Chairman called the meeting to order at 8:15 a.m.

Approval of Minutes

The minutes from November 21, 2013 were presented and approved unanimously by the Committee.

Finance Report

Rick Collins discussed the 2013 and 2014 Sales Tax Forecast (actual and projected) for the period from June 1, 2013 to May 31, 2014. James Knapp requested that the rows identifying $\frac{1}{2}$ and $\frac{3}{4}$ Year Total be re-organized.

Judith Padres provided a quarterly report on the *Sales Tax Referendum Projects and Expenditure/Commitment History to Date*. The only school which required a budgetary change was Wheatley ES, and the change occurred as a result of market conditions. Additionally, a transfer occurred from Sales Tax to Capital Renewal at the end of fiscal year 2013. As of the end of FY 2013, the total amount that has been transferred from Sales Tax to the Capital Renewal fund amounts to \$320.7 million.

On the ongoing projects report, there are no major changes; 41-E-SE-2 (Eagle Creek Area) and 63-E-W-4 (Summerport) projects moved into the design phase.

Pat Knipe discussed his involvement as a committee member on OCPS' 2013 Audit Committee. He informed the COVE members that he submitted questions regarding the Capital Renewal Fund to the Finance department, which are currently under review. Dr. Jenkins requested that Rick Collins distribute the responses to COVE members once finalized.

Project Status

Regina Frazier-Thomas and Jeff Hart provided a monthly status update for new/replacement and comprehensive projects.

Regina went over the *Project Status Summary Report*. She noted that Cypress Creek HS is now in construction. Four projects are waiting to be audited. Additionally, under New and Replacement Schools, three projects will move from planning to design phase.

Jeff Hart informed the Committee that there are fourteen projects currently under construction. Additionally, he provided a list of projects in closeout and highlighted projects that received substantial completion certificates.

M/WBE Subcommittee Report

Joycelyn Henson informed the Committee of outreach activities organized during the months of November and December 2013. She highlighted the following events: OCPS Vendor Town Hall Meeting, OCPS Office of Business Opportunity (OBO) Janitorial Services and Products and OCPS OBO Open House Meeting.

She also informed COVE that Orange County Government has approved, MGT of America as the firm selected to prepare the multijurisdictional disparity study. OCPS will need to determine whether or not to participate in the two year study. OCPS' shared cost of the study would be \$250,000.

Change Order Reports

Roberto Pacheco reported that during the months of November and December 2013 there were no significant Change Orders or amendments equal to, or exceeding \$200,000.

Furthermore, he outlined a list of RFQ's currently soliciting different services and provided a timeline for each RFQ. The list included: A/E services for K-8 Prototype Schools, CM services for Apopka ES, Lake Whitney ES, Lake Weston ES and Clay Springs ES. His presentation concluded with an overview of the quarterly report which included the Change Orders and Amendments for the months of October, November and December of 2013.

Capital Renewal Update

Mike Winter provided an update on the Capital Renewal projects. He distributed a handout listing budget information for large and intermediate projects.

Ksenia Merck requested that the team provide the *FY 2014 Capital Renewal Projects Budget Update* sheet, together with a list of projects and corresponding funding sources.

Chairman van den Berg asked the Finance and Facilities departments to jointly develop a definition and identify the parameters of projects that would be eligible for Capital Renewal Funds.

Discussion

Chairman, van den Berg requested that all documents distributed at the COVE meetings be sent to Committee members not in attendance.

Mario Cuello inquired about the digital technology pilot schools. Dr. Jenkins provided an update explaining, that thus far, the schools are adjusting well and are reporting no loss in student achievement. Schools have reported an increase in attendance and a decrease in disciplinary issues. The District will continue to monitor the schools and determine which operating devices will be implemented in the future. OCPS' goal is to spend 75% of the overall annual curriculum funds on digital delivery.

Chairman, van den Berg requested an update on the campaign for Sales Tax Renewal. Dr. Jenkins informed COVE members that the OCPS Sales Tax Committee is continuing to organize and fundraise.

COVE members unanimously approved the new schedule for COVE meetings through May 2014.

The COVE Committee also agreed that they would like to have a workshop at the February COVE meeting covering the Design Guidelines and prototype designs.

Dr. Jenkins thanked COVE members for providing their services and participating in COVE.

Adjournment

There being no further business the meeting was adjourned at 9:36 a.m.

The next meeting will be on Thursday, February 20, 2014, at 8 a.m., at Facilities Services, 6501 Magic Way, Bldg. 200, Orlando Florida 32809.

