THE FOUNDATION FOR OSCEOLA EDUCATION, INC.

Financial Statements and Supplemental Information

Year ended June 30, 2016

TABLE OF CONTENTS

MKA
CERTIFIED PUBLIC ACCOUNTANTS

Partners
W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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, 2016, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc., as of June 30, 2016, 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.

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 43-45 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foundation for Osceola Education, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

October 26, 2016
Winter Park, Florida

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, 2016 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 pages 9.

Financial Highlights

- The assets of the FOUNDATION exceeded its liabilities at the close of the most recent fiscal year by $2,227,323, which is a decrease of $274,117 from the prior year.
- As of the close of the current fiscal year, the FOUNDATION's governmental funds reported combined ending fund balances of $8,305,586.
- At the end of the current fiscal year, unassigned fund surplus for the general fund was $1,604,168 or 51 percent of total general fund expenditures, compared to 43 percent for the prior year.
- During the current fiscal year, total long term liabilities decreased by $262,005.

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 position was as follows at June 30:

	Governmental Activities		
	2016	2015	Change
Current and other assets	$ 10,806,539	$ 11,500,794	$ (694,255)
Capital assets and other assets, net of accumulated depreciation	11,203,916	11,354,881	(150,965)
Total assets	22,010,455	22,855,675	(845,220)
Deferred outflows	738,207	554,896	183,311
Current and other liabilities	3,018,492	3,729,212	(710,720)
Net pension liability	3,244,124	2,308,158	935,966
Long term liabilities outstanding	13,343,589	13,605,594	(262,005)
Total liabilities	19,606,205	19,642,964	(36,759)
Deferred inflows	915,134	1,266,167	(351,033)
Invested in capital assets	(2,633,828)	(2,235,891)	(397,937)
Restricted	3,665,257	4,345,354	(680,097)
Unrestricted	1,195,894	391,977	803,917
Total net position	$ 2,227,323	$ 2,501,440	$ (274,117)

Net position invested in capital assets decreased primarily due to additional debt from the debt refinancing and depreciation expense in the current fiscal year. The decrease in current and other assets is primarily attributed to the bond refinancing and related decreases in the reserve funds, and to the amounts due for FEFP receivables. The decrease in current liabilities is primarily attributable to decreases in amounts due to other agencies and for FEFP payables. The increase in deferred outflows, deferred inflows, and net pension liabilities results from the annual fluctuations of the pension valuations and the bond refinancing. The increase in unrestricted net position was caused primarily by the decrease in the restricted net position of $680,097 from the refinancing of the bonds and the annual change in the Take Stock in Children scholarships.

The FOUNDATION's changes in net position for the fiscal year ended June 30, 2016 and June 30, 2015, are as follows:

	Governmental Activities		
	2016	2015	Change
Revenues:			
Program revenues:			
Base funding	$ 11,940,792	$ 11,548,577	$ 392,215
Safe school	47,786	49,236	(1,450)
ESE guaranteed allocation	256,365	242,071	14,294
Supplemental academic instruction	583,294	594,397	(11,103)
Discretionay local WFTE	668,628	646,397	22,231
Class size reduction	3,118,718	3,127,959	(9,241)
Discretionary mileage	502,299	442,820	59,479
Discretionary lottery	-	9,568	(9,568)
Instructional materials allocation	228,690	214,113	14,577
Digital classroom allocation	42,777	17,163	25,614
Proration of available funds	(33,203)	(101,541)	68,338
Net of district fee	-	(432,834)	432,834
Subtotal	17,356,146	16,357,926	998,220
Capital outlay distribution	598,473	903,522	(305,049)
Title grant	233,737	264,258	(30,521)
Teacher lead program	15,715	19,134	(3,419)
Board fee	-	277,714	(277,714)
School recoginition	181,812	127,528	54,284
Total	18,385,883	17,950,082	435,801
Grants	534,138	482,091	52,047
Contributions	1,735,258	1,584,050	151,208
Program services	58,300	65,405	(7,105)
Fundraising	421,646	378,827	42,819
Interest income	24,956	22,842	2,114
Other revenue	782,087	634,330	147,757
Total revenues	21,942,268	21,117,627	824,641
Expenses:			
Program expenses			
Instruction	10,321,820	10,340,825	19,005
School administration	2,958,295	2,626,458	(331,837)
Facilities acquisition and construction	685,976	969,028	283,052
Operating of plant	3,049,561	2,738,132	(311,429)
Community services	3,208,239	3,016,120	(192,119)
Interest on long-term debt	943,184	693,319	(249,865)
Bond refinancing fees	1,049,310	-	(1,049,310)
Total expenses	22,216,385	20,383,882	(1,832,503)
Change in net position	$ (274,117)	$ 733,745	$ (1,007,862)

The increase in total revenue is directly attributable to a increase in The Florida Education Finance Program (FEFP) state and local charter school discretionary funding and teacher salary allocations compared to the prior year.

