

**THE FOUNDATION FOR
OSCEOLA EDUCATION, INC.**

**Financial Statements
and
Supplemental Information**

Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc. (the "Foundation"), which is a component unit of the School District of Osceola County, Florida as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc., as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As described in Note N to the financial statements, in 2018, the Foundation adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Prior Period Adjustment

As discussed in Note N to the financial statements, the beginning net position has been reduced by \$362,190 as a result of the implementation of GASB 75. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-8 and 46-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018, on our consideration of the Foundation'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foundation for Osceola Education, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 25, 2018

Management's Discussion and Analysis

As management of the FOUNDATION FOR OSCEOLA EDUCATION, INC. (the "FOUNDATION"), which is a component unit of the School District of Osceola County, Florida, we offer readers of the FOUNDATION's financial statements this narrative overview and analysis of the financial activities of the FOUNDATION for the fiscal year ended June 30, 2018, to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the FOUNDATION's financial activities, (c) identify changes in the FOUNDATION's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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 basic financial statements found on page 9.

Financial Highlights

- The assets of the FOUNDATION exceeded its liabilities at the close of the most recent fiscal year by \$1,057,425, which is a decrease of \$1,090,647 from the prior year.
- As of the close of the current fiscal year, the FOUNDATION's governmental funds reported combined ending fund balances of \$7,976,751.
- At the end of the current fiscal year, unassigned fund surplus for the general fund was \$1,722,668 or 61 percent of total general fund expenditures, compared to 53 percent for the prior year.
- During the current fiscal year, total long term liabilities decreased by \$671,158.

Overview of the Financial Statements

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

Government-Wide Financial Analysis

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the FOUNDATION's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the FOUNDATION's health, such as changes in enrollment, changes in the state's funding of educational costs, and changes in the economy, etc, to assess the overall health of the FOUNDATION.

The FOUNDATION's total net positions were as follows at June 30. The 2017 amounts were retroactively adjusted for the implementation of GASB 75.

	Governmental Activities		
	2018	2017	Change
Current and other assets	\$ 11,038,294	\$ 11,037,217	\$ 1,077
Capital assets and other assets, net of accumulated depreciation	10,223,356	10,589,202	(365,846)
Total assets	<u>21,261,650</u>	<u>21,626,419</u>	<u>(364,769)</u>
Deferred outflows	<u>1,695,497</u>	<u>1,692,755</u>	<u>2,742</u>
Current and other liabilities	3,061,543	1,901,348	1,160,195
Net pension liability	5,108,312	5,045,963	62,349
Long term liabilities outstanding	<u>12,685,706</u>	<u>13,356,864</u>	<u>(671,158)</u>
Total liabilities	<u>20,855,561</u>	<u>20,304,175</u>	<u>551,386</u>
Deferred inflows	<u>1,044,161</u>	<u>866,927</u>	<u>177,234</u>
Invested in capital assets	(2,436,624)	(2,739,785)	303,161
Restricted	4,387,735	4,364,268	23,467
Unrestricted	<u>(893,686)</u>	<u>523,589</u>	<u>(1,417,275)</u>
Total net position	<u>\$ 1,057,425</u>	<u>\$ 2,148,072</u>	<u>\$ (1,090,647)</u>

Net position invested in capital assets increased primarily due to depreciation expense and bond payments made in the current fiscal year. The increase in current liabilities is attributed to increases in amounts due to sponsors. The increase in net pension liability and deferred outflows, and deferred inflows results from the adoption of GASB 75 regarding Other Postemployment Benefits. The decrease in unrestricted net position results primarily from a decrease in revenue while expenses increased due to an influx of students from Puerto Rico after the hurricanes. The students were not present during FTE counts during the year, therefore the schools received no funding for them.

The FOUNDATION's changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017, are as follows:

	Governmental Activities		
	2018	2017	Change
Revenues:			
Program revenues:			
Base funding	\$ 10,975,407	\$ 11,337,904	\$ (362,497)
Safe school	41,533	44,622	(3,089)
ESE guaranteed allocation	286,202	289,676	(3,474)
Supplemental academic instruction	545,040	557,099	(12,059)
Discretionay local WFTE	645,561	660,449	(14,888)
Reading programs	106,920	113,476	(6,556)
Class size reduction	2,803,194	2,956,822	(153,628)
Discretionary mileage	559,063	524,283	34,780
Discretionary lottery	4,306	42,677	(38,371)
Teacher classroom supply assistance program	20,862	-	20,862
Instructional materials allocation	217,988	207,182	10,806
Digital classroom allocation	57,705	61,543	(3,838)
Proration of available funds	(1,753)	(6,669)	4,916
Prior year funding adjustment	(11,731)	(17,110)	5,379
Prior year audit adjustment	(10,632)	(3,803)	(6,829)
Subtotal	<u>16,239,665</u>	<u>16,768,151</u>	<u>(528,486)</u>
Capital outlay distribution	583,884	823,338	(239,454)
Local capital improvement revenue	59,845	-	59,845
Title grant	411,031	290,115	120,916
21st Century Grant revenue	112,141	-	112,141
Teacher lead program	19,785	15,852	3,933
School recognition	129,796	-	129,796
Total	<u>17,556,147</u>	<u>17,897,456</u>	<u>(341,309)</u>
Grants	498,475	480,683	17,792
Contributions	1,651,977	1,782,309	(130,332)
Program services	9,500	69,750	(60,250)
Fundraising	446,134	438,111	8,023
Interest income	15,501	2,242	13,259
Other revenue	495,903	1,038,534	(542,631)
Total revenues	<u>20,673,637</u>	<u>21,709,085</u>	<u>(1,035,448)</u>
Expenses:			
Program expenses:			
Instruction	11,323,393	10,720,755	(602,638)
School administration	3,042,161	2,993,862	(48,299)
Facilities acquisition and construction	880,276	980,016	99,740
Operating of plant	3,136,082	3,120,458	(15,624)
Community services	2,941,792	3,138,304	196,512
Interest on long-term debt	440,580	460,722	20,142
Bond refinancing fees	-	12,030	12,030
Total expenses	<u>21,764,284</u>	<u>21,426,147</u>	<u>(338,137)</u>
Change in net position	<u>\$ (1,090,647)</u>	<u>\$ 282,938</u>	<u>\$ (1,373,585)</u>

The decrease in total revenue is directly attributable to a decrease in the number of students who are receiving The Florida Education Finance Program (FEFP) state and local charter school discretionary funding compared to the prior year.

The increase in total expenses is directly related to the increase in instruction due to an influx of students from Puerto Rico after the hurricanes. However, funds were not received for these students because they were not present during the FTE counts.

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

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

The statement of activities presents information showing how the FOUNDATION's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding, earned but unused vacation leave, and pensions).

Both of the government-wide financial statements distinguish functions of the FOUNDATION that are principally supported by school board, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the FOUNDATION include but are not limited to basic instruction, exceptional instruction, health services, media services, transportation and food services.

