



Annual Financial Report

For the Fiscal Year Ended

June 30, 2012

The *student* is at the center...



...of *every* decision we make.

THE FLORIDA VIRTUAL SCHOOL
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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
The Florida Virtual School
Orlando, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Florida Virtual School (the "School"), as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Florida Virtual School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Florida Virtual School, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of The Florida Virtual School'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and OPEB schedule of funding progress on pages 3 through 7 and 33 through 34 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.

CAM RIGGS & INGRAM LLC

Orlando, Florida
January 29, 2013

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

The management of The Florida Virtual School (the "School") has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the School's financial activities; (c) identify changes in the School's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds for the fiscal year ended June 30, 2012.

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 School's financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets decreased by \$6,708,987 from the prior fiscal year for a total of \$26,075,734.
- During the current year, General Fund revenues increased \$14,457,071. This increase is primarily due to increased FTE of 3,500.
- The Unassigned fund balance in the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$14,224,152 at June 30, 2012, or 12 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

In addition, this report also contains other supplementary information which includes management's discussion and analysis.

Government-Wide Financial Statements

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

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

The government-wide statements present the School's activities in two categories:

- Governmental activities – This represents most of the School's services including its educational programs. Support functions such as Curriculum, Technology and Administration are also included. The State's education finance program provides most of the resources that support these activities.
- Business-Type activities – This consists of the School's Global Services division, the Florida Franchises and the Florida Full Time program, which includes functions that are intended to recover all of their costs through user fees and charges for services and provide for Curriculum development.

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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Fund financial statements provide more detailed information about the School'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 funds of the School can be divided into two categories:

- Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The School adopts an annual appropriations budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

- Proprietary Funds – Proprietary funds may be established to account for activities in which a fee is charged for services. The School uses the proprietary fund to account for its Global Services division, Florida Franchises, Florida Full-Time program and Self-Insurance.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2011 and June 30, 2012:

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-12	6-30-11	6-30-12	6-30-11	6-30-12	6-30-11
Current Assets	\$ 35,737,276	\$ 39,348,271	\$ 12,367,282	\$ 6,346,984	\$ 48,104,558	\$ 45,695,255
Capital Assets	8,345,803	12,588,739	-	52,884	8,345,803	12,641,623
Total Assets	44,083,079	51,937,010	12,367,282	6,399,868	56,450,361	58,336,878
Other Liabilities	13,035,403	12,794,035	6,439,775	4,609,166	19,475,178	17,403,201
Long-Term Liabilities	10,638,359	7,809,294	261,090	339,662	10,899,449	8,148,956
Total Liabilities	23,673,762	20,603,329	6,700,865	4,948,828	30,374,627	25,552,157
Net Assets:						
Invested in Capital Assets	8,345,803	12,588,739	-	52,884	8,345,803	12,641,623
Restricted for State Categoryals	3,903,842	4,217,409	-	-	3,903,842	4,217,409
Unrestricted	8,159,672	14,527,533	5,666,417	1,398,156	13,826,089	15,925,689
Total Net Assets	\$ 20,409,317	\$ 31,333,681	\$ 5,666,417	\$ 1,451,040	\$ 26,075,734	\$ 32,784,721

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In the case of the School's governmental activities, assets exceed liabilities by \$20,409,317 at the end of the fiscal year. The unrestricted net assets may be used to meet the School's ongoing obligations to the students, employees, and creditors. The School's unrestricted net assets decreased in total by \$2,099,600 during the current fiscal year primarily due to a planned use of nonrecurring funds. Under the long-term view provided by the government-wide statements, the School's unrestricted net assets balance is positive indicating the School's ability to sufficiently meet its current obligations.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

The School's net assets decreased in total by \$6,708,987 during the 2011-12 fiscal year. The decrease represents a planned use of nonrecurring funds. The following is a summary of the School's changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2012, as follows:

	Governmental Activities		Business-Type Activities		Total	
	6-30-12	6-30-11	6-30-12	6-30-11	6-30-12	6-30-11
Program Revenues:						
Charges for Services	\$ 92,466	\$ 134,318	\$ 23,177,491	\$ 14,499,023	\$ 23,269,957	\$ 14,633,341
General Revenues:						
Grants and Contributions Not Restricted to Specific Programs	121,776,930	118,921,781			121,776,930	118,921,781
Investment Earnings	66,778	76,982	2,610	8,084	69,388	85,066
Miscellaneous	1,649,414	2,525,718	3,153,322	-	4,802,736	2,525,718
Total Revenues	123,585,588	121,658,799	26,333,423	14,507,107	149,919,011	136,165,906
Functions/Program Expenses:						
Instruction	81,815,096	75,125,505			81,815,096	75,125,505
Pupil Personnel Services	3,295,674	493,682			3,295,674	493,682
Instruction and Curriculum Development Svcs	5,933,877	9,813,332			5,933,877	9,813,332
Instructional Staff Training Services	3,536,057	3,143,687			3,536,057	3,143,687
Instructional Related Technology	5,676,083	2,497,150			5,676,083	2,497,150
Board	693,904	604,524			693,904	604,524
General Administration	2,880,426	1,928,806			2,880,426	1,928,806
School Administration	6,173,565	6,206,364			6,173,565	6,206,364
Fiscal Services	1,698,463	1,986,239			1,698,463	1,986,239
Central Services	7,627,503	6,350,409			7,627,503	6,350,409
Operation of Plant	2,070,998	2,171,933			2,070,998	2,171,933
Administrative Technology Services	8,777,032	7,768,614			8,777,032	7,768,614
Community Services	2,183	112,494			2,183	112,494
Unallocated Depreciation Expense	775,202	3,757,828			775,202	3,757,828
Loss on Disposal of Asset	3,553,889	-			3,553,889	-
Global Services/Florida Services Expenses	-	-	22,501,138	17,238,840	22,501,138	17,238,840
Total Functions/Program Expenses	134,509,952	121,960,567	22,501,138	17,238,840	157,011,090	139,199,407
Changes in Net Assets	(10,924,364)	(301,768)	3,832,285	(2,731,733)	(7,092,079)	(3,033,501)
Adjustment to Net Assets	-	9,767	-	(9,767)	-	-
Prior Period Adjustment to Net Assets	-	-	383,092	406,958	383,092	406,958
Net Assets - Beginning	31,333,681	31,625,682	1,451,040	3,785,582	32,784,721	35,411,264
Net Assets - Ending	\$ 20,409,317	\$ 31,333,681	\$ 5,666,417	\$ 1,451,040	\$ 26,075,734	\$ 32,784,721

The largest revenue source is the State of Florida (94 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. Included in the FEFP funds is revenue the School receives for the full-time program. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts. The Florida Virtual School is a unique member of the FEFP in that revenues are only earned for students that successfully complete a course.