The increase in total expenses is directly related to bond refinancing fees.

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 $2,227,323 at June 30, 2016 and $2,501,440 (after prior period adjustments) at June 30, 2015.

Governmental activities. Governmental activities decreased FOUNDATION net position by $274,117 for 2016 and increased net position by $733,745 for 2015.

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 $8,305,585. Of this amount, $1,604,168 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 $1,604,168.

The fund balance of the FOUNDATION's general fund increased by $90,974 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenue exceeded original budgeted revenue by $1,457,222 while actual expenditures exceeded original budgeted expenditures by $1,381,282. In-kind donations of office supplies and volunteer services accounted for $1,029,639 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 2016 general fund budget to the actual 2016 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, 2016 amounted to $(2,633,828). 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 $13,675,000.

Economic Factors

State and federal funding which principally support the FOUNDATION are determined by the number of enrolled students. Enrollment for the 2015/2016 remained consistent with the 2014/2015 school year. The FOUNDATION expects to see increases in enrollment for the 2016/2017 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, 2016

		Governmental Activities
Current assets:		
Cash and cash equivalents	$	3,266,263
Cash and cash equivalents - restricted		2,220,025
Investments		3,964,215
Due from other agencies		152,247
Accounts receivable		88,479
Prepaid expenses		47,557
Deposits		51,047
Due from management company		11,544
Beneficial interest in assets held by others - restricted		1,005,162
Total current assets		10,806,539
Capital assets, net		11,203,916
Total assets		22,010,455
Deferred outflows, related to changes in the net pension liability		738,207
Current liabilities:		
Accounts payable		50,687
Accrued expenses		609,462
Due to other agencies		1,425,573
Accrued interest		122,430
Due to management company		230,962
Other liabilities		61,839
Total current liabilities		2,500,953
Long term liabilitites:		
Due within one year, long-term debt and $17,538 of compensated absences		517,538
Due in more than one year, long-term debt and $5,845 of compensated absences		13,343,589
Net pension liability		3,244,124
Total liabilities		19,606,204
Deferred Inflows		
Related amount to debt refinancing		520,067
Related to changes in the net pension liability		395,068
		915,135
Net position:		
Investment in capital assets, net of related debt		(2,633,828)
Restricted for:		
Debt service		1,957,850
Other purposes - Take Stock in Children		1,025,923
Other purposes - Scholarships		136,789
Other purposes - Commmunity Foundation		104,625
Capital outlay		440,070
Unrestricted		1,195,894
Total net position	$	2,227,323

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

The Foundation for Osceola Education, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Instruction	$ 10,321,820	$ 161,210	$ 233,737	$ -	$ (9,926,873)
School administration	2,958,295	-	-	-	(2,958,295)
Facilities acquisition and construction	685,976	-	-	598,473	(87,503)
Operation and maintenance of plant	3,049,561	-	84,412	-	(2,965,149)
Community services	3,208,239	128,269	2,749,342	-	(330,628)
Interest on long-term debt	943,184	-	-	-	(943,184)
Bond refinancing fees	1,049,310	-	-	-	(1,049,310)
Total governmental activities	$ 22,216,385	$ 289,479	$ 3,067,491	$ 598,473	(18,260,942)
			General revenues:		
			State passed through local school district		17,553,673
			Interest and investment income		44
			Other local revenues		433,108
			Total general revenues		17,986,825
			Change in net assets		(274,117)
			Net assets at July 1, 2015		2,501,440
			Net position at June 30, 2016		$ 2,227,323

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

The Foundation for Osceola Education, Inc.