The government-wide financial statements include only the FOUNDATION itself, which includes operations of its three charter schools, Bellalago, Canoe Creek, and PM Wells.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund 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 FOUNDATION, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the FOUNDATION are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund

statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The FOUNDATION maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general, special revenue, debt service and capital projects funds.

The FOUNDATION adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of FOUNDATION, it had positive fund positions of \$1,057,425 at June 30, 2018, and \$2,148,072 at June 30, 2017.

Governmental activities. Governmental activities decreased FOUNDATION net position by \$1,090,647 for 2018, and increased net position by \$282,939 for 2017.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the FOUNDATION's governmental funds reported a combined ending fund surplus of \$7,976,751. Of this amount, \$1,722,668 constitutes unassigned fund surplus, which is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the FOUNDATION. At the end of the current fiscal year, the unassigned fund surplus of the general fund was \$1,722,668.

The fund balance of the FOUNDATION's general fund decreased by \$21,511 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenue exceeded original budgeted revenue by \$1,148,388 while actual expenditures exceeded original budgeted expenditures by \$1,183,777. In-kind donations of office supplies and volunteer services accounted for \$957,808 of the increase in both revenues and expenditures. Historically, the FOUNDATION has not budgeted for these noncash items. The Board of Directors has approved a motion to adjust the 2018 general fund budget to the actual 2018 general fund year end financials. Thus, the final approved general fund budget is equal to the general fund statements of revenues, expenditures, and changes in fund balances.

Capital Asset and Debt Administration

Capital assets. The FOUNDATION's investment in capital assets net of related debt for its governmental activities as of June 30, 2018, amounted to (\$2,436,624). This investment in capital assets includes buildings and fixed equipment, furniture, fixtures, and computer software.

Debt. At the end of the current fiscal year, the FOUNDATION had long-term obligations payable in the amount of \$12,515,000.

Economic Factors

State and federal funding which principally support the FOUNDATION are determined by the number of enrolled students. Enrollment for the 2017/2018 dropped in comparison to the 2016/2017 school year. The FOUNDATION expects to see increases in enrollment for the 2018/2019 school year.

Request for Information

This financial report is designed to provide a general overview of FOUNDATION 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 Foundation for Osceola Education, Inc., 2310 New Beginnings Road Suite 118, Kissimmee, FL 34744.

The Foundation for Osceola Education, Inc.

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 2,930,871
Cash and cash equivalents - restricted	2,889,405
Investments	3,382,859
Due from other agencies	173,917
Accounts receivable	100,134
Prepaid expenses	45,265
Deposits	51,048
Due from local school district	495,500
Due from other funds	60,409
Beneficial interest in assets held by others - restricted	908,886
Total current assets	<u>11,038,294</u>
Capital assets, net	<u>10,223,356</u>
Total assets	<u>21,261,650</u>
Deferred outflows, related to changes in the net pension liability	<u>1,695,497</u>
Current liabilities:	
Accounts payable	93,662
Accrued expenses	589,559
Due to other agencies	1,114,298
Accrued interest	181,761
Due to management company	90,229
Due to other funds	60,337
Other liabilities	931,697
Total current liabilities	<u>3,061,543</u>
Long term liabilities:	
Due within one year, long-term debt and \$19,295 of compensated absences	694,295
Due in more than one year, long-term debt and \$6,431 of compensated absences	11,991,411
Net pension liability	5,108,312
Total liabilities	<u>20,855,561</u>
Deferred inflows:	
Deferred revenue	265,518
Related amount to debt refinancing	445,406
Related to changes in the net pension liability	333,237
	<u>1,044,161</u>
Net position:	
Investment in capital assets, net of related debt	(2,436,624)
Restricted for:	
Debt service	2,264,280
Other purposes - Take Stock in Children	1,020,666
Other purposes - Scholarships	110,874
Other purposes - Community Foundation	2,471
Capital outlay	989,444
Unrestricted	(893,686)
Total net position	<u>\$ 1,057,425</u>

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

The Foundation for Osceola Education, Inc.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 11,323,393	\$ 150,381	\$ 672,753	\$ -	\$ (10,500,259)
School administration	3,042,161	-	-	-	(3,042,161)
Facilities acquisition and construction	880,276	-	-	643,729	(236,547)
Operation and maintenance of plant	3,136,082	-	48,895	-	(3,087,187)
Community services	2,941,792	95,109	2,606,086	-	(240,597)
Interest on long-term debt	440,580	-	-	-	(440,580)
Bond refinancing fees	-	-	-	-	-
Total governmental activities	<u>\$ 21,764,284</u>	<u>\$ 245,490</u>	<u>\$ 3,327,734</u>	<u>\$ 643,729</u>	<u>(17,547,331)</u>
General revenues:					
State passed through local					
school district					
Interest and investment income					
Other local revenues					
Total general revenues					
Change in net assets					
Net position at July 1, 2017					
as originally stated					
Prior period adjustment					
Net assets at July 1, 2017, restated					
Net position at June 30, 2018					
<u>\$ 1,057,425</u>					

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

The Foundation for Osceola Education, Inc.

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2018

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,535,120	\$ 1,094,545	\$ -	\$ 301,206	\$ 2,930,871
Cash - restricted	923,343	400,000	1,566,062	-	2,889,405
Investments	1,143,195	2,139,144	-	100,520	3,382,859
Accounts receivable	48,617	51,517	-	-	100,134
Due from other agency	-	120,592	-	53,325	173,917
Prepaid expenses	9,839	35,426	-	-	45,265
Deposits	-	51,048	-	-	51,048
Due from local school district	-	495,500	-	-	495,500
Due from other funds	60,337	134,962	-	-	195,299
Beneficial interest in assets held by others - restricted	908,886	-	-	-	908,886
Total assets	\$ 4,629,337	\$ 4,522,734	\$ 1,566,062	\$ 455,051	\$ 11,173,184
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ (89)	\$ 93,751	\$ -	\$ -	\$ 93,662
Accrued expenses	123,055	466,504	-	-	589,559
Due to other agencies	9,938	1,104,260	-	-	1,114,198
Due to agency fund	-	100	-	-	100
Accrued interest payable	-	-	181,761	-	181,761
Due to management company	-	90,229	-	-	90,229
Due to others funds	895,500	119,934	60,337	14,956	1,090,727
Other current liabilities	36,197	-	-	-	36,197
Total liabilities	1,064,601	1,874,778	242,098	14,956	3,196,433
Fund balances:					
Nonspendable:					
Prepaid expenses	9,839	-	-	-	9,839
Restricted:					
Take stock in children	1,020,666	-	-	-	1,020,666
Community foundation	2,471	-	-	-	2,471
Scholarships	110,874	-	-	-	110,874
Special revenue	-	2,647,956	-	-	2,647,956
Debt service	-	-	2,022,182	-	2,022,182
Capital projects	-	-	-	440,095	440,095
Unassigned	1,722,668	-	-	-	1,722,668
Total fund balances	2,866,518	2,647,956	2,022,182	440,095	7,976,751
Total liabilities and fund balances	\$ 3,931,119	\$ 4,522,734	\$ 2,264,280	\$ 455,051	\$ 11,173,184

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

The Foundation for Osceola Education, Inc.