**THE FLORIDA VIRTUAL SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,224,152. The total unassigned fund balance represents 12 percent of total General Fund revenues, which is down over last year's unassigned fund balance of \$18,461,758 or 17 percent of total General Fund revenues. The School does not have the ability to draw cash in the event of an emergency from other funds, such as capital, or to borrow funds from outside sources so it is necessary to maintain a higher than standard fund balance.

General Fund Budgetary Highlights

The actual General Fund revenues exceed the adjusted budgeted revenues by \$2,433,185. The actual General Fund expenditures were less than the adjusted budgeted appropriations by \$9,672,517 due to several unfilled job opportunities as well as projects that were not completed.

Capital Asset Administration

Capital Assets

The School's investment in capital assets as of June 30, 2012, amounts to \$8,345,803 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment; computer software; and courses. The total decrease in the School's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$4,295,820.

- The largest single reason for the decrease in the School's capital assets was the write-off of the Blackboard Learning Management System in the amount of \$3,606,773 (net of accumulated amortization).

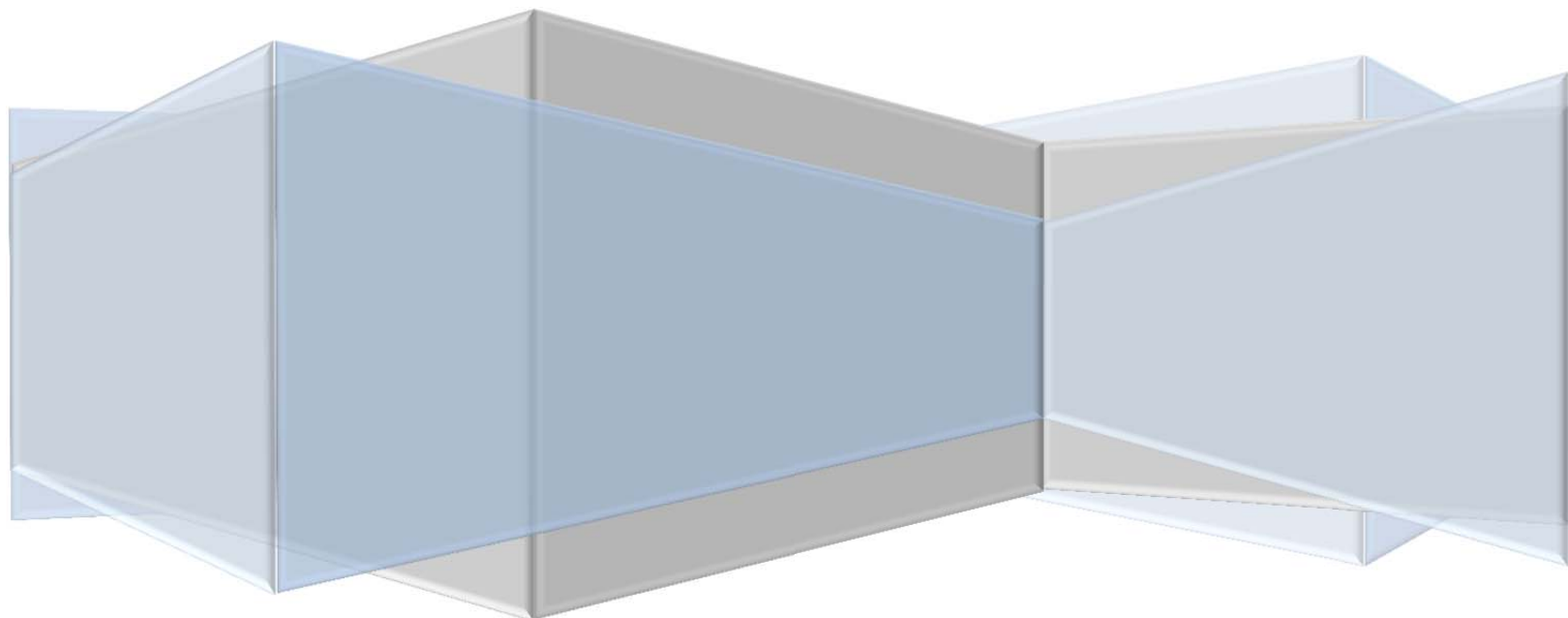
Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Henry Boekhoff, Chief Financial Officer, The Florida Virtual School, 2145 MetroCenter Blvd, Suite 200, Orlando, Florida, 32835, 407-513-3320, hboekhoff@flvs.net.



Basic Financial Statements

Annual Financial Report 2012



**The Florida Virtual School
Statement of Net Assets
June 30, 2012**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 15,165,746	\$ 6,518,304	\$ 21,684,050
Investments	17,982,679	-	17,982,679
Accounts Receivable	1,158,958	5,681,752	6,840,710
Due from Other Funds	76,446	166,486	242,932
Due from Other Agencies	1,353,447	740	1,354,187
Capital Assets:			
Depreciable (Net)	8,345,803	-	8,345,803
TOTAL ASSETS	\$ 44,083,079	\$ 12,367,282	\$ 56,450,361
LIABILITIES			
Wages and Benefits Payable	\$ 5,640,278	\$ 225,996	\$ 5,866,274
Accounts Payable	5,182,414	6,110,206	11,292,620
Due to Other Agencies	27,484	-	27,484
Due to Other Funds	163,017	79,915	242,932
Long-Term Liabilities:			
Portion Due and Payable Within One Year:			
Liability for Compensated Absences	913,296	23,658	936,954
Estimated Insurance Claims Payable	1,108,914	-	1,108,914
Portion Due and Payable After One Year:			
Liability for Compensated Absences	6,861,575	261,090	7,122,665
Liability for Other Post Employment Benefits	3,776,784	-	3,776,784
Total Liabilities	23,673,762	6,700,865	30,374,627
NET ASSETS			
Invested in Capital Assets	8,345,803	-	8,345,803
Restricted for State Categoryals	3,903,842	-	3,903,842
Unrestricted	8,159,672	5,666,417	13,826,089
Total Net Assets	20,409,317	5,666,417	26,075,734
TOTAL LIABILITIES AND NET ASSETS	\$ 44,083,079	\$ 12,367,282	\$ 56,450,361

