

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FLORIDA STATE UNIVERSITY SCHOOL, INC.
TALLAHASSEE, FLORIDA**

JUNE 30, 2016

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FLORIDA STATE UNIVERSITY SCHOOL, INC.
TALLAHASSEE, FLORIDA**

JUNE 30, 2016

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
School-wide Financial Statements:	
Statement of Net Position.....	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Fiduciary Funds:	
Statement of Fiduciary Net Position.....	15
Notes to Financial Statements	16-27
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	28
Budgetary Comparison Schedule - Special Revenue Fund	29
Budgetary Comparison Schedule - Debt Service.....	30
Additional Information	
Schedule of Board of Directors	31
Additional Elements of Report Prepared in Accordance with Government Auditing Standards, Issued by the Comptroller General of the United States	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Management Letter	34-35

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Florida State University School, Inc.
Tallahassee, 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 Florida State University School, Inc. (the School), a component unit of Florida State University, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Florida State University School, Inc.
Tallahassee, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

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 School 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 budgetary comparison information on pages 3 through 8 and pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Durvis, Gray and Company, LLP

September 22, 2016
Tallahassee, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016**

The Management of the Florida State University Schools, Inc. (the School or FSUS) has prepared the following discussion and analysis to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the School's financial activities; (c) identify changes in the School's financial position; and (d) highlight significant issues for the year ended June 30, 2016, 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 School's financial statements and notes to the financial statements.

Financial Highlights

Key financial highlights for the 2015-2016 fiscal year are as follows:

- During fiscal year 2015-2016, General Fund revenues exceeded expenditures by \$524,554. This may be compared to fiscal year 2014-2015 where General Fund revenues exceeded expenditures by \$191,442.
- In total, School-wide net position increased by \$1,116,855, totaling \$21,666,969 compared to \$20,550,114 in 2014-2015. The increase is approximately 5%.
- The assets of FSUS as reported in the School-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$21,666,969 (net position).
- General Fund Revenues totaled \$13,293,109 or 85% of all revenues. Special Revenue Fund and Debt Service Revenues in the form of charges for services and capital grants totaled \$2,380,467, which was 15% of governmental fund revenues.
- As of the close of the current year, the governmental funds financial statements report combined ending fund balances of \$14,753,101; an increase of \$873,166 compared to the 2014-2015 fund balance of \$13,879,935.
- At the close of the current year, the general fund balance was \$11,495,071 with a net increase of \$807,400. The Special Revenue Fund balance decreased by \$1,344 that resulted in an ending balance of \$72,089.
- During school year 2015-2016 enrollment remained at a target of 1,700 students.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016
(Continued)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements. The basic financial statements consist of five components:

- School-wide financial statements are designed to provide information on the School as a whole and to present a long-term view of the School's finances.
- Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the School's operations in more detail than the School-wide financial statements.
- Notes to the financial statements.
- Required supplementary information.
- Supplementary auditors' report.

School-wide Financial Statements

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

The School-wide statements present the School's activities including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as school food service program and administration are also included. The State's education program provides most of the resources that support these activities (Florida Education Finance Program dollars based on full-time student equivalent, which flows through the Florida State University to FSUS bi-monthly).

Over a period of time, changes in the School's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's student enrollment, and the condition of the School's capital assets, including its buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management.

MANAGEMENT’S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016
(Continued)

Fund Financial Statements
(Concluded)

Law establishes certain funds, while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the School’s financial activities, focusing on its most significant or “major” funds rather than fund types. This is in contrast to the entity-wide perspective contained in the School-wide statements. All of the School’s funds may be classified within one of two broad categories as discussed below.

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statements. However, the governmental funds utilize a spendable financial resource measurement focus rather than the economic measurement focus found in the governmental-wide financial statements. This financial resource measurement focus allows the governmental fund statements to provide information on *near-term* inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the School’s *near-term* financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the School-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in the fund balances provide a reconciliation of governmental funds to governmental activities.

Fiduciary Funds—Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the governmental-wide statement because the resources are not available to support the School’s own programs. In its fiduciary capacity, the School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the School-wide and fund financial statements.

Required Supplementary Information

The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of Management’s Discussion and Analysis and the budgetary comparison schedule of the general fund.

Supplemental Auditors’ Reports

This section includes the Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* and the Management Letter in accordance with the *Rules of the Auditor General* of the State of Florida.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016
(Continued)**

School-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School's assets exceeded liabilities by \$21,666,969 as of June 30, 2016. Investments in capital assets (e.g., land, buildings, furniture and equipment) net of related debt amounted to \$7,482,343.