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

June 30, 2018

Fund balances - total governmental funds \$ 7,976,751

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

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

Land	\$ 238,220	
Buildings and fixed equipment, net of \$4,602,728 accumulated depreciation	9,318,722	
Furniture, fixtures and equipment, net of \$3,215,552 accumulated depreciation	309,670	
Audio visual materials, net of \$11,760 accumulated depreciation	6,171	
Computer software, net of \$45,021 accumulated depreciation	3,111	
IT equipment, net of \$1,277,652 accumulated depreciation	215,641	
Improvements other than buildings, net of \$186,774 accumulated depreciation	<u>131,821</u>	10,223,356

Long-term liabilities, including bonds payable, net pension and OPEB liabilities, and deferred inflows/outflows, are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension and OPEB liabilities	(3,746,052)	
Deferred revenue	(265,518)	
Deferred gain, net of accumulated amortization	(445,406)	
Bonds payable	(12,515,000)	
Bond premium, net of accumulated amortization	(155,281)	
Bond discount, net of accumulated amortization	10,301	
Compensated absences	<u>(25,726)</u>	<u>(17,142,682)</u>

Total net position of governmental activities \$ 1,057,425

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

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2018

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Federal passed through state	\$ -	\$ 523,172	\$ -	\$ -	\$ 523,172
State passed through local school district	-	16,490,512	-	484,162	16,974,674
Grants	498,475	-	-	-	498,475
Contributions	1,651,977	-	-	-	1,651,977
Program services	9,500	-	-	-	9,500
Fundraising	485,803	-	-	-	485,803
Interest and investment income	64	-	15,437	-	15,501
Local sources	-	-	-	159,567	159,567
Other local revenues	144,239	199,172	-	3,349	346,760
Total revenues	<u>2,790,058</u>	<u>17,212,856</u>	<u>15,437</u>	<u>647,078</u>	<u>20,665,429</u>
Expenditures					
Current:					
Basic instruction	-	9,200,204	-	-	9,200,204
School administration	-	1,566,646	-	-	1,566,646
Operation of plant	-	1,374,979	-	303,565	1,678,544
Community services	2,811,569	130,338	-	-	2,941,907
Exceptional instruction	-	292,815	-	-	292,815
Guidance services	-	120,674	-	-	120,674
Health services	-	39,863	-	-	39,863
Other pupil services	-	522,093	-	-	522,093
Curriculum development	-	125,674	-	-	125,674
Staff development	-	34,618	-	-	34,618
Board of directors	-	45,416	-	-	45,416
General administration	-	1,207,879	-	-	1,207,879
Fiscal services	-	1,006,252	-	-	1,006,252
Central services	-	73,533	-	-	73,533
Staff services	-	1,883	-	-	1,883
Transportation	-	230,143	-	-	230,143
Maintenance of plant	-	376,594	-	-	376,594
Food services	-	374	-	-	374
Instructional media	-	91,238	-	-	91,238
Instructional staff training	-	76,275	-	-	76,275
Instructional related technology	-	138,905	-	-	138,905
Facilities	-	539,725	-	65,171	604,896
Fixed capital outlay	-	336,028	-	-	336,028
Debt service:					
Principal	-	-	660,000	-	660,000
Interest	-	-	452,093	-	452,093
Total expenditures	<u>2,811,569</u>	<u>17,532,149</u>	<u>1,112,093</u>	<u>368,736</u>	<u>21,824,547</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(21,511)</u>	<u>(319,293)</u>	<u>(1,096,656)</u>	<u>278,342</u>	<u>(1,159,118)</u>
Other financing sources (uses):					
Transfers in	1,114,069	343,513	1,114,069	-	2,571,651
Transfers out	<u>(1,114,069)</u>	<u>(1,114,069)</u>	<u>-</u>	<u>(343,513)</u>	<u>(2,571,651)</u>
Total other financing sources (uses)	<u>-</u>	<u>(770,556)</u>	<u>1,114,069</u>	<u>(343,513)</u>	<u>-</u>
Net change in fund balances	<u>(21,511)</u>	<u>(1,089,849)</u>	<u>17,413</u>	<u>(65,171)</u>	<u>(1,159,118)</u>
Fund balances at July 1, 2017	<u>2,888,029</u>	<u>3,737,805</u>	<u>2,004,769</u>	<u>505,266</u>	<u>9,135,869</u>
Fund balances at June 30, 2018	<u>\$ 2,866,518</u>	<u>\$ 2,647,956</u>	<u>\$ 2,022,182</u>	<u>\$ 440,095</u>	<u>\$ 7,976,751</u>

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

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ (1,159,118)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 336,028	
Current year depreciation	<u>(701,871)</u>	(365,843)

The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	660,000	
Current year amortization of deferred gain	47,877	
Current year amortization of bond premium	11,513	
Current year amortization of bond discount	(2,506)	
Compensated absences	<u>2,150</u>	719,034

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Net pension and OPEB liabilities	(62,349)	
Deferred outflows related to net pension and OPEB liabilities	(185,444)	
Deferred inflows related to net pension and OPEB liabilities	<u>2,742</u>	(245,051)

Governmental funds report deferred revenues as received during the current year. However, in the statement of activities, the revenues are not recognized until they are earned. (39,669)

Change in net assets of governmental activities \$ (1,090,647)

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Foundation for Osceola Education, Inc. (the "Foundation"), which is a component unit of the School District of Osceola County, Florida (the "District"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes and was incorporated on June 23, 1987. The Foundation's activities include recovering, holding and administering property and making expenditures for public education. The governing body of the Foundation is the Board of Directors.

Additionally, the Foundation has entered into three separate charter agreements with the School District of Osceola County, Florida (the "District") to operate PM Wells Charter Academy, Canoe Creek Charter Academy and Bellalago Charter Academy, which are considered as divisions of the Foundation and are included in the Foundation's financial statements. The terms of the charter agreements for each school are as follows:

PM Wells Charter Academy

The original charter between the Foundation and the District to operate PM Wells Charter Academy was for an initial period of 10 years through June 2011. Operations commenced during the 2001-2002 school year. The agreement was extended for ten years in 2012.

Canoe Creek Charter Academy

The original charter agreement between the Foundation and the District to operate Canoe Creek Charter Academy was for an initial period of 10 years through 2013. Operations commenced during the 2002-2003 school year. The agreement was extended for ten years in 2012.

Bellalago Charter Academy

The original charter agreement between the Foundation and the District to operate Bellalago Charter Academy was for an initial period of 10 years. Operations commenced during the 2002-2003 school year. The agreement was extended for ten years in 2012.

The charter agreements may be renewed as provided in Section 1002.33, Florida Statutes, upon mutual consent of the parties and execution of a written renewal. Additionally, the District may terminate the charters in accordance with the procedures specified in the charter agreements.