BALANCE SHEET- GOVERNMENTAL FUNDS

June 30, 2016

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 387,500	$ 2,878,763	$ -	$ -	$ 3,266,263
Cash - restricted	262,175	-	1,957,850	-	2,220,025
Investments	1,363,142	2,601,073	-	-	3,964,215
Accounts receivable	68,997	19,482	-	-	88,479
Due from other agency	-	118,390	-	-	118,390
Prepaid expenses	9,839	37,718	-	-	47,557
Deposits	-	51,047	-	-	51,047
Due from other funds	-	33,857	-	-	33,857
Due from management company	-	11,544	-	-	11,544
Beneficial interest in assets held by others - restricted	1,005,162	-	-	-	1,005,162
Total assets	$ 3,096,815	$ 5,751,874	$ 1,957,850	$ -	$ 10,806,539
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ (89)	$ 50,776	$ -	$ -	$ 50,687
Accrued expenses	143,783	465,679	-	-	609,462
Due to other agencies	9,938	1,415,635	-	-	1,425,573
Accrued interest payable	-	-	122,430	-	122,430
Due to management company	-	230,962	-	-	230,962
Due to others funds	33,857	-	-	-	33,857
Other current liabilities	27,982	-	-	-	27,982
Total liabilities	215,471	2,163,052	122,430	-	2,500,953
Fund balances:					
Nonspendable					
Prepaid expenses	9,839	-	-	-	9,839
Restricted					
Take stock in children	1,025,923	-	-	-	1,025,923
Community foundation	104,625	-	-	-	104,625
Scholarships	136,789	-	-	-	136,789
Special revenue	-	3,588,822	-	-	3,588,822
Debt service	-	-	1,835,420	-	1,835,420
Unassigned	1,604,168	-	-	-	1,604,168
Total fund balances	2,881,344	3,588,822	1,835,420	-	8,305,586
Total liabilities and fund balances	$ 3,096,815	$ 5,751,874	$ 1,957,850	$ -	$ 10,806,539

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

The Foundation for Osceola Education, Inc.

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

June 30, 2016

Fund balances - total governmental funds		$ 8,305,586
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 $4,007,076 accumulated depreciation	9,914,375	
Furniture, fixtures and equipment, net of $3,017,859 accumulated depreciation	404,928	
Computer software, net of $41,723 accumulated depreciation	3,640	
IT equipment, net of $814,906 accumulated depreciation	402,489	
Improvements other than buildings, net of $75,908 accumulated depreciation	240,264	11,203,916
Long-term liabilities, including bonds payable, net pension liability, and deferred inflows/outflows, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(2,900,985)	
Deferred inflows bond refinancing gain	(520,067)	
Bonds payable	(13,675,000)	
Bond premium, net of accumulated amortization	(177,988)	
Bond discount, net of accumulated amortization	15,244	
Compensated absences	(23,383)	(17,282,179)
Total net position of governmental activities		$ 2,227,323

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

The Foundation for Osceola Education, Inc.