The following is a summary of the School's net position as of June 30, 2016:

	2016	2015	Increase (Decrease)
Governmental Activities			
Assets			
Current and Other Assets	\$ 16,259,876	\$ 15,397,769	\$ 862,107
Noncurrent Assets	21,154,987	21,940,311	(785,324)
Total Assets	37,414,863	37,338,080	76,783
Deferred Outflows of Resources			
Current Liabilities	1,525,556	1,511,489	14,067
Noncurrent Liabilities	14,222,338	15,276,477	(1,054,139)
Total Liabilities	15,747,894	16,787,966	(1,040,072)
Net Position			
Net Investment in Capital Assets	7,482,349	7,293,789	188,560
Restricted for Categorical	39,168	8,011	31,157
Restricted for Debt Service	2,958,064	2,874,722	83,342
Restricted for Capital Outlay	2,665,113	2,472,045	193,068
Unrestricted	8,522,275	7,901,547	620,728
Total Net Position	\$ 21,666,969	\$ 20,550,114	\$ 1,116,855

A portion of the School's net position (35%) reflects its investment in capital assets (e.g. land, buildings, furniture, and equipment), less any related debt still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the School's net position represents resources that are subject to external restrictions on how they may be used.

Capital Assets

The School's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$21,154,987 (net of accumulated depreciation). This investment in capital assets includes land improvements, improvements other than buildings; buildings, and fixed equipment; furniture, fixtures and equipment; motor vehicles; construction in progress; and audiovisual and computer software. Effective July 2011, the threshold for capital assets was changed from \$1,000 to \$5,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016
(Continued)

Long-Term Liabilities

At June 30, 2016, the School had total long-term liabilities outstanding of \$14,222,338. This amount was comprised of \$12,656,180 bonds payable, \$316,158 compensated absences payable, and \$1,250,000 due to developer.

The key elements of changes in the School's net position for the fiscal year are as follows:

	2016	2015	Increase (Decrease)
Operating Results			
Government Activities			
Expenditures:			
Function/Programs			
Instruction	\$ 7,364,716	\$ 7,354,324	\$ 10,392
Pupil Personnel Services	624,817	595,123	29,694
Instructional Media Services	143,200	156,208	(13,008)
Instructional Staff Training	37,993	45,589	(7,596)
Instruction and Curriculum Development Services	369,540	370,700	(1,160)
Board	66,922	73,126	(6,204)
General Administration	420,525	388,485	32,040
School Administration	468,986	458,579	10,407
Facilities Acquisition and Construction	16,500	6,680	9,820
Fiscal Services	290,456	276,488	13,968
Food Services	487,668	538,045	(50,377)
Central Services	872,195	818,605	53,590
Pupil Transportation Services	132,043	83,600	48,443
Operation of Plant	1,159,613	1,142,075	17,538
Maintenance of Plant	192,118	202,732	(10,614)
Community Services	511,814	452,264	59,550
Interest on Long-term Debt	550,151	588,676	(38,525)
Unallocated Depreciation	843,544	857,277	(13,733)
Unallocated Amortization Expense	0	92,132	(92,132)
Loss on Disposal	0	42,408	(42,408)
Other	3,920	2,015	1,905
Total Expenditures	14,556,721	14,545,131	11,590
Program Revenue	3,405,280	3,333,619	71,661
General Revenues:			
Grants and Contributions not Restricted to			
Specific Purposes	11,959,618	11,549,127	410,491
Investment Earnings	308,678	94,544	214,134
Total General Revenues	12,268,296	11,643,671	624,625
Total Revenues	15,673,576	14,977,290	696,286
Change in Net Position	\$ 1,116,855	\$ 432,159	\$ 684,696

MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOLS, INC.
JUNE 30, 2016
(Concluded)

Financial Analysis of the School's Funds

The focus of the School governmental funds is to provide information on *near-term* inflows and outflows and balances of spendable resources. As of fiscal year-end, the governmental funds reported combined ending fund balances of \$16,323,954. The General Fund is the primary operating fund. At fiscal year-end the unreserved fund balance was \$8,523,015, while the total general fund balance was \$11,812,766.

General Fund Budgetary Highlights

Over the course of the year, changes were made to the budget. Each change is School Board approved and the purpose explained at the time of approval.

Budgeted general revenue for school year 2015-2016 was \$12,978,010, with actual revenue received totaling \$13,293,109. This resulted in approximately a 2% variance.

Budgeted general expense was \$12,978,010, with actual expenses totaling \$12,768,555, which was approximately a 1.5% variance.

Economic Factors and Next Year's Budget and Rates

- Capital outlay funding will continue to be funded at 100%, 25% from State capital outlay funds and 75% from 2 Mill funding.
- The School will maintain an enrollment of 1,700 students in elementary, middle, or high school for the 2016-2017 school year.
- In-Unit Faculty will received Pay for Performance increases averaging 2% totaling \$100,000 plus benefits.
- Staff will receive a 1.5% increase to their salary with a potential merit increase that will be awarded in September.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the School's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information in this report or requests for additional financial information should be addressed to Mrs. Sue Weathersbee, C.P.A., Finance Director U.B.A., Florida State University Schools, Inc., The Florida State University, 3000 School House Road, Tallahassee, FL 32311.