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

**The Florida Virtual School
Statement of Activities
For the Fiscal Year Ended June 30, 2012**

FUNCTIONS/ PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	
Governmental Activities:							
Instruction	\$ 81,815,096	\$	\$	\$	(81,815,096)	\$	\$ (81,815,096)
Pupil Personnel Services	3,295,674				(3,295,674)		(3,295,674)
Instruction and Curriculum Development Services	5,933,877	92,466			(5,841,411)		(5,841,411)
Instructional Staff Training Services	3,536,057				(3,536,057)		(3,536,057)
Instructional Related Technology	5,676,083				(5,676,083)		(5,676,083)
Board	693,904				(693,904)		(693,904)
General Administration	2,880,426				(2,880,426)		(2,880,426)
School Administration	6,173,565				(6,173,565)		(6,173,565)
Fiscal Services	1,698,463				(1,698,463)		(1,698,463)
Central Services	7,627,503				(7,627,503)		(7,627,503)
Operation of Plant	2,070,998				(2,070,998)		(2,070,998)
Administrative Technology Services	8,777,032				(8,777,032)		(8,777,032)
Community Services	2,183				(2,183)		(2,183)
*Unallocated Depreciation/Amortization Expense	775,202				(775,202)		(775,202)
Loss on Disposal of Capital Asset	3,553,889				(3,553,889)		(3,553,889)
Total Governmental Activities	134,509,952	92,466			(134,417,486)		(134,417,486)
Business-type Activities:							
Global Services & Franchises	22,501,138	23,177,491				676,353	676,353
Total Primary Government	\$ 157,011,090	\$ 23,269,957	\$	\$	\$ (134,417,486)	\$ 676,353	\$ (133,741,133)
General Revenues:							
Grants and Contributions Not Restricted to Specific Programs					121,776,930	-	121,776,930
Unrestricted Investment Earnings					66,778	2,610	69,388
Miscellaneous					1,649,414	3,153,322	4,802,736
Total General Revenues					123,493,122	3,155,932	126,649,054
Change in Net Assets					(10,924,364)	3,832,285	(7,092,079)
Net Assets - July 1, 2011					31,333,681	1,451,040	32,784,721
Prior Period Adj to Net Assets					-	383,092	383,092
Net Assets - June 30, 2012					\$ 20,409,317	\$ 5,666,417	\$ 26,075,734

*This amount excludes the depreciation/amortization that is included in the direct expenses of the instruction function.
The accompanying notes to the basic financial statements are an integral part of this statement.

**The Florida Virtual School
Balance Sheet
Governmental Funds
June 30, 2012**

	General Fund	Education Jobs Common Core Federal Funds	Total Governmental Funds
ASSETS			
Cash	\$ 9,564,884	\$ -	\$ 9,564,884
Investments	17,982,679	-	17,982,679
Accounts Receivable	19,314	-	19,314
Due from Other Agencies	1,362,295	3,494	1,365,789
Due from Other Funds	79,940	-	79,940
Total Assets	\$ 29,009,112	\$ 3,494	\$ 29,012,606
LIABILITIES AND FUND BALANCE			
Liabilities:			
Salaries, Benefits, and Payroll Taxes Payable	\$ 5,640,278	\$ -	\$ 5,640,278
Accounts Payable	3,480,700	-	3,480,700
Due to Other Funds	96,580	3,494	100,074
Due to Other Agencies	27,484	-	27,484
Total Liabilities	9,245,042	3,494	9,248,536
Fund Balances:			
Non-Spendable:			
Spendable:			
Restricted for State Categoricals	3,903,842	-	3,903,842
Assigned for Encumbrances	1,636,076	-	1,636,076
Unassigned	14,224,152	-	14,224,152
Total Fund Balance	19,764,070	-	19,764,070
TOTAL LIABILITIES AND FUND BALANCE	\$ 29,009,112	\$ 3,494	\$ 29,012,606

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

**The Florida Virtual School
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 For the Fiscal Year Ended June 30, 2012**

Total Fund Balances - Governmental Funds	\$	19,764,070
 Amounts reported for <i>governmental activities</i> in the statement of net assets 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.		8,345,803
Compensated Absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(7,774,871)
Other Post Employment Benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(3,776,784)
Internal service funds are used by management to charge the costs of its self-insurance program. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		3,851,099
Net Assets - Governmental Activities	\$	20,409,317

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

**The Florida Virtual School
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2012**

	General Fund	Education Jobs Common Core Federal Funds	Total Governmental Funds
REVENUES			
Federal Direct Sources:			
Miscellaneous Federal Direct	\$ 319,875	\$ -	\$ 319,875
Total Federal Direct Sources	319,875	-	319,875
Federal Through State Sources:			
Other Federal Through State Sources (ARRA)	-	78,135	78,135
Total Federal Through State	-	78,135	78,135
State Sources:			
Florida Education Finance Program	117,367,668	-	117,367,668
Instructional Materials	2,939,953	-	2,939,953
District Discretionary Lottery Funds	69,716	-	69,716
Reading Program	1,001,583	-	1,001,583
Total State Sources	121,378,920	-	121,378,920
Local Sources:			
Other Local Sources	1,804,206	-	1,804,206
Total Local Sources	1,804,206	-	1,804,206
Total Revenues	123,503,001	78,135	123,581,136
EXPENDITURES			
Current:			
Instruction	77,448,531	74,641	77,523,172
Pupil Personnel Services	3,292,589	-	3,292,589
Instruction and Curriculum Development Services	5,972,163	-	5,972,163
Instructional Staff Training Services	3,394,828	-	3,394,828
Instruction Related Technology	5,726,206	-	5,726,206
School Board	680,041	-	680,041
General Administration	2,632,275	-	2,632,275
School Administration	5,908,581	-	5,908,581
Fiscal Services	1,704,795	-	1,704,795
Central Services	7,493,134	3,494	7,496,628
Operation of Plant	2,085,708	-	2,085,708
Administrative Technology Services	8,832,293	-	8,832,293
Community Services	2,198	-	2,198
Capital Outlay:			
Other Capital Outlay	4,074,706	-	4,074,706
Total Expenditures	129,248,048	78,135	129,326,183
Deficit of Revenues Over Expenditures	(5,745,047)	-	(5,745,047)
Net Change in Fund Balance	(5,745,047)	-	(5,745,047)
Fund Balance, July 1, 2011	25,509,117	-	25,509,117
Fund Balance, June 30, 2012	\$ 19,764,070	\$ -	\$ 19,764,070

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

**The Florida Virtual School
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012**

Net Change in Fund Balances - Governmental Funds	\$ (5,745,047)
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays, \$4,074,706 less than depreciation/amortization expense, (\$4,763,753) in the current period.	(689,047)
Capital Assets of \$3,787,367, net of accumulated amortization of \$233,478 were disposed of this year so the loss on the disposal is subtracted because the capital assets were reported as expenditures in prior years in the governmental funds.	(3,553,889)
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.	(1,847,497)
Other Post Employment Benefits (OPEB) costs are recorded in government funds under the pay-as-you-go method, but under the full accrual method for government-wide statements.	(1,279,910)
Internal service funds are used by management to charge the cost of certain activities, such as insurance to individual funds. The net revenue of internal service funds is reported with governmental activities plus the depreciation reported above.	2,191,026
Change in Net Assets - Governmental Activities	<u>\$ (10,924,364)</u>

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

**The Florida Virtual School
Statement of Net Assets
Proprietary Fund
June 30, 2012**

		Governmental Activities Self-Insurance Fund
Assets		
Current Assets:		
Cash	\$	5,600,862
Accounts Receivable		1,139,644
Total Assets	\$	6,740,506
Liabilities		
Current Liabilities:		
Accounts Payable	\$	1,701,715
Due to other Funds		78,778
Est Unpaid Claims - Self Insurance		1,108,914
Total Liabilities		2,889,407
Net Assets		
Unrestricted		3,851,099
Total Net Assets		3,851,099
 Total Liabilities and Net Assets	 \$	 6,740,506