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

For the year ended June 30, 2016

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Federal passed through state	$ -	$ 233,737	$ -	$ -	$ 233,737
State passed through local school district	-	17,683,853	-	598,473	18,282,326
Grants	534,138	-	-	-	534,138
Contributions	1,735,258	-	-	-	1,735,258
Program services	58,300	-	-	-	58,300
Fundraising	421,646	-	-	-	421,646
Interest and investment income	44	-	-	-	44
Other local revenues	466,595	210,047	-	177	676,819
Total revenues	3,215,981	18,127,637	-	598,650	21,942,268
Expenditures					
Current:					
Basic instruction	-	8,797,662	-	-	8,797,662
School administration	-	1,517,995	-	-	1,517,995
Operation of plant	-	1,213,731	-	407,392	1,621,123
Community services	3,125,007	83,551	-	-	3,208,558
Exceptional Instruction	-	271,109	-	-	271,109
Guidance services	-	118,109	-	-	118,109
Health services	-	39,532	-	-	39,532
Other pupil services	-	480,792	-	-	480,792
Curriculum development	-	12,575	-	-	12,575
Staff development	-	22,411	-	-	22,411
Board of directors	-	48,310	-	-	48,310
General administration	-	1,151,227	-	-	1,151,227
Fiscal services	-	1,053,959	-	-	1,053,959
Central services	-	157,276	-	-	157,276
Staff services	-	2,150	-	-	2,150
Transporation	-	135,628	-	-	135,628
Maintenance of plant	-	326,320	-	-	326,320
Food services	-	13,960	-	-	13,960
Instructional media	-	88,375	-	-	88,375
Instructional staff training	-	124,655	-	-	124,655
Instructional related technology	-	40,579	-	-	40,579
Facilities	-	321,493	-	-	321,493
Fixed capital outlay	-	537,411	-	-	537,411
Debt service:					
Principal	-	-	13,685,000	-	13,685,000
Interest	-	-	943,184	-	943,184
Bond issuance costs	-	-	1,049,310	-	1,049,310
Total expenditures	3,125,007	16,558,810	15,677,494	407,392	35,768,703
Excess (deficiency) of revenues over (under) expenditures	90,974	1,568,827	(15,677,494)	191,258	(13,826,435)
Other financing sources (uses):					
Transfers in	1,092,356	-	1,092,356	-	2,184,712
Transfers out	(1,092,356)	(901,098)	-	(191,258)	(2,184,712)
Debt proceeds from refunded debt	-	-	13,840,371	-	13,840,371
Proceeds from escrow agent for refunded debt	-	-	520,067	-	520,067
Total other financing sources (uses)	-	(901,098)	15,452,794	(191,258)	14,360,438
Net change in fund balances	90,974	667,729	(224,700)	-	534,003
Fund balances at July 1, 2015	2,790,370	2,921,093	2,060,120	-	7,771,583
Fund balances at June 30, 2016	$ 2,881,344	$ 3,588,822	$ 1,835,420	$ -	$ 8,305,586

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

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

For the year ended June 30, 2016

Net change in fund balances - total governmental funds		$ 534,003
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	$ 537,411	
Current year depreciation	(688,376)	(150,965)
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:		
Debt proceeds	(13,840,371)	
Proceeds from escrow agent for refunded debt	(520,067)	
Principal payments on long-term debt	505,000	
Principal payments to redeem long-term debt	13,180,000	
Current year amortization of bond discount	(91,600)	
Compensated absences	(8,561)	(775,599)
Some expenses reported in the statement of activities do not require the use of current financial resources an, therefore, are not reported as expenditures in governmental funds. Changes in:		
Net pension liability	(935,966)	
Deferred outflows related to net pension liability	183,311	
Deferred inflows related to net pension liability	871,099	118,444
Change in net assets of governmental activities		$ (274,117)

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

NOTE A - 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.

NOTE A - 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

   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:

   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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016, 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’s cash and cash equivalents at June 30, 2016 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Capital assets (continued)

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:

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

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 2016, the Foundation recognized $1,029,639 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 two items that qualify for this category, which are the deferred amount on the debt refunding and amounts related to the pensions. A deferred amount on debt refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. The Foundation remains subject to examination by the Internal Revenue Service for the years ended June 30, 2014 through June 30, 2016.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Pensions

In the government-wide statement of net position, liabilities are recognized for the Foundation's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS 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 U.S. generally accepted accounting principles 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. 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 26, 2016.

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The carrying amount of the Foundation's cash deposits were $489,498 at June 30, 2016. 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, 2016, the Foundation had $11,403 in brokerage 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, 2016 consists of $1,005,162 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 $104,625 at June 30, 2016 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, 2016 were $4,080,804 including $3,964,215 classified as investments and $116,589 as restricted cash in the accompanying financial statements. The investments include $2,601,073 held in the District's investment pool and $1,479,731 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, 2016

NOTE E - CAPITAL ASSETS

Changes in capital assets by category are as follows for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets depreciated:				
Land	$ 238,220	$ -	$ -	$ 238,220
Total assets, non-depreciated	238,220	-	-	238,220
Capital assets depreciated:				
Buildings and fixed equipment	13,921,451	-	-	13,921,451
Improvements other than building	141,172	175,000	-	316,172
Furniture, fixtures and equipment	3,342,239	115,925	35,377	3,422,787
IT equipment	970,909	246,486	-	1,217,395
Computer software	45,363	-	-	45,363
Total assets depreciated	18,421,134	537,411	35,377	18,923,168
Less accumulated depreciation:				
Buildings and fixed equipment	3,709,245	297,831	-	4,007,076
Improvements other than building	45,575	30,333	-	75,908
Furniture, fixtures and equipment	2,930,078	123,158	35,377	3,017,859
IT equipment	580,152	234,754	-	814,906
Computer software	39,423	2,300	-	41,723
Total accumulated depreciation	7,304,473	$ 688,376	$ 35,377	7,957,472
Total governmental activities capital assets, net	$ 11,354,881			$ 11,203,916