STATEMENT OF NET POSITION
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 4,397,285
Investments	11,530,695
Accounts Receivable	20,890
Interest Receivable	15,814
Prepaid Expense	294,768
Due from Florida State University	424
Total Current Assets	16,259,876
Capital Assets, Net	
Buildings and Improvements	31,855,222
Less: Accumulated Depreciation	(10,876,798)
Furniture, Fixture and Equipment	877,329
Less: Accumulated Depreciation	(700,766)
Total Capital Assets, Net	21,154,987
Total Assets	37,414,863
Liabilities	
Current Liabilities:	
Accounts Payable and Other Accrued Expenses	89,420
Salaries and Wages Payable - Due to Florida State University	138,760
Accrued Interest	227,877
Due to Other Agencies	19,677
Unearned Revenue	8,918
Portion Due Within One Year:	
Bond Payable	1,016,458
Compensated Absences Payable	24,446
Total Current Liabilities	1,525,556
Noncurrent Liabilities:	
Portion Due in More than One Year:	
Bonds Payable	12,656,180
Compensated Absences Payable	316,158
Due to Developer	1,250,000
Total Noncurrent Liabilities	14,222,338
Total Liabilities	15,747,894
Net Position	
Net Investment in Capital Assets	7,482,349
Restricted for:	
State Categorical Programs	39,168
Capital Outlay	2,665,113
Debt Service	2,958,064
Unrestricted	8,522,275
Total Net Position	\$ 21,666,969

See accompanying notes.

STATEMENT OF ACTIVITIES
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLHASSEE, FLORIDA
FOR THE YEAR ENDED JUNE 30, 2016

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 7,364,716	\$ 451,068	\$ -	\$ -	\$ (6,913,648)
Pupil Personnel Services	624,817	-	-	-	(624,817)
Instructional Media Services	143,200	-	-	-	(143,200)
Instructional Staff Training	37,993	-	-	-	(37,993)
Instructional Technology	369,540	-	-	-	(369,540)
Board	66,922	-	-	-	(66,922)
General Administration	420,525	-	-	-	(420,525)
School Administration	468,986	-	-	-	(468,986)
Facilities Acquisition and Construction	16,500	-	-	-	(16,500)
Fiscal Services	290,456	-	-	-	(290,456)
Food Services	487,668	275,661	210,663	-	(1,344)
Central Services	872,195	-	-	-	(872,195)
Pupil Transportation Services	132,043	-	-	-	(132,043)
Operation of Plant	1,159,613	-	-	-	(1,159,613)
Maintenance of Plant	192,118	-	-	-	(192,118)
Community Services	511,814	575,898	-	-	64,084
Interest on Long-term Debt	550,151	-	-	1,891,990	1,341,839
Unallocated Depreciation Expense	843,544	-	-	-	(843,544)
Other	3,920	-	-	-	(3,920)
Total Governmental Activities	\$ 14,556,721	\$ 1,302,627	\$ 210,663	\$ 1,891,990	(11,151,441)
General Revenues					
Grants and Contributions not Restricted to Specific Purposes					11,959,618
Investment Earnings					308,678
Total General Revenues and Transfers					12,268,296
Change in Net Position					1,116,855
Net Position, Beginning of Year					20,550,114
Net Position, End of Year					\$ 21,666,969

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 25,422	\$ -	\$ 4,371,863	\$ 4,397,285
Investments	11,482,441	48,254	-	11,530,695
Due from Other Funds	-	-	64,078	64,078
Due from Florida State University	424	-	-	424
Accounts Receivable	20,890	-	-	20,890
Interest Receivable	15,814	-	-	15,814
Prepaid Expenses	267,775	26,993	-	294,768
Total Assets	11,812,766	75,247	4,435,941	16,323,954
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	88,853	567	-	89,420
Salaries and Wages Payable - Due to Florida State University	136,169	2,591	-	138,760
Due to Other Funds	64,078	-	-	64,078
Unearned Revenue	8,918	-	-	8,918
Due to Other Agencies	19,677	-	-	19,677
Due to Developer	-	-	1,250,000	1,250,000
Total Liabilities	317,695	3,158	1,250,000	1,570,853
Fund Balances				
Nonspendable:				
Prepaid Expenses	267,775	26,993	-	294,768
Restricted for:				
Debt Service	-	-	3,185,941	3,185,941
Capital Outlay	2,665,113	-	-	2,665,113
State Categorical Programs	39,168	-	-	39,168
Assigned for:				
Food Service	-	45,096	-	45,096
Unassigned	8,523,015	-	-	8,523,015
Total Fund Balances	11,495,071	72,089	3,185,941	14,753,101
Total Liabilities and Fund Balances	\$ 11,812,766	\$ 75,247	\$ 4,435,941	\$ 16,323,954