No component units are required to be included within the reporting entity of the Foundation.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements

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

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the Foundation has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

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

Separate fund financial statements report detailed information about the Foundation's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of the Foundation's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

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

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

All governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

When the Foundation incurs expenditures for which restricted or unrestricted fund balance is available, the Foundation would consider restricted funds to be spent first. When the Foundation has expenditures for which committed, assigned or unassigned fund balance is available, the Foundation would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

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

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

General Fund - The general operating fund of the Foundation. It is used to account for all financial resources traditionally associated with the nonprofit activities of the Foundation which are not required to be accounted for in another fund.

Special Revenue Fund (Charter Academies Fund) - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund - To account for the resources accumulated and payments made for principal and interest on the revenue bonds issued by the Foundation.

Capital Projects Fund - To account for all resources for the leasing or acquisition of capital assets by the Foundation to the extent funded by capital grants or revenue bonds.

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, Fund Balance and Governmental Fund Type Definitions. This statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the Foundation may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Nonspendable: This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The Foundation classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional or enabling legislation.

Committed: This classification includes amounts that can be used for specific purposes voted through formal action of the Board of Directors. The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Assigned: This classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed.

Unassigned: This classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the general fund.

The details of the fund balances are included in the Government Funds Balance Sheet on page 11.

4. Allowance for doubtful accounts

Accounts receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history.

5. Budgetary basis of accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual budgets were legally adopted for the general fund only and may be amended by the board of directors. The budgets presented for fiscal year ended June 30, 2018, have been amended according to board procedures. Budgets are presented on the modified accrual basis of accounting.

6. Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Foundation. Income from investments is recorded in the respective funds when earned.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Cash and cash equivalents (continued)

The Foundation's cash and cash equivalents at June 30, 2018, include demand deposit accounts, money market accounts, and savings accounts. The Foundation does not have a formal deposit policy for custodial risk with regard to cash deposits in banks.

7. Investments

Investments represent amounts placed in investment portfolios with the District and a financial institution, consisting of certificates of deposit, US treasury bonds, money market funds, and State of Florida State Board of Administration (SBA) accounts primarily in Florida PRIME, formerly know as the Local Government Trust Fund Investment Pool. The Foundation reports these investments at fair value as determined by the District. Realized gains or losses, which are included in other revenues in the accompanying financial statements, represent the net increase or decrease in the Foundation's investment with the District and the financial institution. The District's investment policy allows for investments rated "AA" or better, and limits the amounts the District may invest in any one issuer. The Foundation's investment policy with investments placed with a financial institution mirrors the District's policy.

8. Inter-fund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds.

9. Capital assets

Capital assets, which include property, plant, and equipment, are reported on the government-wide financial statements. Capital assets are defined by the Foundation as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but rather are expensed in the period incurred.

Property, plant, and equipment of the Foundation are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and fixed equipment	5 – 50
Furniture, fixtures, and equipment	5 – 10
Computer software	3 – 5
Audio visual equipment	3 – 7

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Donated property and services

Donated merchandise is recorded as income and expense at fair market value at the time the items are selected by the recipient. Contributed use of facilities and equipment are recorded at fair value at the date of the donation. Contributed services are reported as contributions at their fair market value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. During fiscal 2018, the Foundation recognized \$957,808 of donated property and services as both in-kind revenue and in-kind expense in the accompanying financial statements.

11. Accrued expenses

Accrued expenses include accrued payroll related expenses including unpaid vacation and sick time. Accrued expenses are recognized in the period the expenses are incurred and for payroll and related expenses when earned.

12. Restricted assets

Certain proceeds of the Foundation's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position and balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The bond fund is used to account for the payment of principal and interest as these payments become due. The project fund is used to pay for issuing expenses and project costs. The debt service reserve fund is used to report resources set aside to provide additional security for the payment of principal and interest on the bonds as these payments become due. The supplemental reserve fund is used to account for resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. Other amounts shown as restricted assets are for other purposes such as Take Stock in Children program (see Note C), scholarships, and Community Foundation donations.

13. Deferred outflows/ inflows of resources

In addition to assets and liabilities, the statement of financial net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenues) until that time. The Foundation has four items that qualify for this category, which are deferred gain on debt refunding, pensions, OPEBs, and deferred revenue. The deferred gain on debt refunding results from the difference in the carrying value of the refunded debt and its reacquisition price in 2016. This gain is deferred and amortized over the shorter of the life of the refunded or refunding debt. The

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Deferred outflows/ inflows of resources (continued)

deferred revenue pertains to scholarship grants received in advance of meeting timing requirements.

14. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond discounts and premiums.

In the fund financial statements, governmental funds recognize bond discounts and premiums when the debt is first issued. The face amount of debt issued is reported as other financing sources while premiums and discounts on debt issuances are reported as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

15. Income taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been determined by the Internal Revenue Service not to be a private foundation. There was no unrelated business income for the current year.

Management has analyzed the Foundation's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded.

16. Compensated absences

The Foundation's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statement. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

17. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Revenue recognition (continued)

financial statements and fund financial statements and is net of 5% administration fee retained by the School District. This funding is received on a prorate basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

18. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the Foundation's charter agreement with the District. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the Foundation reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program. Funding for the school is adjusted during the year to reflect revised calculations by the FDE under the Florida Education Finance Program and actual weighted FTE students reported by the school during designated FTE student survey periods.

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

Additionally, the Foundation manages several program services that benefit the students and educators of Osceola County. The largest of these is the Take Stock in Children program. These funds are jointly sponsored with the State of Florida and must be distributed as scholarships to the students of Osceola County and used for the operations of the Take Stock in Children program. Other revenues may also be derived from various fundraising activities and certain other programs.

19. Pensions/Other postemployment benefits (OPEB)

In the government-wide statement of net position, liabilities are recognized for the Foundation's proportionate share of each pension plan's net pension and OPEB liability. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, pension and OPEB expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and the OPEB plan, and additions to/deductions from the FRS's,

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Pensions/Other postemployment benefits (OPEB) (continued)

the HIS's, and the OPEB's fiduciary net position have been determined on the same basis as they are reported by the FRS, the HIS, and the OPEB plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

20. Budgetary data

The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with legal restriction that expenditures cannot exceed appropriations by major function at year end.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

21. Use of estimates

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

22. New GASB pronouncements

In June 2017, the GASB issued Accounting Standards Updated (ASU) No. 87 Leases, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The Foundation is evaluating the potential effect ASU No. 87 will have on its financial statements.

23. Subsequent events

Management has evaluated the effect subsequent events would have on the financial statements through the time these financial statements were issued on October 25, 2018.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The carrying amount of the Foundation’s cash deposits were \$1,695,194 at June 30, 2018. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes. As of June 30, 2018, the Foundation had \$904,456 in brokerage accounts and \$290,738 in operating accounts not insured by the FDIC. The Foundation has not experienced any losses in the past relating to its cash balances.

NOTE C - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation’s beneficial interest in assets at June 30, 2018, consists of \$908,886 held by Florida Prepaid College Foundation, Inc. The amounts held by Florida Prepaid College Foundation, Inc. consist of funds contributed by the Foundation as part of the Take Stock in Children program. Contributions are matched by the State of Florida, and recorded as a contribution by the Foundation on the statement of activities at the time of contribution. The funds are to be used for college scholarships for selected individuals graduating from high school in Osceola County. As the scholarships are awarded, the expenditures are recorded by the Foundation. The funds held by Florida Prepaid College Foundation, Inc. can only be utilized for scholarships.

