

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

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

JUNE 30, 2015

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TALLAHASSEE, FLORIDA**

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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, 2015, 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

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

INDEPENDENT AUDITORS' REPORT
(Concluded)

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

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, 2015, 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 25, 2015, 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.



September 25, 2015
Tallahassee, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOL, INC.
JUNE 30, 2015**

The Management of the Florida State University School, 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 twelve-month period ended June 30, 2015, 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 2014-2015 fiscal year is as follows:

- During fiscal year 2014-2015, General Fund revenues exceeded expenditures by \$191,442. This may be compared to fiscal year 2013-2014 where General Fund expenditures exceeded revenues by \$272,526.
- In total, net position increased by \$432,159 totaling \$20,550,114 compared to \$20,117,955 in 2013-2014. The increase is approximately 2%.
- The assets of FSUS as reported in the School-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$20,550,114 (net position).
- General Fund Revenues totaled \$12,613,595 or 84% of all revenues. Special Revenue Fund and Debt Service Revenues in the form of charges for services, capital grants, and investment income totaled \$2,363,695, which was 16% of governmental fund revenues.
- As of the close of the current year, the governmental fund financial statements report combined ending fund balances of \$13,879,935; an increase of \$473,649 compared to the 2013-2014 fund balance of \$13,406,286.
- At the close of the current year, the general fund balance was \$10,687,671 with a net increase of \$201,442. The Special Revenue Fund balance decreased by \$32,632 that resulted in an ending balance of \$73,433.
- During school year 2014-2015 enrollment remained at a target of 1,700 students.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOL, INC.
JUNE 30, 2015
(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 SCHOOL, INC.
JUNE 30, 2015
(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 MD&A 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 SCHOOL, INC.
JUNE 30, 2015
(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 \$20,550,114 as of June 30, 2015. Investments in capital assets (e.g., land, buildings, furniture and equipment) net of related debt amounted to \$7,293,789.

The following is a summary of the School's net position as of June 30, 2015:

	2015	(Restated) 2014	Increase (Decrease)
Assets			
Current and Other Assets	\$ 15,397,769	\$ 14,939,110	\$ 458,659
Noncurrent Assets	21,940,311	22,807,921	(867,610)
Total Assets	<u>37,338,080</u>	<u>37,747,031</u>	<u>(408,951)</u>
Deferred Outflows of Resources			
	<u>-</u>	<u>92,132</u>	<u>(92,132)</u>
Liabilities			
Current Liabilities	1,511,489	1,484,000	27,489
Noncurrent Liabilities	15,276,477	16,237,208	(960,731)
Total Liabilities	<u>16,787,966</u>	<u>17,721,208</u>	<u>(933,242)</u>
Net Position			
Net Investment in Capital Assets	7,293,789	7,226,068	67,721
Restricted for Categorical	8,011	16,177	(8,166)
Restricted for Debt Service	2,874,722	2,813,992	60,730
Restricted for Capital Outlay	2,472,045	2,574,491	(102,446)
Unrestricted	7,901,547	7,487,227	414,320
Total Net Position	<u>\$ 20,550,114</u>	<u>\$ 20,117,955</u>	<u>\$ 432,159</u>

A portion of the School's net position (41%) 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, 2015, amounted to \$21,490,311 (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 SCHOOL, INC.
JUNE 30, 2015
(Continued)**

Long-term Liabilities

At June 30, 2015, the School had total long-term liabilities outstanding of \$14,026,477. This amount was comprised of \$13,672,638 bonds payable, and \$353,839 compensated absences payable.