Depreciation expense is charged to functions of the Foundation as follows for the year ended June 30, 2016:

Instruction	$ 126,570
School administration	240,764
Plant	321,042
	$ 688,376

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, 2016:

	Long-term obligations at July 1, 2015	Additions	Reductions	Long-term obligations at June 30, 2016
Revenue bonds:				
PM Wells Charter Academy- 2001	$ 6,590,000	$ -	$ 6,590,000	$ -
Canoe Creek Academy- 2002	7,095,000	-	7,095,000	-
PM Wells Charter Academy- 2016	-	6,585,000	-	6,585,000
Canoe Creek Academy- 2016	-	7,090,000	-	7,090,000
Subtotal	13,685,000	13,675,000	13,685,000	13,675,000
Premium/ discount:				
Unamortized bond discount- 2001/2002	(94,227)	-	94,227	-
Unamortized bond premium- 2016	-	181,346	(3,358)	177,988
Unamortized bond discount- 2016	-	(15,975)	731	(15,244)
Subtotal	(94,227)	165,371	91,600	162,744
	$ 13,590,773	$ 13,840,371	$ 13,593,400	$ 13,837,744

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%, 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%.

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%, 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%.

The net proceeds from the Series 2016 bonds of $13,840,371 (including net premium of $162,744) plus reserve funds were immediately used to redeem the Series 2001 and 2002 bonds and to pay $1,049,310 in underwriting fees, legal fees, insurance, and other costs. As a result, $13,170,000 of Series 2001 and 2002 bonds were considered to be in-substance defeased and the liability for these certificates was removed from the government-wide financial statements. The Series 2016 bonds were issued to reduce the total debt service payments over the next 16 years by $1,171,679, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $936,383.

NOTE F - LONG-TERM DEBT (continued)

The 2016 debt refinancing resulting in a gain on refunding of $520,067 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 $0 for 2016 was charged against interest expense. Accumulated amortization totaled $0 at June 30, 2016.

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-17, 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 2015-2016 school year was 821 students, and for Canoe Creek Charter Academy was 576 students. The number of students enrolled for the 2016-2017 school year is expected to increase.

The annual requirements to amortize all debt outstanding as of June 30, 2016 are as follows:

Year ending June 30	Principal	Interest	Total
2017	$ 500,000	$ 405,974	$ 905,974
2018	660,000	452,091	1,112,091
2019	675,000	436,227	1,111,227
2020	695,000	419,116	1,114,116
2021	710,000	399,569	1,109,569
2022-2026	3,980,000	1,606,272	5,586,272
2027-2031	4,820,000	779,163	5,599,163
2032-2033	1,635,000	51,875	1,686,884
	$ 13,675,000	$ 4,550,305	$ 18,225,296

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.

NOTE F - LONG-TERM DEBT (continued)

	PM Wells	Canoe Creek
Total academy revenue	$ 5,855,403	$ 4,142,005
Maximum annual debt service	554,624	556,603
Debt service coverage ratio	1,055.74%	744.16%
Total academy revenue	$ 5,855,403	$ 4,142,005
Less operating expenses	4,035,248	3,308,468
Income available for debt service	$ 1,820,155	$ 833,537
Debt service coverage ratio	328.18%	149.75%

The bond loan agreements require debt service coverage ratios of at least 110% and also maintenance of unrestricted fund balances of $600,000.

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:	51	36
b. Number of full-time equivalent students:	821	576
c. Average revenues per student:	$ 7,417	$ 7,191
d. Average expenditures per student:	$ 6,726	$ 6,549
e. Fees related to before/after school program:	$ 72,151	$ 56,118
f. Expenses related to before/after school program:	$ 67,348	$ 16,203
g. Charter school capital outlay funding:	$ 242,211	$ 165,181
h. Federal grant revenues received:	$ 233,737	$ -

NOTE H - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The Foundation entered into two management service agreements with a management company in July 2009. The original agreements are for a term of three years commencing with the 2009-2010 school year. The term of the agreements has been extended to June 30, 2019. The management company will manage and operate PM Wells Charter Academy and Canoe Creek Charter Academy during the terms of the agreements.