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

**The Florida Virtual School
Statement of Revenues, Expenditures and
Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities Self-Insurance Fund
OPERATING REVENUES	
Premium Revenues	\$ 13,401,085
Total Operating Revenue	13,401,085
OPERATING EXPENSES	
Other Expenses	11,214,511
Total Operating Expenses	11,214,511
Operating Income (Loss)	2,186,574
NONOPERATING REVENUES	
Interest	4,452
Income (Loss)	2,191,026
Changes in Net Assets	2,191,026
Net Assets - July 1, 2011	1,660,073
Net Assets - June 30, 2012	\$ 3,851,099

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

**The Florida Virtual School
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2012**

	Governmental Activities Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 13,286,792
Payments to Suppliers of Goods and Services	(11,618,876)
Net Cash Provided (Used) by Operating Activities	1,667,916
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	4,452
Net Cash Provided (Used) by Investing Activities	4,452
Net Change in Cash	1,672,368
Cash at Beginning of Year	3,928,494
Cash at End of Year	\$ 5,600,862
 Reconciliation of Operating Income to Net Cash Provided by operating activities:	
Operating Income (Loss)	\$ 2,186,574
Change in Assets and Liabilities	
(Decrease) Increase in Accounts Receivable	(114,293)
Increase (Decrease) in Accounts Payable	(565,159)
Increase (Decrease) in Est Unpaid Claims	(204,647)
Increase (Decrease) in Due to Other funds	365,441
Total adjustments	(518,658)
Net Cash Provided (Used) by Operating Activities	\$ 1,667,916

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

**The Florida Virtual School
Statement of Net Assets
Proprietary Funds
June 30, 2012**

	Business-type Activities FLVS Full-time Fund	Business-type Activities Other Enterprise Funds 1	Business-type Activities Total Funds
Assets			
Current Assets:			
Cash	\$ 4,425,536	\$ 2,092,768	\$ 6,518,304
Accounts Receivable	759,143	4,922,609	5,681,752
Due from Other Funds	-	166,486	166,486
Due from Other Agencies	740	-	740
Capital Assets:			
Depreciable (net)	-	-	-
Total Assets	\$ 5,185,419	\$ 7,181,863	\$ 12,367,282
Liabilities			
Current Liabilities:			
Wages and Benefits Payable	\$ 143,392	\$ 82,604	\$ 225,996
Accounts Payable	5,483,167	627,039	6,110,206
Liability for Compensated Absences	613	23,045	23,658
Due to Other Funds	-	79,915	79,915
Total Current Liabilities	5,627,172	812,603	6,439,775
Long Term Liabilities:			
Liability for Compensated Absences	37,717	223,373	261,090
Total Liabilities	5,664,889	1,035,976	6,700,865
Net Assets			
Invested in Capital Assets	-	-	-
Unrestricted	(479,470)	6,145,887	5,666,417
Total Net Assets	(479,470)	6,145,887	5,666,417
Total Liabilities and Net Assets	\$ 5,185,419	\$ 7,181,863	\$ 12,367,282

¹ Other enterprise funds include global services fund, global school fund, development fund, school store fund, hospitality fund, and franchise fund.

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

The Florida Virtual School
Statement of Revenues, Expenditures and
Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012

	Business-type Activities FLVS Full-time Fund	Business-type Activities Other Enterprise Funds 1	Business-type Activities Total Funds
OPERATING REVENUES			
Charges for Sales or Services	\$ 15,979,998	\$ 7,197,493	\$ 23,177,491
Miscellaneous Revenues	-	3,153,322	3,153,322
Total Operating Revenue	15,979,998	10,350,815	26,330,813
OPERATING EXPENSES			
Salaries	2,018,643	2,522,245	4,540,888
Employee Benefits	598,299	604,017	1,202,316
Purchased Services	12,428,358	2,988,057	15,416,415
Materials and Supplies	4,141	93,132	97,273
Capital Outlay	-	3,077	3,077
Other Expenses	574,747	613,538	1,188,285
Loss on Disposal of Assets	-	52,884	52,884
Total Operating Expenses	15,624,188	6,876,950	22,501,138
Operating Income (Loss)	355,810	3,473,865	3,829,675
NONOPERATING REVENUES			
Interest	-	2,610	2,610
Income (Loss) Before Operating Transfers	355,810	3,476,475	3,832,285
Transfers In	-	650	650
Transfers Out	-	650	650
Changes in Net Assets	355,810	3,476,475	3,832,285
Net Assets - July 1, 2011	(1,218,372)	2,669,412	1,451,040
Prior Period Adjustment to Net Assets	383,092	-	383,092
Net Assets - June 30, 2012	\$ (479,470)	\$ 6,145,887	\$ 5,666,417

¹ Other enterprise funds include global services fund, global school fund, development fund, school store fund, hospitality fund, and franchise fund.

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

**The Florida Virtual School
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012**

	Business-type Activities FLVS Full-time Fund	Business-type Activities Other Enterprise Funds 1	Business-type Activities Total Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 16,389,204	\$ 6,864,103	\$ 23,253,307
Payments to Suppliers of Goods and Services	(10,157,754)	(4,476,152)	(14,633,906)
Payments to Employees	(2,675,440)	(3,223,889)	(5,899,329)
Net Cash Provided (Used) by Operating Activities	3,556,010	(835,938)	2,720,072
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from Other Funds	-	650	650
Payments to Other Funds	-	(650)	(650)
Net Cash Provided (Used) by noncapital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Capital Assets	-	52,884	52,884
Interest on Investments	-	2,610	2,610
Net Cash Provided (Used) by Investing Activities	-	55,494	55,494
Net Change in Cash	3,556,010	(780,444)	2,775,566
Cash at Beginning of Year	869,526	2,873,212	3,742,738
Cash at End of Year	\$ 4,425,536	\$ 2,092,768	\$ 6,518,304
Reconciliation of Operating Income to Net Cash Provided by operating activities:			
Operating Income (Loss)	\$ 355,810	\$ 3,473,865	\$ 3,829,675
Change in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	409,206	(3,486,712)	(3,077,506)
Increase (Decrease) in Accounts Payable	2,850,231	(533,503)	2,316,728
Increase (Decrease) in Salaries and Benefits Payable	60,719	(121,375)	(60,656)
Increase (Decrease) in Compensated Absence Payable	(119,216)	23,748	(95,468)
Increase (Decrease) in Due to Other funds	(740)	(191,961)	(192,701)
Total adjustments	3,200,200	(4,309,803)	(1,109,603)
Net Cash Provided (Used) by Operating Activities	\$ 3,556,010	\$ (835,938)	\$ 2,720,072

¹ Other enterprise funds include global services fund, global school fund, development fund, school store fund, hospitality fund, and franchise fund.