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016**

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance - Governmental Funds	\$ 14,753,101
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	21,154,987
Interest on long-term debt is accrued as a liability in the school-wide financial statements but is not recognized in the governmental funds until due.	(227,877)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year-end consist of long-term debt totaling \$13,672,638 and compensated absences payable totaling \$340,604.	(14,013,242)
Total Net Position - Governmental Activities	<u><u>\$ 21,666,969</u></u>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
Federal Through State	\$ -	\$ 210,663	\$ -	\$ 210,663
State	11,959,618	-	1,891,990	13,851,608
Charges for Services	1,026,966	275,661	-	1,302,627
Investment Income	306,525	-	2,153	308,678
Total Revenues	<u>13,293,109</u>	<u>486,324</u>	<u>1,894,143</u>	<u>15,673,576</u>
Expenditures				
Current:				
Instruction	7,461,833	-	-	7,461,833
Pupil Personnel Services	624,817	-	-	624,817
Instructional Media Services	143,200	-	-	143,200
Instructional Staff Training	37,993	-	-	37,993
Instructional Technology	369,540	-	-	369,540
Board	66,922	-	-	66,922
General Administration	420,525	-	-	420,525
School Administration	468,986	-	-	468,986
Facilities Acquisition and Construction	16,500	-	-	16,500
Fiscal Services	290,456	-	-	290,456
Food Services	-	487,668	-	487,668
Central Services	872,195	-	-	872,195
Pupil Transportation Services	132,043	-	-	132,043
Operation of Plant	1,159,613	-	-	1,159,613
Maintenance of Plant	192,118	-	-	192,118
Community Services	511,814	-	-	511,814
Other	-	-	3,920	3,920
Debt Service:				
Principal	-	-	973,884	973,884
Interest	-	-	566,383	566,383
(Total Expenditures)	<u>(12,768,555)</u>	<u>(487,668)</u>	<u>(1,544,187)</u>	<u>(14,800,410)</u>
Excess (Deficient) Revenues Over (Under) Expenditures	<u>524,554</u>	<u>(1,344)</u>	<u>349,956</u>	<u>873,166</u>
Other Financing Sources (Uses)				
Transfers in	282,846	-	-	282,846
Transfers (out)	-	-	(282,846)	(282,846)
Total Other Financing Sources (Uses)	<u>282,846</u>	<u>-</u>	<u>(282,846)</u>	<u>-</u>
Net Change in Fund Balance	807,400	(1,344)	67,110	873,166
Fund Balance, Beginning of Year	<u>10,687,671</u>	<u>73,433</u>	<u>3,118,831</u>	<u>13,879,935</u>
Fund Balance, End of Year	<u>\$ 11,495,071</u>	<u>\$ 72,089</u>	<u>\$ 3,185,941</u>	<u>\$ 14,753,101</u>

See accompanying notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
FOR THE YEAR ENDED JUNE 30, 2016**

**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Change in Fund Balances - Governmental Funds \$ 873,166

Capital outlays to purchase or build/renovate capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

This is the amount by which depreciation exceeds outlays in the period:

Capital Outlay	\$ 58,220	
Depreciation Expense	<u>(843,544)</u>	(785,324)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 973,884

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave earned in excess of the amount used in the current period. 38,897

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the statement of activity. 16,232

Total Changes in Net Position - Governmental Activities \$ 1,116,855

See accompanying notes.

STATEMENT OF FIDUCIARY NET POSITION
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016

Assets

Cash	\$ 401,530
Accounts Receivable	<u>250</u>
Total Assets	<u><u>401,780</u></u>

Liabilities

Due to Teachers for Classroom Support, Student Athletics, Club Activities, etc.	<u><u>\$ 401,780</u></u>
--	--------------------------

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Florida State University School, Inc. (FSUS or the School) conform to accounting principles generally accepted in the United States of America as applicable to school districts.

Reporting Entity

Florida State University School, Inc., a Florida not-for-profit corporation, was established for the purposes of creating and maintaining a developmental research charter school (DRCS) pursuant to Section 1002.33(5), Florida Statutes. Florida State University (FSU) has contracted (sponsored) with FSUS for the operation of FSUS and has administrative and fiscal oversight of FSUS, a developmental research school (DRS) established pursuant to Section 1002.32, Florida Statutes. All personnel assigned to FSUS are employees of FSU. Pursuant to Section 1011.24, Florida Statutes, the DRS is a special school district for the purposes therein set forth.

The FSUS is organized and operated to support the FSUS mission, which is to advance, in collaboration with the College of Education at Florida State University, Florida's K-12 education through exemplary teaching, research, and service.

FSUS's Board of Directors is comprised of eleven voting members. Four members are FSU faculty appointed by FSU. Six members are elected by the Board members consisting of three parent representatives and three community representatives. An additional community representative is selected by the St. Joe Company and is designated the Southwood representative. FSU representatives serve a staggered two-year term not to exceed four terms. Remaining members are appointed for a staggered three-year term with a maximum of two terms served.

A listing of the current Board of Directors is found in the supplementary information.

Basis of Presentation

Although the School is a nonprofit corporation, these financial statements are presented using the governmental reporting model. This treatment is required by accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

The School's basic financial statements consist of school-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

School-wide Financial Statements

The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service program or

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

School-wide Financial Statements (Concluded)

department and therefore clearly identifiable to a particular function. Program revenues include charges paid that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements

During the year, the School segregates transactions related to certain school functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

Fund Accounting

The School uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as net position. The following are the School's major governmental funds:

General Fund—to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes. The General Fund includes the activity in the Activities Fund and Extended Day Fund.