Minutes Authenticated by:

Egerton van den Berg
Chairman COVE Committee

Date of approval

Woody Rodriguez
General Counsel
School Board of Orange County, Florida

Date of approval



PROJECT STATUS SUMMARY REPORT
COMPREHENSIVE SCHOOLS

02/08/2014 F7

School Name	F1 Original 2006 Board Adopted Budget	F2 Adopted Budget Changes	F3 Current Board Adopted Budget	Est. Cost At Completion	Variance	GMP Amount	F4 Construction Change Orders		F5 OCIP & ODP Change Orders		Approved Construction			F6 Number of Days Past Substantial (Close-out)
							Amount	#	Deduct	#	NTP Construct	Contract Subst. Com	Projected Completion	
	Budget										Schedule			
PLANNING PHASE														
Apopka ES Comp	11,435,483	3,791,607	15,227,090	15,227,090										
Lake Whitney ES Comp	3,964,301	7,517,976	11,482,277	11,482,277										
Sub Total	15,399,784	11,309,583	26,709,367	26,709,367	-	-	-	-						
DESIGN PHASE														
Westridge MS Comp (Phase 2)	33,544,083	(2,429,205)	31,114,878	31,114,878	-									
Sub Total	33,544,083	(2,429,205)	31,114,878	31,114,878	-	-	-	-						
CONSTRUCTION PHASE					-									
Cypress Creek HS Comp	60,074,403	(1,189,733)	58,884,670	57,796,733	(1,087,937)	41,999,829	-	0	(4,000,000)	1	11/19/2013	02/22/2016		
Dr. Phillips ES Comp	9,584,024	4,336,545	13,920,569	13,920,248	(321)	10,068,320	-	0	(2,517,080)	1	09/04/2013	06/30/2014		
Dr. Phillips HS Comp	58,549,672	5,570,643	64,120,315	64,120,315	-	48,709,730	92,453	4	(12,869,068)	2	09/19/2013	03/16/2015		
Lake Silver ES Comp	18,006,348	(2,636,791)	15,369,557	15,348,853	(20,704)	10,840,153	46,688	-	(3,250,000)	1	09/24/2013	07/14/2014		
Waterford ES Comp	14,942,364	(1,121,372)	13,820,992	13,819,862	(1,130)	9,994,354	(19,310)	1	(2,120,000)	1	09/04/2013	06/30/2014		
Sub Total	161,156,811	4,959,292	166,116,103	165,006,011	(1,110,092)	121,612,386	119,831	5	(24,756,148)	6				
CLOSE OUT PHASE														
University HS Comp	26,829,734	13,277,219	40,106,953	39,571,169	(535,784)	31,043,068	2,376,738	28	(7,754,766)	5	02/18/2010	04/13/2012		666
Sub Total	26,829,734	13,277,219	40,106,953	39,571,169	(535,784)	31,043,068	2,376,738	28	(7,754,766)	5				
Grand Total	236,930,412	27,116,889	264,047,301	262,401,425	(1,645,876)	152,655,454	2,496,569	33	(32,510,914)	11				

Footnotes

F1 - Reflects figure from the 10yr Capital Budget dated September 12, 2006.

F2 - Reflects changes to initial cost projection.

F3- Figure comprised of prior year expenditures, current and future planned funding (Summary Budget 2012-2013). There are no land costs included.

F4 - Reflects total number of change orders and cumulative change order amount. Does not include OCIP and ODP deductive change orders.

F5 - Reflects the total amount and number of OCIP and ODP deductive change orders to date.

F6 - Reflects number of days beyond substantial completion. See justification below under Close Out Delays.

F7 - Report relects approved changes as of the date reflected.

Change Orders / Construction Change Directives

University HS CO#22 in the amount of \$276,630.00 - Emergency lighting: add new emergency lighting in service area, replace existing emergency lights in exterior corridors and place courtyard lights on a new UPS system

Westridge MS - Phase II is \$1.5M of the \$31M reflected.

Close Out

Awaiting Audit: Aloma ES, Arbor Ridge K-8, Brookshire ES, Lancaster ES

Submitted for Audit: Cypress Springs ES, Princeton ES, Winegard ES, Zellwood ES

Close Out Delays: **University HS** - Nonconforming work in place.