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

	Operating Results		Increase
	Governmental Activities		(Decrease)
	2015	2014	(Decrease)
Expenditures:			
Function/Programs:			
Instruction	\$ 7,354,324	\$ 7,018,001	\$ 336,323
Pupil Personnel Services	595,123	577,939	17,184
Instructional Media Services	156,208	146,956	9,252
Instructional Staff Training	45,589	26,740	18,849
Instruction and Curriculum Development Services	370,700	121,689	249,011
Board	73,126	77,270	(4,144)
General Administration	388,485	388,992	(507)
School Administration	458,579	500,464	(41,885)
Facilities Acquisition and Construction	6,680	6,755	(75)
Fiscal Services	276,488	259,241	17,247
Food Services	538,045	532,463	5,582
Central Services	818,605	695,356	123,249
Pupil Transportation Services	83,600	78,587	5,013
Operation of Plant	1,142,075	1,256,019	(113,944)
Maintenance of Plant	202,732	218,243	(15,511)
Community Services	452,264	351,851	100,413
Interest on Long-term Debt	588,676	625,280	(36,604)
Unallocated Depreciation	857,277	858,946	(1,669)
Unallocated Amortization Expense	92,132	8,070	84,062
Loss on Disposal	42,408	37,638	4,770
Other	2,015	3,242	(1,227)
Total Expenditures	14,545,131	13,789,742	755,389
Program Revenue	3,333,619	2,960,257	373,362
General Revenues:			
Grants and Contributions not Restricted to			
Specific Purposes	11,549,127	10,916,306	632,821
Investment Earnings	94,544	205,825	(111,281)
Total General Revenues	11,643,671	11,122,131	521,540
Total Revenues	14,977,290	14,082,388	894,902
Change in Net Position	\$ 432,159	\$ 292,646	\$ 139,513

MANAGEMENT'S DISCUSSION AND ANALYSIS
FLORIDA STATE UNIVERSITY SCHOOL, INC.
JUNE 30, 2015
(Continued)

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 \$13,879,935. The General Fund is the primary operating fund. At fiscal year-end the unassigned fund balance was \$7,951,736 while the total fund balance was \$10,687,671.

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 2014-2015 was \$12,499,428 with actual revenue received totaling \$12,613,595. This resulted in a less than 1% variance.

Budgeted general expense was \$12,499,428 with actual expenses totaling \$12,422,153, which was a minimal variance.

Economic Factors and Next Year's Budget and Rates

- Capital outlay funding will continue to be funded at 100%, 27% from State capital outlay funds and 73% from 2 Mill funding.
- The School will maintain an enrollment of 1,700 students in elementary, middle, or high school for the 2015-2016 school year.
- In-Unit Faculty will received Pay for Performance increases averaging 4%, totaling \$200,000 plus benefits.
- Staff will receive a 1.5% increase to their salary with a potential merit increase that will be awarded in October.

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 School, 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, 2015

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash	\$ 826,440
Investments	14,190,344
Accounts Receivable	89,407
Interest Receivable	8,696
Prepaid Expense	282,882
Total Current Assets	<u>15,397,769</u>
Capital Assets, Net	
Buildings and Improvements	31,855,222
Less: Accumulated Depreciation	(10,087,729)
Furniture, Fixture and Equipment	840,662
Less: Accumulated Depreciation	(667,844)
Total Capital Assets, Net	<u>21,940,311</u>
Total Assets	<u><u>37,338,080</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable and Other Accrued Expenses	156,842
Salaries and Wages Payable	97,957
Accrued Interest	244,109
Due to Other Agencies	3,646
Due to Florida State University	1,594
Unearned Revenue	7,795
Portion Due Within One Year:	
Bond Payable	973,884
Compensated Absences Payable	25,662
Total Current Liabilities	<u>1,511,489</u>
Noncurrent Liabilities:	
Portion Due in More than One Year:	
Bonds Payable	13,672,638
Compensated Absences Payable	353,839
Due to Developer	1,250,000
Total Noncurrent Liabilities	<u>15,276,477</u>
Total Liabilities	<u><u>16,787,966</u></u>
Net Position	
Net Investment in Capital Assets	7,293,789
Restricted for:	
State Categorical Programs	8,011
Capital Outlay	2,472,045
Debt Service	2,874,722
Unrestricted	7,901,547
Total Net Position	<u><u>\$ 20,550,114</u></u>

See accompanying notes.