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 $800,000 for PM Wells and $249,368 for Canoe Creek based on a schedule of per student fees. Current year management fees charged to operations totaled $1,049,368.

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 was 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, 2016:

NOTE I - RELATED PARTY TRANSACTIONS (continued)

1. Due to management company (continued)

	Management fees	Advances	Operating expenses and contributions	Total
Balance at July 1, 2015	$ -	$ -	$ 138,519	$ 138,519
Invoiced	1,049,368	-	1,033,505	2,082,873
Payments	(800,000)	-	(1,201,974)	(2,001,974)
Balance at June 30, 2016	$ 249,368	$ -	$ (29,950)	$ 219,418

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, 2016, the Foundation received $220,000 of cash contributions and approximately $219,365 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 $165,948 for fiscal year 2016.

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, 2016

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 2016:

Sources	Amounts
Base Funding	$ 11,940,792
Safe school	47,786
ESE guaranteed allocation	256,365
Supplemental academic instruction	583,294
Discretionay Local WFTE	668,628
Class size reduction funds	3,118,718
Discretionary millage	502,299
Instructional materials allocation	228,690
Digital classroom allocation	42,777
Proration of available funds	(33,203)
Subtotal	17,356,146
Capital outlay distribution	598,473
Title federal revenue	233,737
Teacher lead program	15,715
School recognition	181,812
Total School District of Osceola County:	18,385,883
Grants	534,138
Contributions	1,735,258
Program services	58,300
Fundraising	421,646
Rent	6,630
Investment income	24,956
Pre-school	86,728
Community services	128,269
Miscellaneous revenue	560,460
Total	$ 21,942,268

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENENFIT 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 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 $226,346 for the fiscal year ended June 30, 2016.

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

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

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.

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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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

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

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 3 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 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class or Plan	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.26
Florida Retirement System, Elected County Officers	3.00	42.27
Florida Retirement System, Senior Management	3.00	21.43
Teachers' Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	12.88
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 0.04 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 $355,116 for the fiscal years ending June 30, 2016. 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, 2016, the School reported a liability of $1,546,472 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School's proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the School's proportionate share was .00061 percent, which was a decrease of .01135 from its proportionate share measured as of June 30, 2014.

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

For the fiscal year ended June 30, 2016, the School recognized pension expense of $104,132 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	$ 154,734	$ 34,762
Change of assumptions	97,283	-
Net difference between projected and actual earnings on FRS pension plan investments	-	349,983
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	143	2,943
District FRS contributions subsequent to the measurement date	262,216	-
Total	$ 514,377	$ 387,688

The deferred outflows of resources related to pensions, totaling $262,216, 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ (267,110)
2018	(267,110)
2019	(267,110)
2020	267,110
2021	(23,672)
Thereafter	47,938

NOTE L - FLORIDA RETIREMENT SYSTEM (FRS) – DEFINED BENENFIT PENSION PLANS (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	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in the July 1, 2015 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	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			
Assumed inflation - Mean		2.60%		1.90%

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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.

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 4,007,260	$ 1,546,472	$ 501,307

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 At June 30, 2016, the District reported a payable of $88,437 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

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, 2016, 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.

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

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, 2016, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statues. 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 School's contributions to the HIS Plan totaled $82,574 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the School reported a net pension liability of $1,697,653 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School's proportionate share of the net pension liability was based on the School's 2013-14 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the School's proportionate share was .01592 percent, which was an decrease of .00096 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School recognized pension expense of $122,214. 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	$ -	$ -
Change of assumptions	127,755	-
Net difference between projected and actual earnings on HIS pension plan investments	879	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	12,623	7,379
District contributions subsequent to the measurement date	82,574	-
Total	$ 223,831	$ 7,379

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

The deferred outflows of resources totaling $64,150, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2017	$	(30,055)
2018		(30,055)
2019		(30,055)
2020		(30,055)
2021		(30,207)
Thereafter		77,534

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 3.80 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.

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

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 3.80 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 (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's proportionate share of the net pension liability	$ 1,934,396	$ 1,697,653	$ 1,500,244

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

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. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

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

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, 2016, the information for the amount of 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 $72,773 for the fiscal year ended June 30, 2016.