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

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Florida Virtual School (the School) was established by an act of the Florida Legislature, as specified under Title XLVIII, Chapter 1002, Section 1002.37, Florida Statutes, to develop and deliver online and distance learning education. The School initiated online activities in August 1997 in partnership with the School Board of Alachua County and Orange County Public Schools with the name of Florida Online High School. As a result of legislative activity in 2001, the Florida Online High School changed its name to The Florida Virtual School and ended its partnership with the School Board of Alachua and Orange County Public Schools.

The School is governed by a board of trustees consisting of seven members appointed by the Governor. Members have experience working in a variety of fields such as education, business and government. The board of trustees is required to meet a minimum of four times each year. The board members and the President who served during the 2011-12 fiscal year are shown in the following tabulation:

Board Member	County
Mr. Robert C. Muni, Chair	Alachua
Lady Dhyana Ziegler, Ph.D	Leon
Ms. Suzanne O. Martin	Leon
Ms. Deborah Jallad	Orange
Ms. Tammie Nemecek	Collier
Mr. Brian Cunningham	Broward
Ms. Linda Pellegrini	Orange

Julie E. Young, President, Chief Executive Officer

Criteria for determining if other entities are potential component units of the School which should be reported with the School's 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 provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole. These statements include the non-fiduciary financial activity of the primary government. The statements distinguish between governmental activities of the School and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities and for each segment

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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. 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 or business segment is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental and proprietary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with the governmental fund financial statements.

The School 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 Fund - to account for proceeds received through the Education Jobs Fund.

Additionally, the School reports the following proprietary fund types:

- Internal Service Fund – to account for the self insurance activities.
- Enterprise Funds – to account for the activities of FLVS Full-Time, Development, Global Services, Global School, and Franchises.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues from the Enterprise Fund are recognized at the gross value earned. Commissions related to the sales are recorded as an expense. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from non-operating 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 and expenses of the School's proprietary funds relate to the sales and services provided by FLVS Full-Time, Development, Global Services, Global School, and Franchises. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts and investments.

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investments guidelines established by Section 215.47, Florida Statutes. The School's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost. The School's investment in the Fund B Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a Fair Value factor of 0.83481105 at June 30, 2012. The dollar value as of June 30, 2012 is \$190,483.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School 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 assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$1,000. 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.

Interest costs incurred during the construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Internally generated software, such as coursework for the School, is recognized as an intangible asset. Expenditures relating to the creation of intangible assets are capitalized and reported at cost in the government-wide statement of net assets but are reported as expenditures in the governmental fund financial statements. An intangible asset is recognized in the statement of net assets only if it is considered identifiable.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	3 years
Internally Generated Courses & Purchased Software	4 years

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

➤ **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 assets.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the School 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 School. The School is permitted to amend its original reporting based on the DOE Schedule of FTE Amendments. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School'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 categorical 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 categorical educational programs. The Department generally requires that categorical 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 educational program resources.

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

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

2. 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 meetings 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 function (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School 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 and other commitments, such as construction contracts, are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the School to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

The School's investment policy provides that an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. The policy limits current short-term fund investments to a maximum of twelve (12) months, and investments of core funds shall have a term appropriate to the need for monies and in accordance with debt covenants, but not to exceed two (2) years.

Investments with a fair value of \$17,792,195 at June 30, 2012, are in the State Board of Administration investment pool with a weighted average maturity (WAM) of 38 days. A portfolio's WAMP reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The School's investment in Florida PRIME is rated AAAM by Standard and Poor's. Investments with a fair value of \$190,483 at June 30, 2012, are in the State Board of Administration Fund B Surplus Funds Trust Fund with a weighted average life (WAL) of 5.73 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2012. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL. The School's investment in the Fund B Surplus Funds Trust Fund is unrated.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Third-Party Custodial Agreements

Securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the School should be properly designated as an asset of the School. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in F.S. 658.12 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 the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Chief Financial Officer and which authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, shall be made from safekeeping unless authorized by such a duly authorized person.

The custodian shall provide the Deputy CFO with safekeeping receipts that provide detail information on the securities held by the custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Balance 7-1-11	Additions	Deletions	Balance 6-30-12
GOVERNMENTAL ACTIVITIES:				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 4,724,648	\$ 568,488	\$ 727,142	\$ 4,565,994
Less Accumulated Depreciation	3,589,624	775,202	727,142	3,637,684
Total Furniture, Fixtures, and Equipment	<u>1,135,024</u>	<u>(206,714)</u>	<u>-</u>	<u>928,310</u>
Capital Software - LMS	3,787,367	-	3,787,367	-
Less Accumulated Amortization	233,478	-	233,478	-
Total Capital Software - LMS	<u>3,553,889</u>	<u>-</u>	<u>3,553,889</u>	<u>-</u>
Internally Created Software	12,485,643	3,506,218	-	15,991,861
Less Accumulated Amortization	4,585,817	3,988,551	-	8,574,368
Total Internally Created Software	<u>7,899,826</u>	<u>(482,333)</u>	<u>-</u>	<u>7,417,493</u>
BUSINESS-TYPE ACTIVITIES				
Capital Software - LMS	52,884	-	52,884	-
Less Accumulated Amortization	-	-	-	-
Total Capital Software - LMS	<u>52,884</u>	<u>-</u>	<u>52,884</u>	<u>-</u>
TOTAL GOV'T & BUSINESS-TYPE CAPITAL ASSETS, NET	<u>\$ 12,641,623</u>	<u>\$ (689,047)</u>	<u>\$ 3,606,773</u>	<u>\$ 8,345,803</u>

Depreciation/Amortization expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 3,988,551
Unallocated	775,202
Total Depreciation/Amortization-Governmental Activities	<u>\$ 4,763,753</u>

5. OPERATING LEASES

The School is obligated under a lease agreement for office facilities. Monthly lease payments are \$105,668 increasing three percent each year. The total amount of payments for fiscal year ending June 30, 2012 is \$1,330,489.

Annual remaining rent payments are shown in the table below:

<u>Fiscal Year Ending June 30</u>	<u>Payment</u>
2013	\$ 1,400,131
2014	1,452,243
2015	868,758
	<u>\$ 3,721,133</u>

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance	Additions	Reductions	Balance	Due in
	7-1-11			6-30-12	One Year
Governmental Activities	\$ 5,927,374	\$ 2,929,157	\$ 1,081,660	\$ 7,774,871	\$ 913,296
Business-Type Activities	380,216	-	95,468	284,748	23,658
Compensated Absences Payable	6,307,590	2,929,157	1,177,128	8,059,619	936,954
Estimated Insurance Claims Payable	1,313,561	1,108,914	1,313,561	1,108,914	1,108,914
Other Post Employment Benefits	2,496,874	1,279,910	-	3,776,784	-
Total	<u>\$ 10,118,025</u>	<u>\$ 5,317,981</u>	<u>\$ 2,490,689</u>	<u>\$ 12,945,317</u>	<u>\$ 2,045,868</u>

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

7. 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.