STATEMENT OF ACTIVITIES
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLHASSEE, FLORIDA
FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 7,354,324	\$ 429,052	\$ -	\$ -	\$ (6,925,272)
Pupil Personnel Services	595,123	-	-	-	(595,123)
Instructional Media Services	156,208	-	-	-	(156,208)
Instructional Staff Training	45,589	-	-	-	(45,589)
Instructional Technology	370,700	-	-	-	(370,700)
Board	73,126	-	-	-	(73,126)
General Administration	388,485	-	-	-	(388,485)
School Administration	458,579	-	-	-	(458,579)
Facilities Acquisition and Construction	6,680	-	-	-	(6,680)
Fiscal Services	276,488	-	-	-	(276,488)
Food Services	538,045	292,216	223,268	-	(22,561)
Central Services	818,605	-	-	-	(818,605)
Pupil Transportation Services	83,600	-	-	-	(83,600)
Operation of Plant	1,142,075	-	-	-	(1,142,075)
Maintenance of Plant	202,732	-	-	-	(202,732)
Community Services	452,264	541,727	-	-	89,463
Interest on Long-term Debt	588,676	-	-	1,847,356	1,258,680
Unallocated Depreciation Expense	857,277	-	-	-	(857,277)
Unallocated Amortization Expense	92,132	-	-	-	(92,132)
Loss on Disposal	42,408	-	-	-	(42,408)
Other	2,015	-	-	-	(2,015)
Total Governmental Activities	\$ 14,545,131	\$ 1,262,995	\$ 223,268	\$ 1,847,356	(11,211,512)
General Revenues					
Grants and Contributions not Restricted to Specific Purposes					11,549,127
Investment Earnings					94,544
Total General Revenues and Transfers					11,643,671
Change in Net Position					432,159
Net Position, Beginning of Year (As Restated)					20,117,955
Net Position, End of Year					\$ 20,550,114

See accompanying notes.

BALANCE SHEET
GOVERNMENTAL FUNDS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash	\$ 826,440	\$ -	\$ -	\$ 826,440
Investments	9,840,299	47,346	4,302,699	14,190,344
Accounts Receivable	22,154	1,121	66,132	89,407
Interest Receivable	8,696	-	-	8,696
Prepaid Expenses	255,879	27,004	-	282,883
Total Assets	10,953,468	75,471	4,368,831	15,397,770
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	156,843	-	-	156,843
Salaries and Wages Payable	95,919	2,038	-	97,957
Unearned Revenue	7,795	-	-	7,795
Due to Florida State University	1,594	-	-	1,594
Due to Other Agencies	3,646	-	-	3,646
Due to Developer	-	-	1,250,000	1,250,000
Total Liabilities	265,797	2,038	1,250,000	1,517,835
Fund Balances				
Nonspendable:				
Prepaid Expenses	255,879	27,004	-	282,883
Restricted for:				
Debt Service	-	-	3,118,831	3,118,831
Capital Outlay	2,472,045	-	-	2,472,045
State Categorical Programs	8,011	-	-	8,011
Assigned for:				
Food Service	-	46,429	-	46,429
Unassigned	7,951,736	-	-	7,951,736
Total Fund Balances	10,687,671	73,433	3,118,831	13,879,935
Total Liabilities and Fund Balances	\$ 10,953,468	\$ 75,471	\$ 4,368,831	\$ 15,397,770