Special Revenue Fund—to account for the financial resources of the School food service program.

Debt Service Fund—to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Fund-Type—Fiduciary fund reporting focuses on net position and changes in net position. The School's fiduciary fund is the internal fund, an agency fund. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement or results of operations. The School's agency fund accounts for resources collected and administered in connection with School activities, student athletics, class, and club activities.

School-Wide Financial Statements—The School-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net position.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus

Fund Financial Statements—All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing resources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the School-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the School-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues—On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Revenue from grant, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses/Expenditures—On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budget

As set forth in the bylaws of the articles of incorporation, the School adopts an annual budget for all revenues and expenses, which the Board of Directors approves. This budget is then sent to the Dean at the FSU College of Education, for review. Expenditure plans must be reviewed and approved by the Board of Directors with the Dean's review.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market funds. Cash deposits and money market funds are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool required by Sections 280.07 and 280.08, Florida Statutes.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

General capital assets result from expenditures in the governmental fund. These assets are reported in the governmental activities column of the School-wide statement of net position but are not reported in the fund financial statements. Capital assets are defined by FSUS as those with an original cost greater than \$5,000.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The School does not possess any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and Other Improvements	10 - 40 years
Furniture and Equipment	3 - 20 years
Audio-Visual Materials - Computer Software	5 - 10 years

Long-term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental fund types are reported as liabilities in the School-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Compensated Absences Payable

In the School-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the School-wide financial statements using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon terminations are included.

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

State Revenue Sources

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

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Continued)

State Revenue Sources (Concluded)

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to FSUS on an annual basis. FSUS is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the FSUS recognizes the allocation of Public Education Capital Outlay funds as deferred revenue until such time as, an encumbrance authorization is received.

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

Activity Fees

Pursuant to Section 1002.32(5) Florida Statutes, FSUS charges activity fees to its students. The financial activity related to the activity fees is included in the General Fund. Activity fee revenue is included in Charges for Services and the expenses are included in Instruction, Pupil Transportation Services, Pupil Personnel Services, and Fiscal Services.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance

The School has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), as required. The purpose of GASB 54 is to improve the consistency and usefulness of fund balance information to the financial statement user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned.

- **Nonspendable**—This component of fund balance consists of amounts that cannot be spent because: a) they are not expected to be converted to cash; or b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Fund Balance (Concluded)

- **Restricted**—This component of fund balance consists of amounts that are constrained either:
a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments), or b) by law through constitutional provisions or enabling legislation.
- **Committed**—This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (e.g., board resolution) of the organization's governing authority (the Board). These committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action employed to constrain those amounts. As of June 30, 2016, there are no amounts that are classified as committed fund balance.
- **Assigned**—This component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization's governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.
- **Unassigned**—This classification is used for: a) negative unrestricted fund balances in any governmental fund, or b) fund balances within the General Fund that are not restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use, it is the School's policy to use committed resources first, then assigned, then unassigned, as needed.

Subsequent Events

Subsequent events have been evaluated through the date of the auditors' report, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

During the year, the School implemented Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This standard provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements.

Note 2 - Investments

FSUS maintains investments at two financial institutions, including a qualified depository and an account with the State of Florida Treasury. FSUS is authorized by the Board of Directors to invest outside of the State Treasury in the following types of investments: qualified depositories, certificates of deposit, time deposits, and securities of the U.S. Government including obligations of the U.S. Treasury.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 2 - Investments (Continued)

State of Florida Treasury

FSUS participates in an investment pool through the State of Florida Treasury in accordance with the provisions of Sections 17.61 and 215.49, Florida Statutes. These investment pools operate under the investment guidelines established by Section 215.47, Florida Statutes. Account balances with the State of Florida Treasury are held in a Special Purpose Investment Account (SPIA). As a SPIA participant, FSUS owns a share in the Florida State Treasury Investment pool, not the underlying securities. FSUS's investments in this pool are reported at fair value. The fair value of FSUS's investments in the SPIA was \$11,530,695 at June 30, 2016. The SPIA carried a rating of A+f by Standard & Poor's, had an effective duration of 2.61 years, and had a fair value factor of 1.0143 at June 30, 2016.

Additional disclosure for the Florida State Treasury Investment Pool may be found in Note 2 of the State of Florida's Comprehensive Annual Financial Report.

Qualified Depository

Investments held at the qualified depository were issued pursuant to the Series 2010 Bond issue whereby, FSUS entered into an agreement with U.S. Bank, as Trustee for the City of Tallahassee (see Note 4).