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables reported in the fund financial statements at June 30, 2012:

Funds	Interfund	
	Receivables	Payables
	Due From	Due To
Major Funds		
General	\$ 76,446	\$ 163,017
Nonmajor Governmental Funds		
Business-type Activities	166,486	79,915
Total	<u>\$ 242,932</u>	<u>\$ 242,932</u>

The interfund receivables and payables represent the payments of expenditures by one fund for another fund and will be repaid within 12 months.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

The following is a summary of interfund transfers reported in the fund financial statements at June 30, 2012:

Funds	Interfund	
	Transfers In	Tranfers Out
Proprietary Funds		
Global Services - Development		650
Hospitality Fund	650	
Total	\$ 650	\$ 650

The interfund transfers represent the payment of expenditures by one fund to another fund. The transfers were from Global Services, Development Fund to the Hospitality Fund to pay for miscellaneous hosting expenditures.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue for the General Fund for the 2011-12 fiscal year:

Source	2011-12
Florida Education Finance Program	\$ 117,367,668
Other State Sources:	
Instructional Materials	2,939,953
Discretionary Lottery Funds	69,716
Reading Program	1,001,583
Total Other State Sources	4,011,252
Total State Revenues	\$ 121,378,920

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

10. STATE RETIREMENT PROGRAM

All regular employees of the School are covered by the 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. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. The FRS is a single retirement system administered by the Division of Retirement, Department of Management Services, 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 Public Employee Optional Retirement Program (PEORP).

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Benefits in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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, and 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 PEORP in lieu of the Plan. School employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 495 School participants during the 2011-12 fiscal year. Required contributions made to PEORP totaled \$1,001,677.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of the FRS. During the 2011-12 fiscal year, contribution rates were as follows:

	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes or Plans	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) In addition to the rates shown, employer rates include 1.11 percent for the post-employment health insurance supplement. 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 in which reemployed.

The School'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 School. The School's contributions for the fiscal years ended June 30, 2010, June 30, 2011 and June 30, 2012, totaled \$5,979,280, \$7,537,689, and \$3,733,734 respectively, which were equal to the required contributions for each fiscal year.

The financial statements and the required supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information is available from the Florida Department of Management Services, Division of Retirement.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

11. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Florida Virtual School is a member of the North East Florida Educational Consortium (NEFEC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, and other coverage deemed necessary by the members of the Consortium. However, workers' compensation for employees who reside in states other than Florida is provided through fully insured plans that are not part of NEFEC. Section 1001.42(10)(k), Florida Statutes, provides the authority for the School to enter in such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess property coverage of up to \$50 million during the 2011-12 fiscal year. The Board of Directors of the Consortium is composed of superintendents of all participating districts and schools. The Putnam County District School Board serves as fiscal agent for the Consortium.

The School provides both group health and life insurance to benefited employees. There are two health plans offered, one is a health maintenance organization (HMO) plan and the other is a preferred provider organization (PPO) plan. Under these plans, the Board contributes premiums as fringe benefits to employees. These plans provide for maximum premiums based on the number of participants which includes employee, employee plus spouse, employee plus dependent and family coverages. The two plans are administered by Blue Cross Blue Shield of Florida. The School reported an estimated unpaid claims liability of \$1,108,914.

12. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. Pursuant to the provision of the Section 112.0801, Florida Statutes, former employees who retire from the School, and eligible dependents, may continue to participate in the School's health and hospitalization plan for medical and prescription coverages. The School subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at the blended group premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the School on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The rates by retirees eligible for Medicare are reduced by the Medicare premium. Separate stand-alone financial statements for the plan are not prepared.

Funding Policy. The School funds the postemployment benefit on a pay-as-you-go basis. For fiscal year 2011-12, 10 retirees received health care benefits. The School provided required contributions estimated at \$74,428 toward the annual Other Post Employment Benefits ("OPEB") cost, comprised of benefit payments made on behalf of retirees net of retiree contributions.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

Annual OPEB Cost and Net OPEB Obligations. The following table shows the School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	\$ 908,980
Amortization of Unfunded Actuarial Accrued Liability	434,657
Interest on Normal Cost and Amortization	-
Annual Required Contribution (ARC)	1,343,637
Interest on Net OPEB Obligation (NOO)	99,875
Adjustment to Annual Required Contribution	(89,174)
Annual OPEB Cost (Expense)	1,354,338
Estimated Contribution Toward the OPEB Cost	(74,428)
Increase in Net OPEB Obligation	1,279,910
Net OPEB Obligation, Beginning of Year	2,496,874
Net OPEB Obligation, End of Year	<u>\$ 3,776,784</u>

The School's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, was as follows:

Fiscal Year Ended	Annual OPEB Cost	Estimated Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 660,457	\$ 3,157	0.48%	\$ 1,276,664
June 30, 2011	\$ 1,272,916	\$ 52,706	4.14%	\$ 2,496,874
June 30, 2012	\$ 1,354,338	\$ 74,428	5.50%	\$ 3,776,784

Funded Status and Funding Progress. As of June 30, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$11,475,086, and the actuarial value of assets was \$0, resulting in an unfunded actuarial liability of \$11,475,086 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$73,853,389 for the 2010-2011 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.54 percent.

**THE FLORIDA VIRTUAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

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 the healthcare cost trends. Amounts determined regarding the funded status of the 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 schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Actuarial Methods and Assumptions. Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis.

The School's OPEB actuarial valuation as of June 30, 2012, used the Entry Age actuarial method with amortization on a level percentage basis, to estimate the unfunded and funded actuarial liability as of June 30, 2012 and to estimate the School's 2011-2012 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent discount rate, compounded annually. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and projected salary increases of 4.5% through 9.75%. The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll on a closed basis. The remaining amortization period at June 30, 2012, is 27 years.

13. PRIOR PERIOD ADJUSTMENT

The financial statements as of June 30, 2011, contained the following error: 1) overstatement of expenses relating to the full-time fund in the amount of \$383,092. Beginning net assets of the Proprietary Fund have been increased to correct the effect of the error.