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, 2015**

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

Total Fund Balance - Governmental Funds	\$ 13,879,935
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.	21,940,311
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.	(244,109)
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 \$14,646,522 and compensated absences payable totaling \$379,501.	(15,026,023)
Total Net Position - Governmental Activities	<u><u>\$ 20,550,114</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, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental:				
Federal Through State	\$ -	\$ 223,268	\$ -	\$ 223,268
State	11,549,127	-	1,847,356	13,396,483
Charges for Services	970,779	292,216	-	1,262,995
Investment Income	93,689	-	855	94,544
Total Revenues	<u>12,613,595</u>	<u>515,484</u>	<u>1,848,211</u>	<u>14,977,290</u>
Expenditures				
Current:				
Instruction	7,337,624	-	-	7,337,624
Pupil Personnel Services	595,123	-	-	595,123
Instructional Media Services	156,208	-	-	156,208
Instructional Staff Training	45,589	-	-	45,589
Instructional Technology	370,700	-	-	370,700
Board	73,126	-	-	73,126
General Administration	388,485	-	-	388,485
School Administration	458,579	-	-	458,579
Facilities Acquisition and				
Construction	6,680	-	-	6,680
Fiscal Services	276,488	-	-	276,488
Food Services	-	538,116	-	538,116
Central Services	818,605	-	-	818,605
Pupil Transportation Services	83,600	-	-	83,600
Operation of Plant	1,154,335	-	-	1,154,335
Maintenance of Plant	202,732	-	-	202,732
Community Services	452,264	-	-	452,264
Other	2,015	-	3,474	5,489
Debt Services:				
Principal	-	-	935,331	935,331
Interest	-	-	604,567	604,567
(Total Expenditures)	<u>(12,422,153)</u>	<u>(538,116)</u>	<u>(1,543,372)</u>	<u>(14,503,641)</u>
Excess (Deficient) Revenues Over (Under) Expenditures	<u>191,442</u>	<u>(22,632)</u>	<u>304,839</u>	<u>473,649</u>
Other Financing Sources (Uses)				
Transfers in	10,000	-	-	10,000
Transfers (out)	-	(10,000)	-	(10,000)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	201,442	(32,632)	304,839	473,649
Fund Balance, Beginning of Year (As Restated)	<u>10,486,229</u>	<u>106,065</u>	<u>2,813,992</u>	<u>13,406,286</u>
Fund Balance, End of Year	<u>\$ 10,687,671</u>	<u>\$ 73,433</u>	<u>\$ 3,118,831</u>	<u>\$ 13,879,935</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, 2015**

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

Change in Fund Balances - Governmental Funds \$ 473,649

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	\$ 32,075	
Depreciation Expense	<u>(857,277)</u>	(825,202)

The loss on disposal of assets during the current period is reported in the statement of activities. The cost of these assets was recognized as an expenditure in the governmental funds in the year purchased. Therefore, the change in net assets differs from the change in fund balance by the undepreciated cost of the assets disposed. (42,408)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 935,331

Bond issue costs are expenditures in the governmental funds, but these assets are capitalized and amortized in the statement of net position. (92,132)

In the statement of activities, the cost of compensated absences is measure 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. (32,970)

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. 15,891

Total Changes in Net Position - Governmental Activities \$ 432,159

See accompanying notes.

STATEMENT OF FIDUCIARY NET POSITION
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015

Assets

Cash	<u>\$ 407,830</u>
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Liabilities

Due to Teachers for Classroom Support, Student Athletics, Club Activities, etc.	<u>\$ 407,830</u>
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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015

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, 2015
(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, 2015
(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

Cash deposits 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, 2015
(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 market 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, 2015
(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, 2015
(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, 2015, 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.

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: bids from qualified depositories, certificates of deposit, time deposits, and securities of the U.S. Government including obligations of the U.S. Treasury.

At June 30, 2015, FSUS’s investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>	<u>Rating</u>
SPIA Account - State of Florida Treasury	\$ 9,887,645	6.56 Years	A+f
US Bank Money Market Funds	4,302,699	Daily	Aaa
Total	\$ 14,190,344		

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015
(Continued)

Note 2 - Investments (Concluded)

State of Florida Treasury

FSUS participates in an investment pool through the State of Florida Treasury in accordance with the provisions of Section 17.61 and 215.49, Florida Statutes. These investment pools operate under 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 market value.

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 market 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 2.67 years at June 30, 2015. 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, 2015, 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, 2015
(Continued)

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Capital Assets				
Building and Other Improvements	\$ 31,855,222	\$ -	\$ -	\$ 31,855,222
Furniture, Fixtures, and Equipment	908,093	44,543	(111,974)	840,662
Audio-visual Materials and Computer Software	239,460	-	(239,460)	-
Total Capital Assets	33,002,775	44,543	(351,434)	32,695,884
Less Accumulated Depreciation for:				
Building and Other Improvements	9,298,660	789,069	-	10,087,729
Furniture, Fixtures, and Equipment	656,734	80,676	(69,566)	667,844
Audio-visual Materials and Computer Software	239,460	-	(239,460)	-
Total Accumulated Depreciation	10,194,854	869,745	(309,026)	10,755,573
Total Capital Assets, Net	\$ 22,807,921	\$ (825,202)	\$ (42,408)	\$ 21,940,311

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

Note 4 - Bonds Payable

Bond Type	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
District Revenue Bonds:			
Series 2010 Refunding	\$ 14,646,522	4.00%	2026
Total Bonds Payable	\$ 14,646,522		

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

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.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015
(Continued)

Note 4 - Bonds Payable (Concluded)

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, 2015, FSUS was in compliance with such stated covenants.