The Foundation also has restricted assets of \$2,471 at June 30, 2018, held for its benefit by the Community Foundation of Central Florida. These assets are included in cash and cash equivalents in the accompanying financial statements and restricted for scholarships for students to attend schools other than Valencia College.

NOTE D - INVESTMENTS

Custodial Credit Risk – The carrying amount of the Foundation’s investments at June 30, 2018, were \$3,472,859 including \$3,382,859 classified as investments and \$90,000 as restricted cash in the accompanying financial statements. The investments include \$2,239,664 held in the District’s investment pool and \$1,233,195 in an investment pool with a financial institution. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E - CAPITAL ASSETS

Changes in capital assets by category are as follows for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets non-depreciated:				
Land	\$ 238,220	\$ -	\$ -	\$ 238,220
Total assets, non-depreciated	<u>238,220</u>	<u>-</u>	<u>-</u>	<u>238,220</u>
Capital assets depreciated:				
Buildings and fixed equipment	13,921,451	-	-	13,921,451
Improvements other than building	316,172	2,423	-	318,595
Furniture, fixtures and equipment	3,391,395	144,543	10,717	3,525,221
IT equipment	1,314,354	178,939	-	1,493,293
Audio visual equipment	12,280	810	-	13,090
Computer software	43,663	9,310	-	52,973
Total assets depreciated	<u>18,999,315</u>	<u>\$ 336,025</u>	<u>\$ 10,717</u>	<u>19,324,623</u>
Less accumulated depreciation:				
Buildings and fixed equipment	4,304,906	\$ 297,822	\$ -	4,602,728
Improvements other than building	132,494	54,280	-	186,774
Furniture, fixtures and equipment	3,092,823	133,446	10,717	3,215,552
IT equipment	1,065,510	212,142	-	1,277,652
Audio visual equipment	10,277	1,483	-	11,760
Computer software	42,323	2,698	-	45,021
Total accumulated depreciation	<u>8,648,333</u>	<u>\$ 701,871</u>	<u>\$ 10,717</u>	<u>9,339,487</u>
Total governmental activities capital assets, net	<u>\$ 10,589,202</u>			<u>\$ 10,223,356</u>

Depreciation expense is charged to functions of the Foundation as follows for the year ended June 30, 2018:

Instruction	\$ 132,086
School administration	222,219
Plant	<u>347,566</u>
	<u>\$ 701,871</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the Foundation for the year ended June 30, 2018:

	Long-term obligations at July 1, 2017	Additions	Reductions	Long-term obligations at June 30, 2018
Revenue bonds:				
PM Wells Charter Academy - 2016	\$ 6,335,000	\$ -	\$ 335,000	\$ 6,000,000
Canoe Creek Academy - 2016	6,840,000	-	325,000	6,515,000
Subtotal	<u>13,175,000</u>	<u>-</u>	<u>660,000</u>	<u>12,515,000</u>
Premium / discount:				
Unamortized bond premium - 2016	166,794	-	(11,513)	155,281
Unamortized bond discount - 2016	(12,807)	-	2,506	(10,301)
Subtotal	<u>153,987</u>	<u>-</u>	<u>(9,007)</u>	<u>144,980</u>
	<u>\$ 13,328,987</u>	<u>\$ -</u>	<u>\$ 669,007</u>	<u>\$ 12,659,980</u>

The construction of the PM Wells Charter Academy facility in 2001, was financed by the issuance of \$9,075,000 of Series 2001A and \$350,000 of Series 2001B industrial revenue bonds. The 2001 bonds, which were scheduled to fully mature in 2032, and carried interest at 2.20% to 5.00%, respectively, were refinanced in March 2016, from the issuance of \$4,380,000 of Series 2016A and \$2,205,000 of Series 2016B industrial revenue bonds. The 2016 bonds fully mature in August 2031 and carry interest rates of 2.00% to 3.375%, respectively.

The construction of the Canoe Creek Charter Academy facility in 2002 was financed by the issuance of \$9,675,000 of Series 2002A and \$185,000 of Series 2002B industrial revenue bonds. The 2002 bonds, which were scheduled to fully mature in 2033 and carried interest at 1.65% to 5.125%, respectively, were refinanced in March 2016 from the issuance of \$4,765,000 of Series 2016A and \$2,325,000 of Series 2016B industrial revenue bonds. The 2016 bonds fully mature in August 2032 and carry interest rates of 2.00% to 3.375%, respectively.

The 2016 debt refinancing resulting in a gain on refunding of \$520,065, which is not recognized in the fund level statements but is deferred and included in the government-wide statement as deferred inflow. The deferred gain is amortized over the life of the debt through 2032. Amortization expense of the gain of \$47,877 for 2018 was charged against interest expense. Accumulated amortization totaled \$74,660 at June 30, 2018.

The debt service requirements for both the PM Wells and Canoe Creek Charter Academy bonds are expected to be funded from operating revenues received from the State of Florida through the District. As mentioned in Note A-18, funding is based upon actual weighted FTE students reported by the schools during the designated FTE student survey periods.

Enrollment for PM Wells Charter Academy during the 2017-2018 school year was 640 students, and for Canoe Creek Charter Academy was 534 students. The number of students enrolled for the 2018-2019 school year is expected to increase.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE F - LONG-TERM DEBT (continued)

The annual requirements to amortize all debt outstanding as of June 30, 2018 are as follows:

Years ending June 30	Principal	Interest	Total
2019	\$ 675,000	\$ 436,227	\$ 1,111,227
2020	695,000	419,116	1,114,116
2021	710,000	399,569	1,109,569
2022	735,000	376,722	1,111,722
2023	755,000	351,841	1,106,841
2024-2028	4,310,000	1,298,291	5,608,291
2029-2033	<u>4,635,000</u>	<u>410,466</u>	<u>5,045,466</u>
	<u>\$ 12,515,000</u>	<u>\$ 3,692,232</u>	<u>\$ 16,207,232</u>

One area that demonstrates the Foundation's future borrowing capability is its debt coverage ratio. These coverage tests first compare debt coverage required with revenue available, and then another coverage test that reflects revenue available after covering operating expenses of the PM Wells and Canoe Creek charter academies. The first calculation is shown because the revenue available is first applied to debt service expenses, and then to any operating expenses that the academies incur.

	<u>PM Wells</u>	<u>Canoe Creek</u>
Total academy revenue	\$ <u>4,862,737</u>	\$ <u>4,034,653</u>
Maximum annual debt service	<u>550,676</u>	<u>558,893</u>
Debt service coverage ratio	<u>883.05%</u>	<u>721.90%</u>
Total academy revenue	\$ 4,862,737	\$ 4,034,653
Less operating expenses	<u>4,827,120</u>	<u>3,980,816</u>
Income available for debt service	<u>\$ 35,617</u>	<u>\$ 53,837</u>
Debt service coverage ratio	<u>6.47%</u>	<u>9.63%</u>

The bond loan agreements require debt service coverage ratios of at least 110% and also maintenance of unrestricted fund balances of \$600,000 if the Foundation is acquiring additional long-term debt.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE G - BOND DISCLOSURE REQUIREMENTS

The following information is being disclosed in connection with the issuance of the \$6,585,000 Series 2016 industrial development revenue bonds for PM Wells Charter Academy, and \$7,090,000 Series 2016 industrial development revenue bonds for Canoe Creek Charter Academy.