PROJECT STATUS SUMMARY REPORT

NEW AND REPLACEMENT SCHOOLS

02/08/2014 F7

School Name	F1 Original 2006 Board Adopted Budget	F2 Adopted Budget Changes	F3 Current Board Adopted Budget	Estimated Cost At Completion	Variance	GMP Amount	F4 Construction Change Orders		F5 OCIP & ODP Change Orders		Approved Construction			F6 # of Days Past Substantial Completion (close-out)	
							Amount	#	Deducts	#	NTP	Construct.	Contract Subst. Com	Projected Completion	
	Budget											Schedule			
PLANNING PHASE															
21-M-E-2 Avalon Park Area	48,756,030	(13,061,380)	35,694,650	35,694,650	-										
2-M-E-1 Wedgefield	38,201,625	(5,232,767)	32,968,858	32,968,858	-										
Sub Total	86,957,655	(18,294,147)	68,663,508	68,663,508	-	-	-		-						
DESIGN PHASE															
Clay Springs ES Replacement	4,421,720	13,500,280	17,922,000	17,922,000	-										
41-E-SE-2 Eagle Creek	24,586,240	(8,269,468)	16,316,772	16,316,772	-										
63-E-W-4 Independence	34,595,309	(16,675,809)	17,919,500	17,919,500	-										
Lake Weston ES Replacement	13,417,633	2,263,087	15,680,720	15,680,720	-										
Lovell ES Replacement	14,942,364	1,022,636	15,965,000	15,965,000	-										
Sub Total	91,963,266	(8,159,273)	83,803,993	83,803,993	-	-	-	-							
CONSTRUCTION PHASE															
John Young ES Replacement HARDBID	5,184,086	10,028,415	15,212,501	14,096,482	(1,116,019)	10,053,000	13,862	1	(2,500,000)	1	08/21/2013	06/30/2014			
Little River ES Replacement	4,792,012	9,135,958	13,927,970	13,923,125	(4,845)	9,835,426	76,907	1	(2,500,000)	1	08/05/2013	06/30/2014			
Ocoee ES Replacement HARDBID	9,874,449	5,079,249	14,953,698	14,546,386	(407,312)	10,723,596	24,627	3	(2,680,899)	2	08/07/2013	06/30/2014			
Pineloch ES Replacement HARDBID	14,332,472	886,221	15,218,693	14,772,326	(446,367)	10,738,647	8,781	1	(2,684,662)	2	08/07/2013	06/30/2014			
Shingle Creek ES Replacement HARDBID	6,824,987	10,176,843	17,001,830	15,073,392	(1,928,438)	9,627,000	12,369	3	(2,500,000)	1	08/21/2013	06/30/2014			
Spring Lake ES Replacement	12,807,741	2,049,169	14,856,910	14,854,121	(2,789)	11,267,748	-	-	(2,378,466)	3	08/05/2013	06/30/2014			
Washington Shores ES Replacement	17,650,668	(2,819,775)	14,830,893	14,830,795	(98)	11,470,290	45,065	2	(3,400,000)	1	06/26/2013	06/30/2014			
Wheatley ES Replacement	29,137,610	(12,677,610)	16,460,000	16,179,798	(280,202)	12,436,428	(123,396)	1	(2,487,286)	1	11/17/2013	07/30/2014			
Sub Total	100,604,025	21,858,470	122,462,495	118,276,425	(4,186,070)	86,152,135	58,216	12	(21,131,313)	12					
CLOSE OUT PHASE															
Eccleston ES Replacement	14,637,418	477,865	15,115,283	15,011,467	(103,816)	11,943,694	76,629	4	(3,679,136)	4	08/30/2012	01/29/2014			79
Oak Ridge HS Replacement	82,715,136	(9,971,083)	72,744,053	69,791,273	(2,952,780)	54,470,939	929,182	24	(18,411,520)	9	09/09/2010	10/23/2013			108
Sub Total	97,352,554	(9,493,218)	87,859,336	84,802,740	(3,056,596)	66,414,633	1,005,811	28	(22,090,656)	13					
Grand Total	376,877,500	(14,088,168)	362,789,332	355,546,666	(7,242,666)	152,566,768	1,064,027	40	(43,221,968)	25					

Footnotes

F1 - Reflects figure from the 10yr Capital Budget dated September 12, 2006. * With the exception of 21-M-E-2 (Avalon Pk Area) and 2-M-E-1 (Wedgefield) - 10 yr Capital Budget dated September 9, 2008

F2 - Reflects changes to initial cost projection.

F3- Figure comprised of prior year expenditures, current and future planned funding (Summary Budget 2012-2013). There are no land costs included.

F4 - Reflects total number of change orders and cumulative change order amount. Does not include OCIP and ODP deductive change orders.

F5 - Reflects the total amount and number of OCIP and ODP deductive change orders to date.

F6 - Reflects number of days beyond substantial completion. See justification below under Close Out Delays.

F7 - Report relects approved changes as of the date reflected.

Change Orders / Construction Change Directives

Oak Ridge HS - CCD#5 for \$694,871 - Completion of Phase III per Board approved design modification and CO#21 for \$479,024 - Building 300 has experienced exsessive settlement requiring remedial work to correct deficiency

Close Out

Awaiting Audit: Hackney Prairie ES, SunBlaze ES

Submitted for Audit: Evans HS, Rock Springs ES

Close Out Delays:

**Facilities Services
Facilities & Construction Contracting
Change Order Report for COVE
January 2014**

There are no significant change orders or amendments to report for the Month of January 2014.