Interest Rate Risk

The State of Florida Treasury manages its exposure to fair value losses arising from increasing interest rates by using a duration methodology to construct a portfolio to fund future cash needs. For reporting purposes, it selects an effective duration method with assumptions regarding the most likely timing and amounts of variable cash flow arising from specific investments to reduce the portfolio exposure to changes in interest rates. The SPIA account's effective duration was 2.61 years at June 30, 2016. FSUS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

Credit Risk

Authorized investment types are set forth in Section 17.57, Florida Statutes, and include certificates of deposit, direct obligations of the United States Treasury, obligations of Federal agencies, asset backed or mortgage-backed securities, commercial paper, bankers' acceptances, medium-term corporate obligations, repurchase agreements, commingled and mutual funds, negotiable certificates of deposits, and subject to certain rating conditions, foreign bonds denominated in the U.S. dollars and registered with the Securities and Exchange Commission for sale in the U.S. and convertible debt obligations of any corporation domiciled in the U.S., FSUS has no formal investment policy that would further limit these investment choices. As of June 30, 2016, SPIA was rated by Standard and Poor's with a rating of A+f.

Foreign Currency Risk

State law does not authorize the State of Florida Treasury to purchase investments in foreign currencies. Therefore, the SPIA is not exposed to foreign currency risk.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 2 - Investments (Concluded)

Fair Value Disclosure

FSUS's investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

<u>Investments</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
SPIA Account - State of Florida Treasury	\$ 11,530,695	\$ -	\$ -	\$ 11,530,695

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital Assets				
Building and Other Improvements	\$ 31,855,222	\$ -	\$ -	\$ 31,855,222
Furniture, Fixtures, and Equipment	840,662	58,220	(21,553)	877,329
Total Capital Assets	<u>32,695,884</u>	<u>58,220</u>	<u>(21,553)</u>	<u>32,732,551</u>
Less Accumulated Depreciation for:				
Building and Other Improvements	10,087,729	789,069	-	10,876,798
Furniture, Fixtures, and Equipment	667,844	54,475	(21,553)	700,766
Total Accumulated Depreciation	<u>10,755,573</u>	<u>843,544</u>	<u>(21,553)</u>	<u>11,577,564</u>
Total Capital Assets, Net	<u>\$ 21,940,311</u>	<u>\$ (785,324)</u>	<u>\$ -</u>	<u>\$ 21,154,987</u>

Current year depreciation expense was included in unallocated depreciation expense in the statement of activities.

Note 4 - Bonds Payable

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
District Revenue Bonds:			
Series 2010 Refunding	\$ 13,672,638	4.00%	2026
Total Bonds Payable	<u>\$ 13,672,638</u>		

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

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 4 - Bonds Payable (Concluded)

The City of Tallahassee issued on behalf of FSUS, Capital Improvement Revenue Bonds, Series 2000A on August 31, 2000, and Series 2000B on August 27, 2001, in the aggregate principal amount of \$24,180,000 to finance the acquisition, construction, and equipping of new kindergarten through 12th grade education facilities (the Project) for a developmental research charter school located within the jurisdiction of the City of Tallahassee. In December 2010, the City of Tallahassee issued Florida Lease Revenue Refunding Bonds Series 2010. A portion of the proceeds of these bonds was used to refund the Florida Lease Revenue Bonds Series 2000A. The Series 2000B bonds were paid in full during 2013.

The bonds are payable from the charter school capital outlay and developmental research school capital outlay appropriated by the Florida Legislature. The bonds are due in annual principal installments varying between \$930,000 and \$1,500,000 through August 1, 2026, plus interest due semiannually on February 1 and August 1 of each year. The remaining principal and interest to be paid on the bonds total \$16,894,006 as of June 30, 2016. During the current year, capital outlay revenues pledged toward the bonds totaled \$1,891,990 compared with debt service payments of \$1,540,267.

Under the terms of the Lease Purchase Agreement related to the Series 2010 Bonds, FSUS must maintain certain financial and non-financial covenants. At June 30, 2016, FSUS was in compliance with such stated covenants.

As part of the original issuance of the bonds, the developer of the residential community where the School is located was required to place \$1,250,000 into the School's Debt Service Reserve Account. The funds will be returned to the developer when the bonds are paid off, therefore, this amount has been reported as Due to Developer in the accompanying financial statements.

The bonds do not constitute a general debt, liability, or obligation of the State of Florida, or of any political subdivision thereof, or of the Florida Board of Education, or of the Florida State University. In addition, the bonds do not constitute a pledge of the faith and credit of the State of Florida, or of any political subdivision or agency thereof, or of the Florida Board of Education, or of the Florida State University.

Interest expense totaled \$566,383 for the year ended June 30, 2016.

Required principal and interest payments through maturity are as follows:

Fiscal Year			
Ending			
June 30,	Total	Principal	Interest
2017	\$ 1,543,034	\$ 1,016,458	\$ 526,576
2018	1,537,187	1,051,979	485,208
2019	1,541,245	1,099,058	442,187
2020	1,537,131	1,139,720	397,411
2021	1,534,921	1,183,984	350,937
2022	1,537,220	1,234,656	302,564
2023-2027	7,663,268	6,946,783	716,485
Total	\$ 16,894,006	\$ 13,672,638	\$ 3,221,368

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 5 - Long-term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 14,646,522	\$ -	\$ (973,884)	\$ 13,672,638	\$ 1,016,458
*Compensated Absences Payable	379,501	-	(38,897)	340,604	24,446
Total	<u>\$ 15,026,023</u>	<u>\$ -</u>	<u>\$ (1,012,781)</u>	<u>\$ 14,013,242</u>	<u>\$ 1,040,904</u>

* Records kept for compensated absences relate only to hours earned, used, and available. Accordingly, only the net change in compensated absences payable is shown.