	PM Wells	Canoe Creek
a. Number of classroom instructors:	48	37
b. Number of full-time equivalent students:	640	534
c. Average revenues per student:	\$ 7,598	\$ 7,556
d. Average expenditures per student:	\$ 9,300	\$ 8,109
e. Fees related to before/after school program:	\$ 50,500	\$ 44,609
f. Expenses related to before/after school program:	\$ 57,695	\$ 17,915
g. Charter school capital outlay funding:	\$ 145,751	\$ 97,969
h. Federal grant revenues received:	\$ 350,202	\$ 172,970

NOTE H - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The Foundation entered into two management service agreements with a management company in July, 2009, to manage PM Wells and Canoe Creek. The original agreements were for a term of three years commencing with the 2009-2010 school year. The agreements have been amended several times. The current PM Wells contract terminates the earlier of June 30, 2021, and Canoe Creek contract on June 30, 2021, or the termination dates of the charters if the district chooses to terminate them. The contracts can be extended past their due dates by the Board.

The management company shall be paid consistent with the approved annual budget and the scheduled fees per the contracts. The fee is subject to a yearly adjustment based on the percentage change of the state funding per student allocation from the previous school year's allocation. For the current year there is a flat fee of \$808,176 for PM Wells and \$190,281 for Canoe Creek based on a schedule of per student fees. Current year management fees charged to operations totaled \$998,457.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H - COMMITMENTS AND CONTINGENCIES (continued)

2. License agreement

The Foundation has entered into a license agreement with Take Stock in Children, Inc. Under the terms of the agreement the Foundation can solicit funds in the name of Take Stock in Children. These funds are identified for scholarships under the Florida Prepaid Tuition Program of participants in the Take Stock in Children program (see Note C). The terms set forth in the original agreement are being continued until terminated by either party.

3. Legal issues

In the normal course of conducting its operations, the Foundation occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

NOTE I - RELATED PARTY TRANSACTIONS

1. Due to management company

The management company is responsible for organizing, developing, managing, staffing and operating the charter schools in which the Foundation is the charter holder. During the current year, the management company charged fees to the Foundation for management services as described in Note H-1. The due to management company obligation also reflects activities for operating advances and invoices for certain expenses paid on behalf of the Foundation for operations of the schools. If, at the end of the fiscal year, there are not sufficient funds in the charter academy operating account, the management company shall adjust the budget accordingly. The due to management company activity consists of the following for the year ended June 30, 2018:

	Management fees	Advances	Operating expenses and contributions	Total
Balance at July 1, 2017	\$ (11,098)	\$ -	\$ 109,942	\$ 98,844
Invoiced	998,457	-	1,278,375	2,276,832
Payments	(987,359)	-	(1,298,088)	(2,285,447)
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,229</u>	<u>\$ 90,229</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I - RELATED PARTY TRANSACTIONS (continued)

2. Local school district

The Foundation receives various contributions and services from the School District of Osceola County and also provides educational enhancement services to the District. During the year ended June 30, 2018, the Foundation received \$170,000 of cash contributions and approximately \$259,008 of in-kind contributions from the District for general operations. The Foundation also has two employees who are included in the Florida Retirement System with the District and has reimbursed the District for their combined salaries of \$136,557 for fiscal 2018.

NOTE J - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Foundation carries commercial insurance. Settled claims from the risks described above have not exceeded the insurance coverage for the previous three years.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE K - CONCENTRATIONS

Local revenue sources

As stated in Note A-17, the Foundation receives revenues for current operations primarily from the State of Florida passed through to the District. The following is a schedule of revenue sources and amounts for fiscal 2018:

Sources	Amounts
Base Funding	\$ 10,975,407
Safe school	41,533
ESE guaranteed allocation	286,202
Supplemental academic instruction	545,040
Discretionay Local WFTE	645,561
Class size reduction funds	2,803,194
Discretionary millage	559,063
Discretionary lottery	4,306
Instructional materials allocation	217,988
Digital classroom allocation	57,705
Reading allocation	106,920
Teachers classroom supply assistance program	20,862
Proration of available funds	(1,753)
Prior year funding adjustment	(11,731)
Prior year audit adjustment	(10,632)
Subtotal	<u>16,239,665</u>
Capital outlay distribution	583,884
Local capital improvement revenue	59,845
Title federal revenue	411,031
21st Century Grant revenue	112,141
Teacher lead program	19,785
School recognition	<u>129,796</u>
Total School District of Osceola County:	17,556,147
Grants	498,475
Contributions	1,651,977
Program services	9,500
Fundraising	485,803
Interest income	15,501
Rent	14,165
Investment income	44,581
Loss recovery	1,991
Pre-school	69,613
E-rate revenue	13,973
Community services	95,109
Other state grant	10,800
Miscellaneous revenue	<u>197,794</u>
Total	<u><u>\$ 20,665,429</u></u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998, to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000, to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of Bellalago Charter Academy (the School) are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. A comprehensive annual financial report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The School's pension expense totaled \$231,263 for the fiscal year ended June 30, 2018.

1. FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- FRS, Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- FRS, Elected County Officers Class – Members who hold specified elective offices in local government.
- FRS, Senior Management Service Class – Members in senior management level positions.

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

1. FRS Pension Plan (continued)

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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

1. FRS Pension Plan (continued)

Contributions. The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Elected County Officers	3.00	45.50
Florida Retirement System, Senior Management	3.00	22.71
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	13.26
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class or plan in which reemployed.

The School's contributions, including employee contributions, to the Plan totaled \$244,932 for the fiscal year ending June 30, 2018. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the School reported a liability of \$3,017,330 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The School's proportionate share of the net pension liability was based on the School's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the School's proportionate share was .009221939 percent, which was a decrease of .001530546 from its proportionate share measured as of June 30, 2016.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

1. FRS Pension Plan (continued)

For the fiscal year ended June 30, 2018, the School recognized pension expense of \$191,630 related to the Plan. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 250,345	\$ 15,111
Change of assumptions	916,729	-
Net difference between projected and actual earnings on FRS pension plan investments	-	67,601
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	79	78,479
District FRS contributions subsequent to the measurement date	244,932	-
Total	<u>\$ 1,412,085</u>	<u>\$ 161,191</u>

The deferred outflows of resources related to pensions, totaling \$244,932, resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2019	\$ 114,439
2020	369,990
2021	247,703
2022	20,146
2023	180,771
Thereafter	72,913
	<u>\$ 1,005,962</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

1. FRS Pension Plan (continued)

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (A)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	<u>100%</u>			
Assumed Inflation - Mean		2.60%		1.90%