OCPS FACILITIES & CONSTRUCTION CONTRACTING

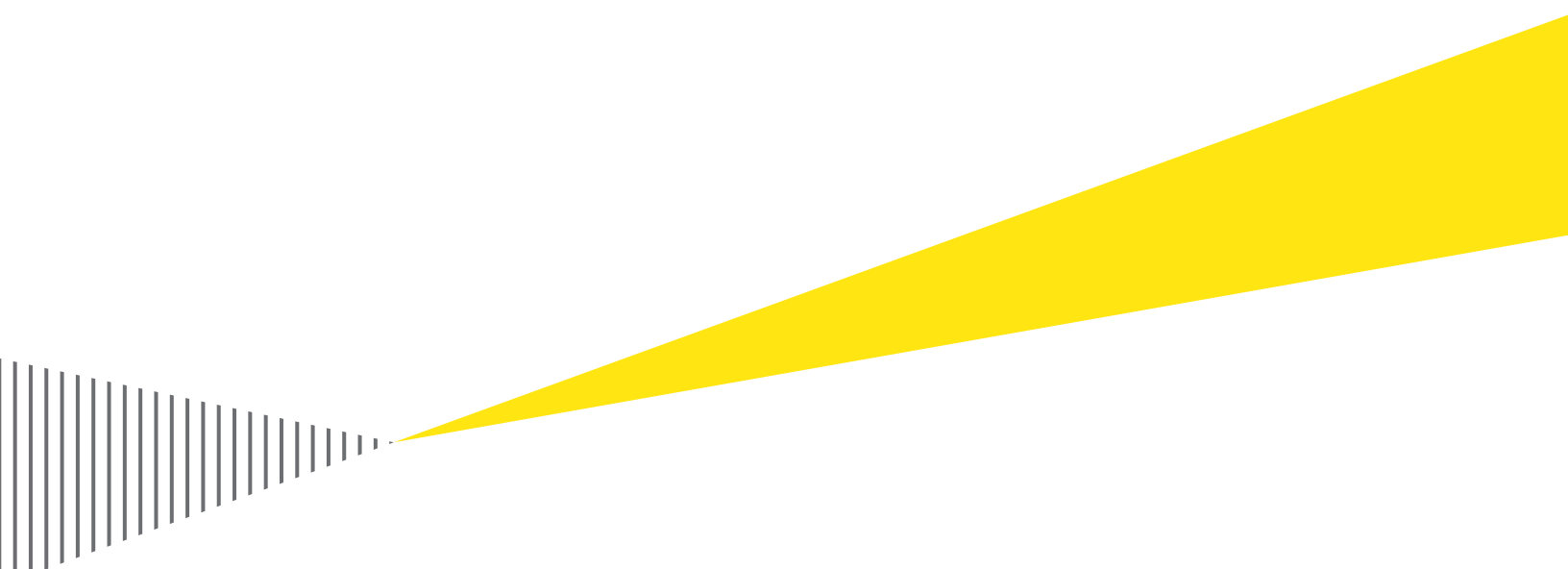
RFQs / RFEs/HARD BIDS in Progress: February 2014

No.	Contract Description	Pre Submittal Meeting	Open Date	Shortlist Meeting	Interview Meeting	Board / CFO Date	Status
RFQ 13CM11	CM Services for Apopka ES Comprehensive	12/19/2013	1/8/2014	1/17/2014	2/5/2014	2/25/2014	Open
RFQ 13CM12	CM Services for Lake Whitney ES Comprehensive	12/19/2013	1/9/2014	1/21/2014	2/7/2014	2/25/2014	Open
RFQ 13CM13	CM Services for Lake Weston ES Replacement	12/23/2013	1/21/2014	1/31/2014	2/19/2014	3/11/2014	Open
RFQ 13CM14	CM Services for Clay Springs ES Replacement	12/23/2013	1/17/2014	1/28/2014	2/18/2014	3/11/2014	Open
1401PS	A/E Services for New Prototype Middle Schools	1/29/2014	2/11/2014	2/21/2014	3/18/2014	4/8/2014	Open
1402PS	A/E Services for Liberty Middle Schools	1/30/2014	2/13/2014	2/25/2014	3/21/2014	4/8/2014	Open
RFQ 14CM03	CM Services for Liberty Middle School Capital Renewal Project	2/6/2014	2/26/2014	3/7/2014	4/1/2014	4/22/2014	Open

FINANCIAL STATEMENTS – SALES TAX AND
CAPITAL RENEWAL CAPITAL PROJECTS FUNDS

Orange County Public Schools
Year Ended June 30, 2013
With Report of Independent Certified Public Accountants

Ernst & Young LLP



Orange County Public Schools

Financial Statements – Sales Tax and Capital Renewal
Capital Projects Funds

Year Ended June 30, 2013

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Report of Independent Certified Public Accountants

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

We have audited the accompanying financial statements of the Sales Tax and Capital Renewal Capital Projects Funds of Orange County Public Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which comprise the financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sales Tax and Capital Renewal Capital Projects Funds of the District at June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the sales tax and capital renewal capital projects funds and do not purport to, and do not, present fairly the financial position of the District at June 30, 2013, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Ernst + Young LLP

December 20, 2013

Orange County Public Schools

Balance Sheet – Sales Tax and Capital Renewal Capital Projects Funds

June 30, 2013

	Sales Tax Fund	Capital Renewal Fund
Assets		
Investments	\$ 294,903,348	\$ 348,584,886
Interest receivable	–	816,118
Due from other agencies	15,914,887	–
Total assets	<u>\$ 310,818,235</u>	<u>\$ 349,401,004</u>
Liabilities and fund balance		
Liabilities:		
Accounts payable	\$ 2,626,259	\$ 232,495
Construction contracts payable	6,923,423	–
Construction contracts payable – retained percentage	4,003,267	–
Total liabilities	<u>13,552,949</u>	<u>232,495</u>
Fund balance:		
Restricted	<u>297,265,286</u>	<u>349,168,509</u>
Total fund balance	<u>297,265,286</u>	<u>349,168,509</u>
Total liabilities and fund balance	<u>\$ 310,818,235</u>	<u>\$ 349,401,004</u>