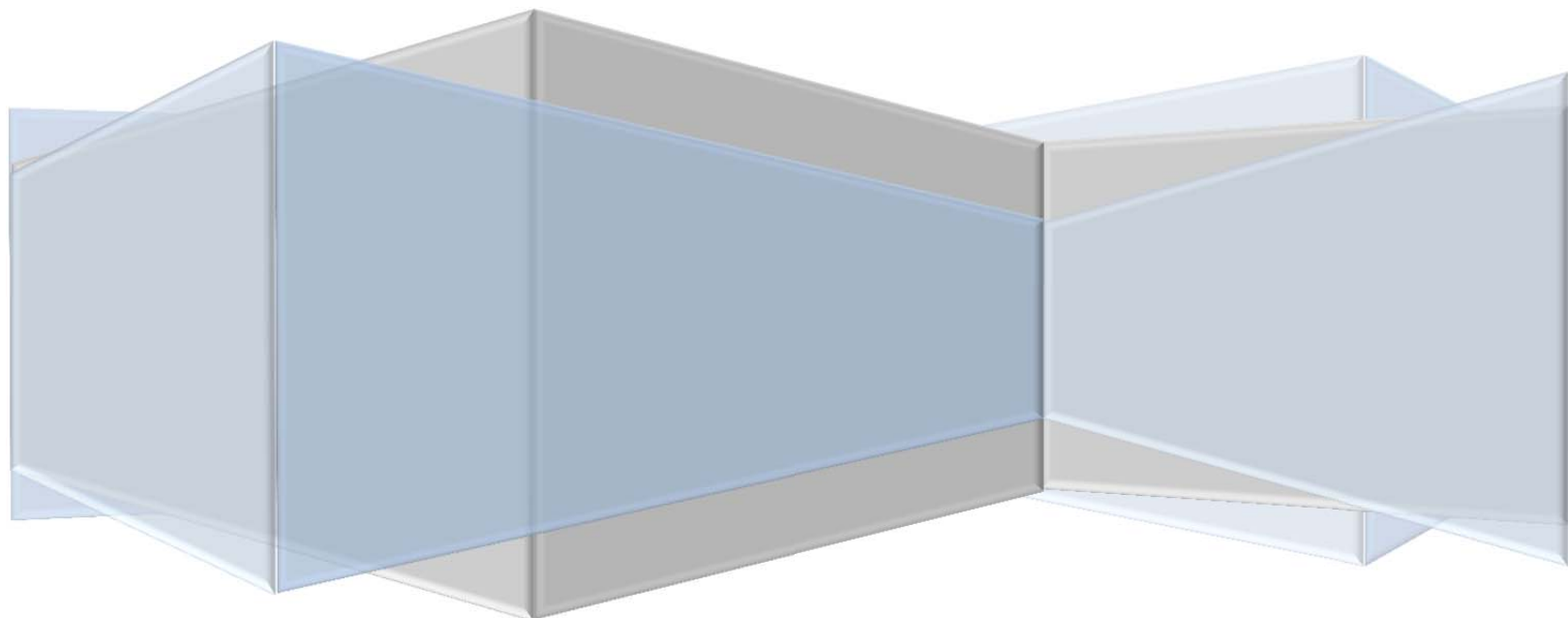
14. LITIGATION

From time to time, the School may be involved in litigation. Currently, the School is not aware of any pending or threatened legal actions that would have a material effect on the financial statements.



Required Supplementary Information

Annual Financial Report 2012



**THE FLORIDA VIRTUAL SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012**

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance Positive / (Negative)
	Original	Final		(Negative)
REVENUES				
Federal Direct Sources:				
Miscellaneous Federal Direct	\$ -	\$ 412,073	\$ 319,875	\$ (92,198)
Total Federal Direct Sources	-	412,073	319,875	(92,198)
State Sources:				
Florida Education Finance Program	115,569,842	115,569,842	117,367,668	1,797,826
Instructional Materials	2,540,497	2,540,497	2,939,953	399,456
District Discretionary Lottery Funds	67,769	67,769	69,716	1,947
Reading Program	918,723	918,723	1,001,583	82,860
Total State Sources	119,096,831	119,096,831	121,378,920	2,282,089
Local Sources:				
Other Local Sources	1,151,723	1,560,912	1,804,206	243,294
Total Local Sources	1,151,723	1,560,912	1,804,206	243,294
Total Revenues	120,248,554	121,069,816	123,503,001	2,433,185
EXPENDITURES				
Current:				
Instruction	77,115,030	77,547,335	77,448,531	98,804
Pupil Personnel Services	649,593	666,132	3,292,589	(2,626,457)
Instruction and Curriculum Development Services	9,987,569	7,329,468	5,972,163	1,357,305
Instructional Staff Training Services	4,457,341	4,949,830	3,394,828	1,555,002
Instruction Related Technology	5,862,173	5,890,010	5,726,206	163,804
Board	520,293	579,199	680,041	(100,842)
General Administration	2,404,798	2,409,781	2,632,275	(222,494)
School Administration	9,495,777	10,388,403	5,908,581	4,479,822
Fiscal Services	2,808,375	4,724,948	1,704,795	3,020,153
Central Services	11,504,236	8,513,026	7,493,134	1,019,892
Operation of Plant	1,839,615	2,088,030	2,085,708	2,322
Administrative Technology Services	9,430,965	9,713,193	8,832,293	880,900
Community Services	78,960	46,504	2,198	44,306
Capital Outlay:				
Other Capital Outlay	-	4,074,706	4,074,706	-
Total Expenditures	136,154,725	138,920,565	129,248,048	9,672,517
Net Change in Fund Balance	(15,906,171)	(17,850,749)	(5,745,047)	12,105,702
Fund Balance, July 1, 2011	25,481,541	25,509,117	25,509,117	-
Fund Balance, June 30, 2012	\$ 9,575,370	\$ 7,658,368	\$ 19,764,070	\$ 12,105,702