Note 6 - Schedule of State Revenue Sources

FSUS's principal source of revenue is from the State of Florida, which provided approximately 88.4% percent of total revenues in the 2015-2016 fiscal year. The following is a schedule of State revenue sources and amounts:

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 10,126,332
Other Categorical State Sources:	
Class Size	1,669,969
School Recognition Funds	163,317
Gross Receipts Tax (Public Education Capital Outlay)	1,891,990
Total	<u>\$ 13,851,608</u>

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

Note 7 - Student Reservation Agreement

On August 21, 2000, the School entered into a student reservation agreement with the developer of the residential community where the School is located. Under the terms of this agreement, FSUS agrees to reserve seats to be used by purchasers of lots or homes in the residential community. Based upon this agreement any unoccupied reserved seats are reimbursed by the developer to the School. No reimbursements were paid to the School for unoccupied reserved seats during the year ended June 30, 2016.

Note 8 - State Retirement Program

Plan Description—All regular employees of FSU (assigned to FSUS) are covered by the Florida Retirement System, a State-administered cost sharing multiple-employer defined benefit retirement plan (the Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, *Florida Administrative Code*, wherein the Plan eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified ages or number of years of service depending upon the employee's

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Continued)

Note 8 - State Retirement Program (Continued)

classification. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments, as well as supplements for health-care insurance and, for certain employees, a supplement to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) was established effective July 1, 1998, subject to provisions of Section 121.091(13), Florida Statutes. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund and accrue interest.

The Plan's financial statements and required supplemental information are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida State Comptroller's Office in Tallahassee, Florida. Also, an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the State of Florida, Division of Retirement, in Tallahassee, Florida.

Funding Policy—The contribution rates for Plan members are established, and may be amended, by the State of Florida. During the 2015-2016 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percentage of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	7.26%
Florida Retirement System, Special Risk	3%	22.04%
Florida Retirement System, Senior Management Services	3%	21.43%
Teachers' Retirement System, Plan E	6.25%	11.9%
Deferred Retirement Option Program – Applicable to Members from all the above Classes and Plans	0%	12.88%
Florida Retirement System, Reemployed Retiree	(B)	(B)

Note: (A) Employer rates include 1.66 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of administering the FRS Investment Plan and the MyFRS Financial Guidance Program.

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

The School's reimbursement of contributions to the Plan (excluding employee contributions) for the fiscal years ended June 30, 2016, 2015, and 2014, were \$503,146, \$509,340, and \$462,105, respectively.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016
(Concluded)

Note 8 - State Retirement Program (Concluded)

The School's liability for participation in the Plan is limited to the reimbursement of the required pension contribution at the rates and frequencies established by law on future payrolls of the School. Therefore, the School did not report any proportionate share of the unfunded pension liability of the Florida Retirement System pursuant to Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. This liability will be reported on the University-wide financial statements of FSU.

Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	General Fund	\$ 64,078

Interfund Transfers include the following:

Transfers In	Transfer Out	Amount
General Fund	Debt Service Fund	\$ 282,846

Interfund balances resulted from the timing of funds collected by the General Fund but not yet remitted to the Debt Service Fund at year-end. Interfund Transfers represent the transfer of excess revenues from the Debt Service Fund to the General Fund in accordance with provisions of the bond agreement.

Note 10 - Related Party Transactions

The School reimburses the Florida State University for compensation costs provided to employees. In addition, the School pays administrative fees to the Florida State University for the administration of the accounting system. Total reimbursements to the Florida State University for the year ended June 30, 2016, were as follows:

Reimbursement of Compensation Costs	\$ 10,193,591
Administrative Fees	175,000
Total	\$ 10,368,591

Amounts due to the Florida State University for reimbursement of salaries and wages earned but not yet paid at June 30, 2016, totaled \$138,760.

Note 11 - Risk Management

The School is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage has been consistent with previous years.

REQUIRED SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
 FOR THE YEAR ENDED JUNE 2016**