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

Orange County Public Schools

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

Year Ended June 30, 2013

	Sales Tax Fund	Capital Renewal Fund
Revenues		
Local sales taxes	\$ 181,301,579	\$ –
Investment earnings, net	(765,620)	1,755,544
Total revenues	180,535,959	1,755,544
Expenditures		
Facilities acquisition and construction	91,007,434	232,495
Excess of revenues over expenditures	89,528,525	1,523,049
Other financing (uses) sources		
Transfers (out) in	(59,742,700)	59,742,700
Total other financing (uses) sources	(59,742,700)	59,742,700
Net change in fund balance	29,785,825	61,265,749
Fund balance, beginning	267,479,461	287,902,760
Fund balance, ending	\$ 297,265,286	\$ 349,168,509

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

Orange County Public Schools

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

June 30, 2013

1. Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Due to the omission of “government-wide” (full accrual) financial statements and related disclosures, these financial statements do not constitute a complete presentation of the financial position of the Funds as of June 30, 2013, and the changes in their financial position for the year then ended, in conformity with Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, but otherwise constitute financial statements prepared in conformity with U.S. generally accepted accounting principles.

Orange County Public Schools

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

June 30, 2013

1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements

The Funds' financial statements are prepared utilizing the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues "susceptible to accrual" include sales taxes and interest on investments. The District considers revenues from sales taxes as available if they are collected within sixty (60) days after year-end. Expenditures are recorded when the fund liability is incurred.

The District has designated the Sales Tax Fund to account for the financial resources generated by sales tax and other local sources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects. The major revenue source of the Sales Tax Fund is the half-penny sales tax approved by the voters in Orange County, Florida in 2002, with an effective date of January 1, 2003. This revenue is collected by local businesses, sent to the Florida Department of Revenue, and then remitted to the District. The reported expenditures of the Sales Tax Fund for the year ended June 30, 2013, include program management and insurance costs of \$3,123,876 and \$619,952 respectively. These costs are allocated to the projects based on the amount of expenditures incurred.

The Capital Renewal Fund was established by the District to fund the replacement of school building systems and major components that will be needed to preserve the efficient operation of school facilities. These system replacements include the 136 schools identified in the sales tax program once those projects have first been completed within the capital program. The Capital Renewal Fund is funded by transfers from the Sales Tax Fund.

Orange County Public Schools

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

June 30, 2013

1. Summary of Significant Accounting Policies (continued)

Investments

Investments consist of amounts placed with various money market mutual funds which hold a majority of U.S. government securities, municipal securities and repurchase agreements. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. The investment earnings from the money market funds are allocated to each fund based on end of month investment balances in that fund. Investments also consist of the State of Florida's Special Purpose Investment Account (SPIA) authorized in Section 17.61(1), Florida Statutes, Florida Prime (formally SBA), Florida Education Investment Trust Fund (FEITF), and United States government securities. All investments are reported at fair value based on quoted market prices. The District's investment in SPIA is part of an investment pool managed by the Florida Department of Treasury, where the District owns a share of the pool, not the underlying shares of the assets in the pool. The District relies on policies developed by the State Treasury for managing interest and credit risk for this external investment pool.

2. Investments

As of June 30, 2013, the Funds had the following investments and maturities:

Sales Tax Fund Investment	Fair Value	Maturity Less Than 6 Months
FL Special Purpose Investment Account (SPIA)	\$ 178,921,376	\$ 178,921,376
FL Prime (formally SBA)	91,583,410	91,583,410
Florida Education Investment Trust Fund	24,398,562	24,398,562
Total Investments	<u>\$ 294,903,348</u>	<u>\$ 294,903,348</u>

Orange County Public Schools

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

June 30, 2013

2. Investments (continued)

Capital Renewal Fund Investment	Fair Value	Investment Maturities Less Than				
		6 Months	1 Year	2 Years	3 Years	5 Years
FL Special Purpose Investment Account (SPIA)	\$ 87,765,799	\$ 87,765,799	\$ –	\$ –	\$ –	\$ –
FL Prime (formally SBA)	42,808,337	42,808,337	–	–	–	–
Florida Education Investment Trust Fund	11,404,487	11,404,487	–	–	–	–
Corporate Bonds	117,239,420	–	10,062,510	45,172,192	5,116,970	56,887,748
Obligations of United States Government Agencies and Instrumentalities	56,628,023	–	–	–	22,115,714	34,512,309
Municipal Bonds	32,738,820	–	1,000,360	1,567,110	10,597,250	19,574,100
Total Investments	\$ 348,584,886	\$ 141,978,623	\$ 11,062,870	\$ 46,739,302	\$ 37,829,934	\$ 110,974,157

Interest Rate Risk

District policies limit the maturity of investments to 6 years or less as a means of limiting its exposure to fair value losses arising from rising interest rates. Also, at least 3 months of average disbursements should be invested in highly liquid funds with a maturity range of 0–90 days.