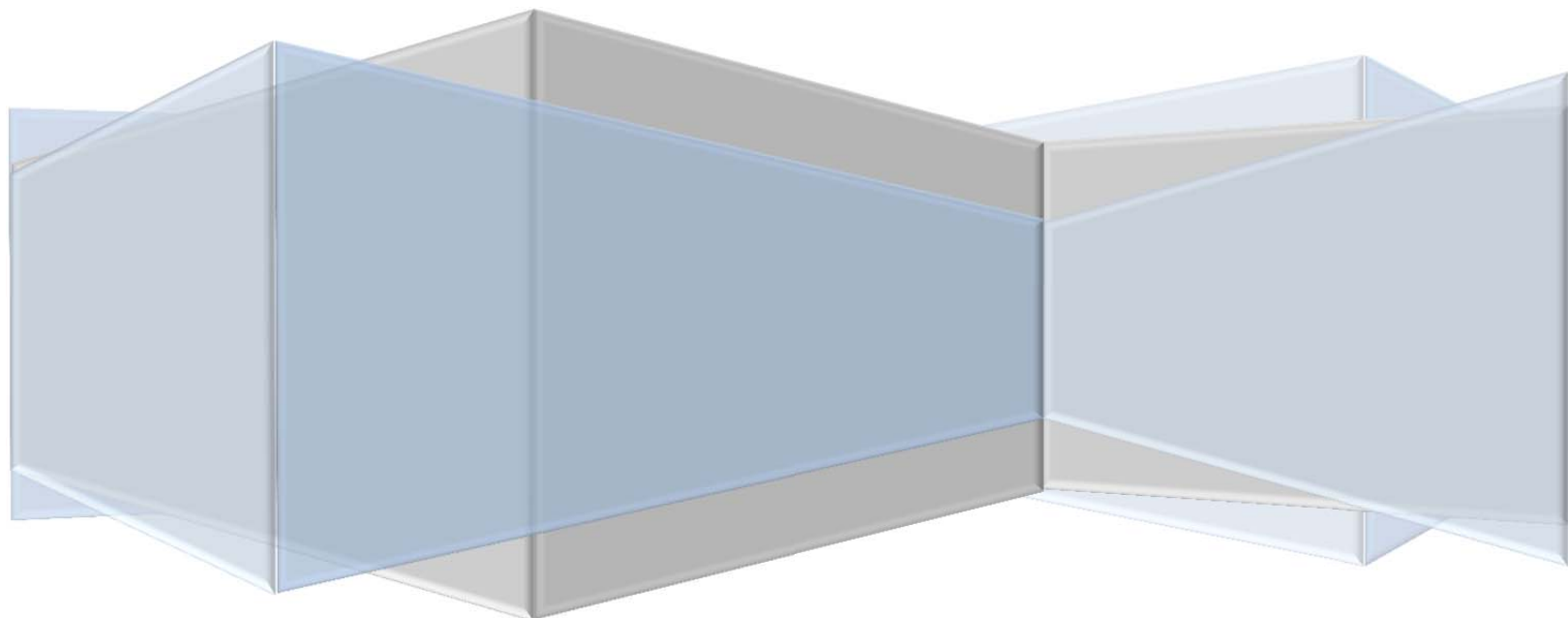
**THE FLORIDA VIRTUAL SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
For the Fiscal Year Ended June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2010	\$ -	\$ 5,436,618	\$ 5,436,618	0.00%	\$ 40,581,732	13.40%
June 30, 2011	\$ -	\$ 11,475,086	\$ 11,475,086	0.00%	\$ 73,853,389	15.54%
June 30, 2012	\$ -	\$ 11,475,086	\$ 11,475,086	0.00%	\$ 73,853,389	15.54%



Other Reports

Annual Financial Report 2012



**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**

To the Board of Trustees
The Florida Virtual School
Orlando, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Florida Virtual School, as of and for the year ended June 30, 2012, which collectively comprise The Florida Virtual School's basic financial statements and have issued our report thereon dated January 29, 2013. 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.

Internal Control Over Financial Reporting

Management of The Florida Virtual School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Florida Virtual School's internal control over financial reporting as a basis for designing our auditing procedures 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 Florida Virtual School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Florida Virtual School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the following weaknesses described in the accompanying Schedule of Findings and Responses to be material weaknesses: 2012-1, 2012-2, and 2012-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Florida Virtual School'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*.

The Florida Virtual School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit The Florida Virtual School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
January 29, 2013

THE FLORIDA VIRTUAL SCHOOL
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND RESPONSES
YEAR ENDED JUNE 30, 2012

Material Weaknesses

2012-1 Prior Period Adjustment

Condition: The financial statements for The Florida Virtual School (the "School") include a prior period adjustment that affects the year ended June 30, 2012. This adjustment is mainly due to correcting an overstatement of expenditures in the Full-Time fund.

Effect: The effect of the prior period adjustment is an increase in net assets of the proprietary fund for the business-type activities as of July 1, 2011 of \$383,092.

Cause of Condition: In the prior year, a year end adjustment was made to reduce an accounts receivable amount; however, the amount receivable was part of a flow through transaction and the corresponding payable was not decreased to reflect the adjustment. This resulted in an overstatement of expenses in the general ledger and in the basic financial statements for the year ended June 30, 2011.

Recommendation: We recommend that a reconciliation of the detail to the accounts payable control be made at the end of each month and that any reconciling items be investigated and cleared promptly.

Corrective Action Plan: A reconciliation of the accounts payable detail will be made at the end of each month to ensure that the liability is being cleared properly.

2012-2 Accounts Receivable

Condition: The accounts receivable detail required significant adjustments due to several issues, such as customer credits and write-offs which were not reflected in the year-end receivable balances, customer balances which had been paid, but not properly cleared from the receivable balances, and small invoices used to test the accounting system which had not been removed upon completion of the test.

Effect: The changes resulted in a decrease of accounts receivable and the related income accounts of approximately \$220,000 to properly reflect amounts given the situation described above.

Cause of Condition: The credits and write-offs had not been fully reviewed at the time of the audit. The customer balances which had been paid and still reflected as receivables were related, in one instance, to amounts which had been disputed and, once resolved, were re-billed without reversing the original billing. In the other instance, the amounts were paid to the School through a joint venture agreement so the recording of the billing directly between the customer and the School was erroneous. The remaining adjustments were due to test invoices not being removed from the accounting system in a timely fashion.

Recommendation: We recommend an evaluation of customer accounts subject to modifications and credits take place on a monthly basis and more often, as needed, for customers and revenue types which are at a higher risk of adjustment. In addition, we recommend the School periodically review customer balances for collectability and review the listing for reasonableness, taking into account agreements and terms of relationships with the party involved.

Corrective Action Plan: An evaluation of customer accounts will occur several times during the month to ensure customer balances are reasonable.

2012-3 Accounts Payable

Condition: During review of payments made to vendors subsequent to the year-end date, there were amounts noted which had been incurred prior to year-end and not properly accrued.

Effect: The changes resulted in an increase of accounts payable and the related expense accounts of approximately \$448,000 to properly reflect these amounts due.

Cause of Condition: In these instances, invoices and charges from prior to June were not properly classified as payables at year end.

Recommendation: We recommend procedures to review each invoice received by the School to determine the timing of when the respective expense was incurred and the need for an accrual to accounts payable.

Corrective Action Plan: The finance team will review the current process of the year-end accounts payable accrual to determine whether the cut-off date is reasonable.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To The Board of Trustees
The Florida Virtual School
Orlando, Florida

We have audited the financial statements of The Florida Virtual School, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated January 29, 2013.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated January 29, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.800, Rules of the Auditor General, which governs the conduct of district school board audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.
- Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that The Florida Virtual School complied with Section 218.415, Florida Statutes.
- Section 10.804(1)(f)4., 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 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contract or grant agreements, and fraud, illegal acts, 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 more than inconsequential. In connections with our audit, we did not have any such findings.

- Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations or provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connections with our audit, we did not have any such findings.
- Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the district school board 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 Florida Virtual School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor The Florida Virtual School's financial condition, and our financial condition assessment was based in part on representation made by management and the review of financial information provided by same.
- Section 10.804(1)(f)8., Rules of the Auditor General, requires the auditor to state whether or not the district school board complied with transparency requirements (Section 2, Specific Appropriation 116 through 130 of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their web sites to the Transparency Florida web site). In connection with our audit, we determined that The Florida Virtual School complied with transparency requirements.

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, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

CAM RIGGS & INGRAM LLC

Orlando, Florida
January 29, 2013