Note: (A) As outlined in the Plan's investment policy

Discount Rate. The discount rate used to measure the total pension liability was 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

1. FRS Pension Plan (continued)

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.1 percent) or 1 percentage-point higher (8.1 percent) than the current rate:

	1% Decrease 6.1%	Current Discount Rate 7.1%	1% Increase 8.1%
District's proportionate share of the net pension liability	\$ 5,461,184	\$ 3,017,330	\$ 988,370

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payable to the Pension Plan. The District reported a payable of \$6,416 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

2. HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

2. HIS Pension Plan (continued)

The School's contributions to the HIS Plan totaled \$69,064, for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the School reported a net pension liability of \$1,728,863, for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The School's proportionate share of the net pension liability was based on the School's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the School's proportionate share was .013726899 percent, which was a decrease of .002383165 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the School recognized pension expense of \$39,633. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,057
Change of assumptions	206,314	126,917
Net difference between projected and actual earnings on HIS pension plan investments	814	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	6,843	27,837
District contributions subsequent to the measurement date	69,064	-
Total	<u>\$ 283,035</u>	<u>\$ 157,811</u>

The deferred outflows of resources totaling \$69,064, was related to pensions resulting from School contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

2. HIS Pension Plan (continued)

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2019	\$ 26,323
2020	26,109
2021	26,007
2022	13,359
2023	(626)
Thereafter	<u>(35,011)</u>
	<u>\$ 56,161</u>

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. While an experience study has not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
District's proportionate share of the net pension liability	\$ 1,972,861	\$ 1,728,863	\$ 1,525,625

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)

	Pension		
	Plan	HIS Plan	Total
Net pension liability	\$ 3,017,330	\$ 1,728,863	\$ 4,746,193
Deferred outflows of resources	1,412,085	283,035	1,695,120
Deferred inflows of resources	161,191	157,811	319,002
Pension expense	191,630	39,633	231,263

3. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. School employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member’s accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENEFIT PENSION PLANS
(continued)**

3. FRS – Defined Contribution Pension Plan (continued)

forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's Investment Plan pension expense totaled \$68,913, for the fiscal year ended June 30, 2018.

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the School. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the School, and eligible dependents, may continue to participate in the School's health and hospitalization plan for medical and prescriptions and life insurance coverage. Such provisions may be amended at any time by further action from the Florida Legislature. The School subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at the blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan, on average, than those of active employees. The School does not offer any explicit subsidies for retiree coverage. The School does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Benefit Terms and Employees Covered

Plan contribution requirements and benefit terms of the School and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The School has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of the valuation date, June 30, 2018, there were 110 active plan members and 10 inactive plan members or beneficiaries receiving benefits. There are no inactive plan members entitled to benefits not yet receiving

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Benefit Terms and Employees Covered (continued)

benefits, and 2 active participants that receive postemployment life insurance benefits. The School provided contributions of \$18,308 toward annual OPEB costs, comprised of benefit payments made on behalf of the retirees for claims expense, retention costs, and net of retiree contributions totaling \$22,087. Required contributions are based on projected pay-as-you-go financing.

Total OPEB Liability

The School's total OPEB liability of \$362,119 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017. The beginning OPEB liability was established at \$362,190 due to the adoption of GASB Statement No. 75.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal cost method
Inflation	2.50%
Discount Rate	3.56%
Salary Increases	FRS July 1, 2016 Actuarial Valuation 3.7% - 7.8%, including inflation
Retirement Age	Rates used in the July 1, 2016 FRS Actuarial Valuation based on a statewide experience study from 2008 to 2013
Mortality	RP-2000, Scale BB, 100% Annuitant, White Collar Healthy Female; 50% Annuitant, White Collar, 50% Annuitant Blue Collar, Healthy Male; 100% Disabled Female, 2 years set forward; 100% Disabled Male, 4 years set back

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M – OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Actuarial Assumptions and Other Inputs (continued)

Healthcare Cost Trend Rates	Getzen Model with 7% increase for 2017-18 to 4.24% plus .46% increase for excise tax.
Aging Factors	2013 SOA Study “Health Care Costs- From Birth to Death”
Administrative Expenses	Included in the Per Capita Costs developed for the Reporting Year

The School selected the economic, demographic, and health care claim cost assumption used in the June 30, 2017 valuation. The current actuary provided guidance with respect to the economic assumptions demographic assumptions, the health care participation rate assumption, and the spouse coverage election rate assumption. The demographic assumptions were based on those employed in the July 1, 2016, Defined Benefit Pension Plan Actuarial Valuation of the FRS, which were developed by the FRS from an Actuarial Experience Study. These include assumed rates of future termination, mortality, disability and retirement. In addition, salary increase assumptions for development of the pattern of the normal cost increases were the same as those used by the FRS.

Changes to the Total OPEB Liability

Below are the details regarding the total OPEB liability for the measurement period from June 30, 2017, to June 30, 2018.

	Total OPEB Liability
Balance Recognized at June 30, 2017, as Restated	\$ 362,190
Changes for the Fiscal Year:	
Service Cost	22,456
Interest	10,970
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions and Other Inputs	(15,566)
Benefit Payments	(17,931)
Net Changes	(71)
Balance as of June 30, 2018	\$ 362,119

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent as of the beginning of the measurement period, to 3.56 as of June 30, 2017. In addition, the healthcare trend rates were revised as of June 30, 2017, based on Getzen Model latest trend survey, with adjustments based on the provisions of the benefits sponsored by the School.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current discount rate:

	Decrease 2.56%	Discount Rate 3.56%	Increase 4.56%
Total OPEB Liability	\$ 386,597	\$ 362,119	\$ 338,165

Sensitivity to the Total OPEB Liability to Changes in the Health Cost Trend

	1% Decrease	Health Care Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 324,057	\$ 362,119	\$ 407,318

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School recognized OPEB expense of \$13,788. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between Expected and Actual Experience		
Changes of Assumptions of Other Inputs	\$ -	\$ 14,235
Benefits Paid	(17,931)	-
Contribution Paid After the Measurement Date	18,308	
Total	\$ 377	\$ 14,235

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2019	\$ (1,330)
2020	(1,330)
2021	(1,330)
2022	(1,330)
2023	(1,330)
Thereafter	<u>(7,585)</u>
Total	<u>\$ (14,235)</u>

NOTE N - PRIOR PERIOD ADJUSTMENT

As required by GASB 75, net position has been retroactively restated to adjust for the deferred outflows, deferred inflows and net OPEB liability, which resulted in a decrease of \$362,190 in net position at June 30, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2018

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance - Positive (Negative)
Revenues				
Grants	\$ 429,748	\$ 498,475	\$ 498,475	\$ -
Contributions	808,501	1,651,977	1,651,977	-
Program services	140,500	9,500	9,500	-
Fundraising	169,500	485,803	485,803	-
Interest income	93,421	64	64	-
Other local revenues	-	144,239	144,239	-
Total revenues	<u>1,641,670</u>	<u>2,790,058</u>	<u>2,790,058</u>	<u>-</u>
Expenditures				
Current:				
Community services	<u>1,627,792</u>	<u>2,811,569</u>	<u>2,811,569</u>	<u>-</u>
Total expenditures	<u>1,627,792</u>	<u>2,811,569</u>	<u>2,811,569</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,878</u>	<u>(21,511)</u>	<u>(21,511)</u>	<u>-</u>
Other financing sources:				
Transfers in	-	1,114,069	1,114,069	-
Transfers out	-	<u>(1,114,069)</u>	<u>(1,114,069)</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	13,878	(21,511)	(21,511)	-
Fund balances at July 1, 2017	<u>2,888,029</u>	<u>2,888,029</u>	<u>2,888,029</u>	<u>-</u>
Fund balances at June 30, 2018	<u>\$ 2,901,907</u>	<u>\$ 2,866,518</u>	<u>\$ 2,866,518</u>	<u>\$ -</u>

See independent auditors' report.