The Capital Renewal Fund has \$89,366,843 in obligations of the United States Government Sponsored Agencies/Federal Instrumentalities and Municipal Bonds and \$117,239,420 in Corporate Bonds. These securities included embedded options to call the entire security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rate, until final maturity. These securities have various call dates with final maturity dates being December 2018.

Credit Risk

Investments authorized by District policy are:

- Direct Obligations of the US Treasury;
- US Federal Government Agency Securities;
- Florida Local Government Investment Pool or other similar common trust;
- Florida Education Investment Trust Fund;
- Certificates of Deposit and Savings Accounts;

Orange County Public Schools

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

June 30, 2013

2. Investments (continued)

- f. Repurchase Agreements fully collateralized at 102% of mark-et value, by US Treasuries, US Government Agencies, US Government Sponsored Agencies/Federal Instrumentalities;
- g. State and/or Local Government Taxable or Tax-Exempt Debt;
- h. Corporate Notes with a minimum AA rating;
- i. Commercial Paper rated P1 or A1;
- j. Money Market Mutual Funds rated AAA;
- k. Bankers Acceptances rated P1 or A1 and;
- l. Money Market Deposit Account

Custodial Credit Risk

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in a book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other State or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The Fund's \$89,366,843 investments in obligations of United States Government Agencies and Instrumentalities, and Municipal Bonds and \$117,239,420 in Corporate Bonds are held by the safekeeping agent, in the name of the District.

Orange County Public Schools

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

June 30, 2013

2. Investments (continued)

Concentration of Credit Risk

Composition of investment portfolio is limited by District policy to the following on a district-wide basis:

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

As of June 30, 2013, the Funds' investments in the State of Florida Special Purpose Investment Account totaled \$266,687,175 which is rated A+f by S&P with a weighted maturity of 2.65 years. These funds allocate investment earnings monthly.

As of June 30, 2013, the Funds' investments in 2 SBA accounts totaled \$134,391,747 which are 2a-7 like funds with a weighted maturity of 40 days and are AAA rated by S&P. These funds allocate investment earnings monthly.

As of June 30, 2013, the Funds' investments in the Florida Education Investment Trust Fund totaled \$35,803,049. This fund is rated AAAM by S&P. The fund is also a 2a-7 fund with a weighted maturity of 44 days.

As of June 30, 2013, the Funds' investments in corporate bonds were \$117,239,420. All of which are rated AA.

As of June 30, 2013, the Funds' investments in municipal bonds were \$32,738,820. All of which are rated AA or higher.

Orange County Public Schools

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

June 30, 2013

2. Investments (continued)

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

3. Due from Other Agencies

Due from other agencies is the amount due from the Florida Department of Revenue for sales tax collections. These amounts were collected by businesses through June 30, 2013, and remitted in July and August 2013.

4. Interfund Transfers

The amount transferred each year, from the Sales Tax Fund to the Capital Renewal Fund, is 2.4% of the beginning of the year cumulative capital expenditures in all the capital funds since fiscal year 2003. This transfer is to fund the replacement of school building systems and major components that will be needed to preserve the efficient operation of school facilities. During fiscal year ended June 30, 2013, interfund transfers in the amount of \$59,742,700 were transferred from the Sales Tax Fund to the Capital Renewal Fund.

5. Other Fund Activities

The American Recovery and Reinvestment Act of 2009 (ARRA) was enacted to provide a stimulus to the economy including provisions for alternative forms of financing public school facilities. The Act authorizes the issuance of obligations called "qualified school construction bonds" (QSCBs or COPS) for the construction, renovation or repair of a public school facility, or for the acquisition of land on which such a facility is to be constructed. In fiscal year 2010, pursuant to the Recovery Act, the District was allocated the authority to issue up to \$35,824,000 aggregate principal amount of QSCBs during calendar year 2009. Holders of QSCBs are entitled to a tax credit in an amount determined by the Secretary of the Treasury on each business day. The Series 2009B QSCBs were issued in the amount of \$35,823,500 under the Master Lease Program in the form of Certificates of Participation during the 2010 fiscal year. The proceeds of the COPS were designated to be used to finance the project specified as (i) Walker Middle School remodeling and renovation project and (ii) correction of outstanding deficiencies at various schools throughout the District. The construction project was originally planned to be constructed using Sales Tax revenues.

Orange County Public Schools

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

June 30, 2013

5. Other Fund Activities (continued)

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

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

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

Orange County Public Schools

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

June 30, 2013

5. Other Fund Activities (continued)

purchase a Guaranteed Investment Contract at the maximum rate of return permitted by IRS restrictions, the District transferred to the Debt Service Fund the net amount needed to cover the principal and interest payments in the amount of \$23,436,330. Although the annual federal subsidy payments to the District were authorized by the ARRA, they are still subject to annual appropriation.