REQUIRED SUPPLEMENTAL INFORMATION

The Foundation for Osceola Education, Inc.

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

For the year ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance - Positive (Negative)
Revenues				
Grants	$ 320,000	$ 534,138	$ 534,138	$ -
Contributions	1,050,059	1,735,258	1,735,258	-
Program services	68,700	58,300	58,300	-
Fundraising	250,000	421,646	421,646	-
Interest income	-	44	44	-
Other local revenues	70,000	466,595	466,595	-
Total revenues	1,758,759	3,215,981	3,215,981	-
Expenditures				
Current:				
School administration	-	-	-	
Community services	1,743,725	3,125,007	3,125,007	-
Total expenditures	1,743,725	3,125,007	3,125,007	-
Excess (deficiency) of revenues over (under) expenditures	15,034	90,974	90,974	-
Other financing sources:				
Transfers in	-	1,092,356	1,092,356	-
Transfers out	-	(1,092,356)	(1,092,356)	-
Total other financing sources	-	-	-	-
Net change in fund balances	15,034	90,974	90,974	-
Fund balances at July 1, 2015	2,790,370	2,790,370	2,790,370	-
Fund balances at June 30, 2016	$ 2,805,404	$ 2,881,344	$ 2,881,344	$ -

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

	June 30, 2015	June 30, 2014	June 30, 2013
Florida Retirement System (FRS)			
Proportion of the net pension liability	0.011347608%	0.011958724%	0.011985122%
Proportionate share of the net pension liability (asset)	$ 1,546,472	$ 729,658	$ 2,063,173
Covered-employee payroll	$ 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	31.60%	14.22%	42.16%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%
Health Insurance Subsidy Program (HIS)			
Proportion of the net pension liability	0.015922593%	0.016670335%	0.016881913%
Proportionate share of the net pension liability (asset)	$ 1,697,653	$ 1,578,500	$ 1,451,372
Covered-employee payroll	$ 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	35%	32%	30%
Plan fiduciary net position as a percentage of the total pension liability	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.

The Foundation for Osceola Education, Inc.

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

	June 30, 2016	June 30, 2015	June 30, 2014
Florida Retirement System (FRS)			
Contractually required contribution	$ 262,216	$ 291,592	$ 261,947
Contributions in relation to the contractually required contribution	(262,216)	(291,592)	(261,947)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,133,503	$ 4,893,367	$ 5,132,969
Contributions as a percentage of covered-employee payroll	5.11%	5.96%	5.10%
Health Insurance Subsidy (HIS)			
Contractually required contribution	$ 82,574	$ 64,150	$ 54,608
Contributions in relation to the contractually required contribution	(82,574)	(64,150)	(54,608)
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,133,503	$ 4,893,367	$ 5,132,969
Contributions as a percentage of covered-employee payroll	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.

MKA
CERTIFIED PUBLIC ACCOUNTANTS

Partners
W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

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, 2016, 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 26, 2016.

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 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 over financial reporting. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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*.

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

October 26, 2016
Winter Park, Florida

MKA
CERTIFIED PUBLIC ACCOUNTANTS

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

INDEPENDENT ACCOUNTANTS' REPORT

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 Statues, regarding the investment of public funds during the year ended June 30, 2016. 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, 2016.

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

October 26, 2016
Winter Park, Florida

MKA
CERTIFIED PUBLIC ACCOUNTANTS

Partners
W. Ed Moss Jr.
Joe M. Krusick
James R. Dexter
Cori Cameron
Bob Marchewka
Ric Perez

501 S. New York Ave.
Suite 100
Winter Park, FL 32789
Phone: 407-644-5811
Fax: 407-644-6022
www.mosskrusick.com

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

MANAGEMENT LETTER

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 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, 2016, and have issued our report thereon dated October 26, 2016.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated October 26, 2016, 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

Section 10.804(1)(f)2., Rules of the Auditor General, requires a statement be included as to whether or not the Foundation has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with out 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.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we report the results of our determination as to whether the Foundation maintains on its Website the information specified in Section 1011.035, Florida Statutes. (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of the each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the Foundation maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

Other Matters

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

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

Purpose of This Letter

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

Moss, Krusick & Associates, LLC

October 26, 2016
Winter Park, Florida