The Foundation for Osceola Education, Inc.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -
LAST 10 FISCAL YEARS AS OF JUNE 30

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Florida Retirement System (FRS)</u>					
Proportion of the net pension liability	0.009221939%	0.010752485%	0.011347608%	0.011958724%	0.011985122%
Proportionate share of the net pension liability (asset)	\$ 3,017,330	\$ 2,762,960	\$ 1,546,472	\$ 729,658	\$ 2,063,173
Covered-employee payroll	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969	\$ 4,893,794
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	68.98%	53.82%	31.60%	14.22%	42.16%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%
<u>Health Insurance Subsidy Program (HIS)</u>					
Proportion of the net pension liability	0.013726899%	0.016110064%	0.015922593%	0.016670335%	0.016881913%
Proportionate share of the net pension liability (asset)	\$ 1,728,863	\$ 1,920,814	\$ 1,697,653	\$ 1,578,500	\$ 1,451,372
Covered-employee payroll	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969	\$ 4,835,353
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.52%	37.42%	34.69%	30.75%	30.02%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

See independent auditors' report.

The Foundation for Osceola Education, Inc.

**SCHEDULE OF CONTRIBUTIONS -
LAST 10 FISCAL YEAR AS OF JUNE 30**

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Florida Retirement System (FRS)</u>					
Contractually required contribution	\$ 244,932	\$ 240,070	\$ 262,216	\$ 291,592	\$ 261,947
Contributions in relation to the contractually required contribution	<u>(244,932)</u>	<u>(240,070)</u>	<u>(262,216)</u>	<u>(291,592)</u>	<u>(261,947)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969
Contributions as a percentage of covered-employee payroll	5.89%	5.49%	5.11%	5.96%	5.10%
<u>Health Insurance Subsidy (HIS)</u>					
Contractually required contribution	\$ 69,064	\$ 72,647	\$ 82,574	\$ 64,150	\$ 54,608
Contributions in relation to the contractually required contribution	<u>(69,064)</u>	<u>(72,647)</u>	<u>(82,574)</u>	<u>(64,150)</u>	<u>(54,608)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.61%	1.31%	1.06%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

See independent auditors' report.

The Foundation for Osceola Education, Inc.

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS -
LAST 10 FISCAL YEAR AS OF JUNE 30**

	<u>June 30, 2017</u>
<u>Other Postemployment Benefits (OPEB)</u>	
Service cost	\$ 22,456
Interest on the total OPEB liability	10,970
Changes on benefits terms	-
Difference between expected and actual experience	-
Changes of assumptions	(15,566)
Benefits payments	<u>(17,931)</u>
Net change in total OPEB liability	(71)
Total beginning OPEB liability	<u>362,190</u>
Total ending OPEB liability	<u>\$ 362,119</u>
Covered-employee payroll	\$ 4,296,575
Contributions as a percentage of covered-employee payroll	8.43%

Note 1: GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

See independent auditors' report.

The Foundation for Osceola Education, Inc.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2018

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2018, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

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

NOTE B - OPEB SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFITS PLAN LIABILITY AND RELATED RATIOS

As a result of the implementation of GASB Statement No. 75, the method used to develop the current actuarial report changed. Prior actuarial reports were based on GASB Statement No. 45. The following were changes in actuarial assumptions:

- The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017.
- The healthcare trend rates were revised as of June 30, 2017, based on Getzen Model as built and published in *Modeling Long-Term Health Care Cost Trends* (December 2007, and updated September 2016).
- Data was collected from the School as of January 1, 2018.
- There were no benefit changes during the fiscal year ended June 30, 2018.

NOTE C - PENSIONS SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FRS PENSION PLAN

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the Pension Plan benefit terms. The following were changes in actuarial assumptions in 2016:

- The inflation rate assumption remained at 2.6 percent.
- Payroll growth, including inflation, remained at 3.5 percent.
- The long-term expected rate of return decreased from 7.65 percent to 7.6 percent.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at:

<http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual-reports>

The Foundation for Osceola Education, Inc.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2018

NOTE C - PENSIONS SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FRS PENSION PLAN (CONTINUED)

A summary of key changes implemented since June 1, 2014 valuation are described in the Florida Department of Management Services, Actuarial Valuations at:

http://www.dms.myflorida.com/workforceoperations/retirement/publications/actuarial_valuations

NOTE D - PENSIONS SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – HIS PENSION PLAN

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the HIS Program benefit terms. The following were changes in actuarial assumptions in 2016:

- The inflation rate assumption remained at 2.6 percent.
- Payroll growth, including inflation, remained at 3.5 percent.
- The long-term expected rate of return decreased from 7.65 percent to 7.6 percent.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine the total pension liability for the program.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at:

http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual_reports

A summary of key changes implemented since June 1, 2014 valuation are described in the Florida Department of Management Services, Actuarial Valuations at:

http://www.dms.myflorida.com/workforce_operations/retirement/publications/actuarial_valuations



INDEPENDENT AUDITORS' 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 Directors
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc., (the "Foundation") which is a component unit of the School District of Osceola County, Florida as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from 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*.

Partners

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Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin
Paul F. Smyth
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Florida Institute of
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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida

October 25, 2018



INDEPENDENT ACCOUNTANTS' REPORT

Partners

W. Ed Moss, Jr.
Joe M. Krusick
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Ric Perez
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To the Board of Trustees
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

We have examined The Foundation for Osceola Education, Inc.'s, (the "Foundation") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended June 30, 2018. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2018.

This report is intended solely for the information and use of the Foundation and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 25, 2018

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American Institute of
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MANAGEMENT LETTER

Partners

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To the Board of Directors
The Foundation for Osceola Education, Inc.
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of the Foundation for Osceola Education, Inc., (the "Foundation"), which is a component unit of the School District of Osceola County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 25, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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*. Disclosures in this report, which is dated October 25, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.

Financial Condition and Management

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the Foundation has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition met. In connection with our audit, we determined that the Foundation did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the Foundation. It is management's responsibility to monitor the Foundation's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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Section 10.804(1)(f)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we communicate the results of our determination as to whether the Foundation maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the Foundation maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

Additional Matters

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

Purpose of This Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
October 25, 2018