The chart below shows a summary of the activity in other funds related to the Sales Tax and Capital Renewal Capital Projects Funds:

Related Activity in Other Capital Projects Funds – Cumulative Through June 30, 2013

	Capital Projects	
	QSCB 2010	QSCB 2009
Revenues		
Interest earnings	\$ 81,703	\$ 58,869
Total revenues	81,703	58,869
Expenditures		
Walker MS	–	25,279,279
Westridge MS	–	10,282,318
Sun Blaze ES	13,570,099	–
Eccleston ES	10,486,998	–
Arbor Ridge K-8	12,118,553	–
Total expenditures	36,175,650	35,561,597
Excess of revenues over expenditures	(36,093,947)	(35,502,728)
Other financing (uses) sources		
COPs proceeds	36,103,270	35,502,728
Transfer (out) – debt service fund	(9,323)	–
Total other financing (uses) sources	36,093,947	35,502,728
Fund balance, ending	\$ –	\$ –

Orange County Public Schools

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

June 30, 2013

5. Other Fund Activities (continued)

Related Activity in Other Debt Service Funds – Cumulative Through June 30, 2013

	Debt Service	
	QSCB 2010	QSCB 2009
Revenues		
Federal subsidy	\$ 3,952,282	\$ –
Interest earnings	918,181	1,412,309
Total revenues	<u>4,870,463</u>	<u>1,412,309</u>
Expenditures		
Principal	–	–
Interest and fees	4,120,887	1,799,642
Total expenditures	<u>4,120,887</u>	<u>1,799,642</u>
Excess of revenues over expenditures	749,576	(387,333)
Other financing (uses) sources		
COPs proceeds	125,730	317,272
Transfer (out) in debt service fund	–	230,000
Transfer (out) in sales tax fund	23,436,331	35,820,000
Transfer (out) in capital projects fund – CIT 2012	7,000	7,000
Transfer (out) in capital projects fund – QSCB 2010A	9,323	–
Total other financing (uses) sources	<u>23,578,384</u>	<u>36,374,272</u>
Fund balance, ending	<u>\$ 24,327,960</u>	<u>\$ 35,986,939</u>

Orange County Public Schools

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

June 30, 2013

6. Expenditures by Project

The following is a summary of the expenditures by project for the fiscal year ended June 30, 2013:

Sales Tax Expenditures

Description of Project	Amount
Dr. Phillips HS	\$ 25,511,949
Brookshire ES	10,861,285
Rock Springs ES	10,338,636
Lancaster ES	10,229,050
Westridge MS	9,707,133
Cypress Spring ES	4,261,070
Princeton ES	3,864,628
Zellwood ES	3,796,632
Aloma ES	2,730,776
Cypress Creek HS	2,356,170
Arbor Ridge K-8	1,194,054
University HS	794,384
Dr. Phillips ES	698,569
Little River ES	694,074
Ocoee ES	598,032
Waterford ES	592,673
Spring Lake ES	536,933
Washington Shores ES	522,888
Lake Silver ES	450,495
Pineloch ES	319,441
Evans HS	262,783
John Young ES	226,629
Lake Weston ES	188,708
Walker MS	104,387
Eccleston ES	51,084
Oakridge HS	24,427
Wheatley ES	23,036

Orange County Public Schools

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

June 30, 2013

6. Expenditures by Project (continued)

Description of Project	Amount
Winter Park 9th Grade Center	18,800
Apopka MS	17,800
Azalea Park ES	17,293
Lake Sybelia ES	14,716
Orange Center ES	11,200
District Wide	10,000
Grand Avenue ES	3,746
Piedmont Lakes MS	2,537
Chickasaw ES	2,150
Southwood ES	1,300
Shingle Creek ES	952
Catalina ES	(418)
Conway MS	(2,570)
Waterbridge ES	(30,000)
Total	<u>\$ 91,007,434</u>

During the closeout of a project, final adjustments are made for sales tax savings, final payments, vendor reimbursements, and other items. These adjustments may result in negative amounts being recorded to a project during a specific fiscal year. Adjustments that are not project specific are noted as “district wide”. During the year ended June 30, 2013, negative adjustments were also made to reflect changes in funding sources for certain periods.

Orange County Public Schools

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

June 30, 2013

6. Expenditures by Project (continued)

Capital Renewal Expenditures

Description of Project	Amount
Millennia ES	\$ 106,645
Pinewood ES	70,554
Corner Lake MS	38,131
Ocoee HS	10,540
Wetherbee ES	5,105
Liberty MS	1,180
Hunter's Creek MS	340
Total	<u>\$ 232,495</u>

All of the above Capital Renewal school expenditures are part of the Digital Technology Pilot Project.

7. Construction Contract Commitments

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

Sales Tax Construction Contract Commitments as of June 30, 2013:

Project	Contract Amount	Completed To Date	Balance Committed
Oak Ridge High School Replacement	\$ 33,371,308	\$ 28,916,362	\$ 4,454,946
Dr. Phillips High School Comprehensive	48,709,730	26,353,534	22,356,196
Total	<u>\$ 82,081,038</u>	<u>\$ 55,269,896</u>	<u>\$ 26,811,142</u>

Orange County Public Schools

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

June 30, 2013

7. Construction Contract Commitments (continued)

Capital Renewal Contract Commitments as of June 30, 2013

The expenditures included in Note 6 fully paid the associated purchase orders; therefore, no contract commitments are reportable at June 30, 2013. The Digital Technology Pilot Project is continuing with new purchase orders created in the 2014 fiscal year.