	(Unaudited)		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
State	\$ 11,547,859	\$ 11,958,010	\$ 11,959,618	\$ 1,608
Charges for Services	880,000	1,020,000	1,026,966	6,966
Investment Income	-	-	306,525	306,525
Total Revenues	<u>12,427,859</u>	<u>12,978,010</u>	<u>13,293,109</u>	<u>315,099</u>
Expenditures				
Current:				
Instruction	7,519,735	7,644,503	7,461,833	182,670
Pupil Personnel Services	653,272	680,633	624,817	55,816
Instructional Media Services	134,672	156,321	143,200	13,121
Instructional Staff Training	40,000	50,831	37,993	12,838
Instructional Technology	363,540	413,969	369,540	44,429
Board	77,838	77,858	66,922	10,936
General Administration	393,506	431,531	420,525	11,006
School Administration	504,770	462,494	468,986	(6,492)
Facilities Acquisition and Construction	-	-	16,500	(16,500)
Fiscal Services	278,533	288,765	290,456	(1,691)
Central Services	751,799	881,346	872,195	9,151
Pupil Transportation Services	-	-	132,043	(132,043)
Operation of Plant	1,002,037	1,072,239	1,159,613	(87,374)
Maintenance of Plant	228,718	247,520	192,118	55,402
Community Services	440,000	570,000	511,814	58,186
(Total Expenditures)	<u>(12,388,420)</u>	<u>(12,978,010)</u>	<u>(12,768,555)</u>	<u>209,455</u>
Other Financing Sources (Uses)				
Transfers in	-	-	282,846	282,846
Net Change in Fund Balance	<u>\$ 39,439</u>	<u>\$ -</u>	<u>\$ 807,400</u>	<u>\$ 807,400</u>

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
 FLORIDA STATE UNIVERSITY SCHOOL, INC.
 FOR THE YEAR ENDED JUNE 2016**

	(Unaudited)		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
Federal through State	\$ 210,000	\$ 210,000	\$ 210,663	\$ 663
Charges for Services	315,000	315,000	275,661	(39,339)
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>486,324</u>	<u>(38,676)</u>
Expenditures				
Current:				
Food Services	525,000	525,000	487,668	37,332
(Total Expenditures)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(487,668)</u>	<u>37,332</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,344)</u>	<u>\$ (1,344)</u>

**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE
 FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
 FOR THE YEAR ENDED JUNE 30, 2016**

	(Unaudited)		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
State	\$ 1,760,036	\$ 1,882,759	\$ 1,891,990	\$ 9,231
Investment Income	-	-	2,153	2,153
Total Revenues	<u>1,760,036</u>	<u>1,882,759</u>	<u>1,894,143</u>	<u>11,384</u>
Expenditures				
Current:				
Debt Service	1,477,190	1,599,913	1,540,267	59,646
Other	-	-	3,920	(3,920)
(Total Expenditures)	<u>(1,477,190)</u>	<u>(1,599,913)</u>	<u>(1,544,187)</u>	<u>55,726</u>
Other Financing (Uses)				
Transfers (out)	(282,846)	(282,846)	(282,846)	-
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,110</u>	<u>\$ 67,110</u>

ADDITIONAL INFORMATION

**SCHEDULE OF BOARD OF DIRECTORS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2016**

Voting Members

Mr. Robert Bedford, Chairman
(Community Rep - Appointed)

Mr. Abraham Prado
(Community Rep/St. Joe Rep - Appointed)

Mr. Kimblin NeSmith, Vice Chairman
(Parent Rep - Appointed)

Ms. Joni Synatschk
(Community Rep - Appointed)

Ms. Anne Blenkenship
(FSU Rep - Appointed)

Ms. Jann Tucker-Pettway
(Community Rep - Appointed)

Ms. Janis Timmons
(Parent Rep - Appointed)

Dr. Kathy Clark
(FSU Rep - Appointed)

Dr. Allison Crume
(FSU Rep - Appointed)

TBD
(FSU Rep - Appointed)

Dr. Jason Pappas
(Parent Rep - Appointed)

Ex-Officio Members (Non-Voting)

Dr. Stacy Chambers
(Director)

Ms. Angelyn Hirai
(Faculty Rep - Appointed)

Ms. Demi Dedman
(Student Rep - Appointed)

**ADDITIONAL ELEMENTS OF REPORT PREPARED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES**

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

To the Board of Directors
Florida State University School, Inc.
Tallahassee, 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 Florida State University School, Inc. (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Florida State University School, Inc.
Tallahassee, Florida

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

Compliance and Other Matters (Concluded)

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


September 22, 2016
Tallahassee, Florida

MANAGEMENT LETTER

To the Board of Directors
Florida State University School, Inc.
Tallahassee, Florida

We have audited the financial statements of Florida State University School, Inc. as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 22, 2016.

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 of America.

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 *Governmental Auditing Standards*, which is dated September 22, 2016, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the contents of this "management letter" and stipulate that it specifically address certain conditions discovered within the scope of the audit. The following representations and comments are made in order to comply with these requirements:

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

Section 10.854(1)(e)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Florida State University School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors
Florida State University School, Inc.
Tallahassee, Florida

MANAGEMENT LETTER
(Concluded)

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

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires the name or official title of the school. The official title of the school is Florida State University School, Inc.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures for Florida State University School, Inc. It is management's responsibility to monitor Florida State University School, Inc.'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.

Sections 10.854(1)(e)7 and 10.855(13), *Rules of the Auditor General*, require that we report the results of our determination as to whether Florida State University School, Inc. maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined Florida State University School, Inc. has complied with the requirements of Section 1002.33(9)(p), Florida Statutes.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.


September 22, 2016
Tallahassee, Florida