8. Fund Balance Reporting

The financial statements include restricted fund balances of the Sales Tax and Capital Renewal funds of approximately \$297.3 million and \$349.2 million, respectively, at June 30, 2013. These fund balances are available for use only on educational capital outlay expenditures in accordance with School Board Resolution No. 05/02/02 NC-1.

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

GASB 54 provides for two major types of fund balances for governmental funds, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints.

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self imposed constraints of the government from its highest level of decision making authority.

Orange County Public Schools

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

June 30, 2013

8. Fund Balance Reporting (continued)

Assigned – Fund balances that contain self imposed constraints of the government to be used for a particular purpose.

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

All of the Funds' balances are classified as restricted.

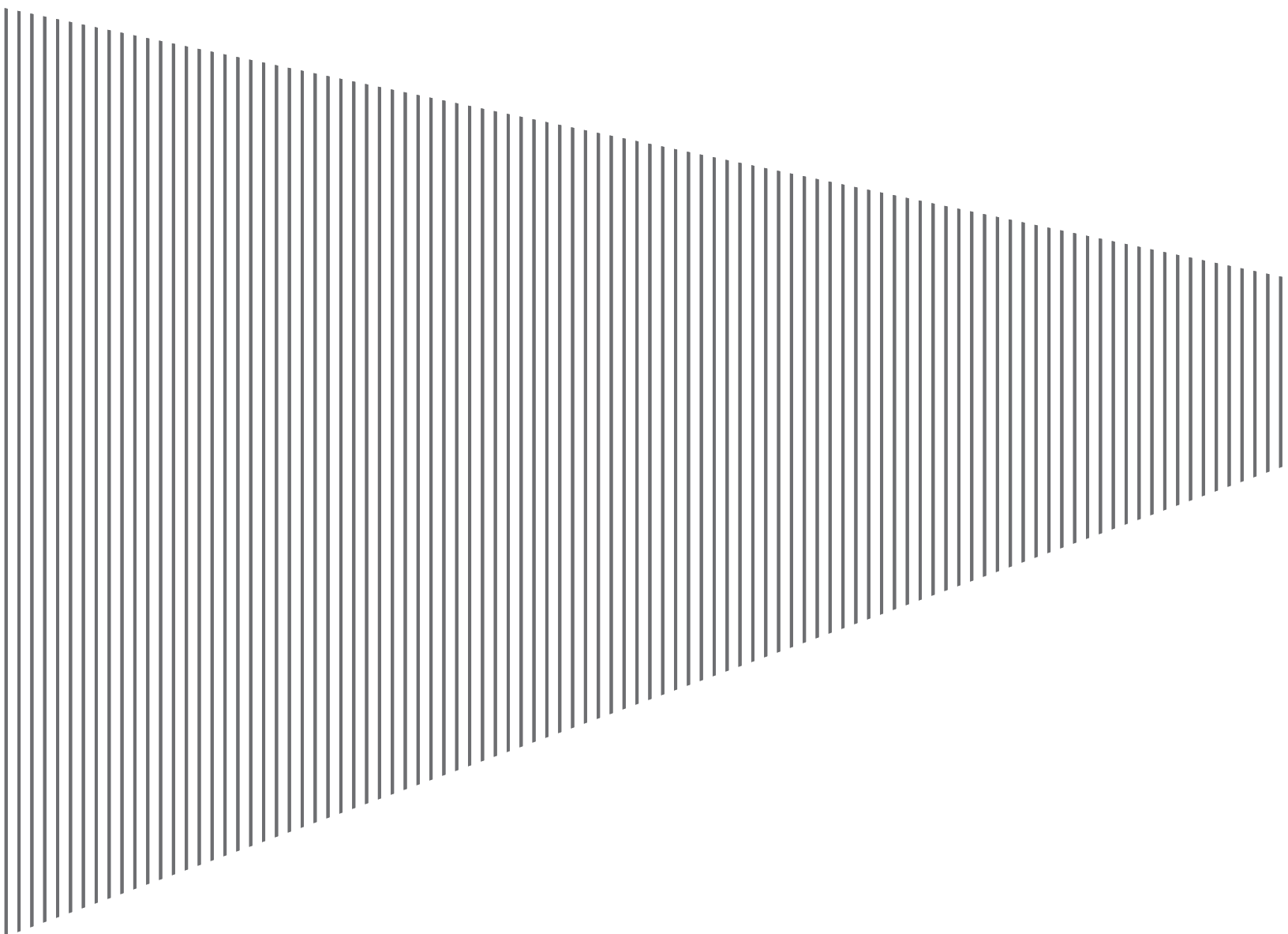
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