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 \$604,567 for the year ended June 30, 2015.

Required principal and interest payments through maturity are as follows:

Fiscal Year Ending June 30,	Total	Principal	Interest
2016	\$ 1,540,267	\$ 973,884	\$ 566,383
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 - 2025	7,673,554	6,422,503	1,251,051
2026 - 2027	3,061,856	2,942,920	118,936
Total	\$ 18,434,274	\$ 14,646,522	\$ 3,787,752

Note 5 - Long-term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 15,581,853	\$ -	\$ (935,331)	\$ 14,646,522	\$ 973,884
*Compensated Absences Payable	346,531	32,970	-	379,501	25,662
Total	\$ 15,928,384	\$ 32,970	\$ (935,331)	\$ 15,026,023	\$ 999,546

* 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 89.4% percent of total revenues in the 2014-2015 fiscal year. The following is a schedule of State revenue sources and amounts:

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015
(Continued)

Note 6 - Schedule of State Revenue Sources (Concluded)

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,704,609
Other State Revenue:	
Discretionary Lottery Funds	5,742
Other Categorical State Sources:	
Class Size	1,671,451
School Recognition Funds	167,325
Gross Receipts Tax (Public Education Capital Outlay)	1,847,356
Total	\$ 13,396,483

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, 2015.

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 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.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015
(Continued)

Note 8 - State Retirement Program (Concluded)

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 2014-2015 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%	7.37%
Florida Retirement System, Special Risk	3%	19.82%
Florida Retirement System, Senior Management Services	3%	21.14%
Florida Teachers' Retirement System, Faculty/A&P ORP	3%	5.64%
Teachers' Retirement System, Plan E	6.25%	11.50%
Deferred Retirement Option Program – Applicable to Members from all the above Classes and Plans	0%	12.28%
Florida Retirement System, Reemployed Retiree	(B)	(B)

Note: (A) Employer rates include 1.2 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 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 reimbursement of contributions to the Plan (excluding employee contributions) for the fiscal years ended June 30, 2015, 2014, and 2013, were \$509,340, \$462,105, and \$313,089, respectively.

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.

NOTES TO FINANCIAL STATEMENTS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015
(Concluded)

Note 9 - 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, 2015 were as follows:

Reimbursement of Compensation Costs	\$ 9,995,886
Administrative Fees	<u>181,680</u>
Total	<u>\$ 10,177,566</u>

Note 10 - Other Disclosures

The School incurred expenditures in excess of appropriations in the Special Revenue Fund in the amount of \$13,116. This excess occurred because of the additional costs related to the School's healthy lunch program that weren't originally anticipated during the budget process.

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.

Note 12 - Restatement

Beginning of year fund balance in the Debt Service Fund and Net Position of the Governmental Activities has been restated to properly reflect the nature of a deposit that was required to be placed into the FSUS Debt Service Reserve Account from the developer of the residential community where the School is located as part of the issuance of the Series 2000 Bonds. The impact of this restatement was to reduce the beginning of year fund balance in the Debt Service Fund and Net Position in the Governmental Activities by \$1,250,000. This liability has been reported as Due to Developer in the accompanying financial statements.

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
FOR THE YEAR ENDED JUNE 2015**

	(Unaudited)		Actual (GAAP Basis)	Variance with Final Budget
	Budgeted Amounts			
	Original	Final		
Revenues				
Intergovernmental:				
State	\$ 10,935,124	\$ 11,609,428	\$ 11,549,127	\$ (60,301)
Charges for Services	765,000	890,000	970,779	80,779
Investment Income	-	-	93,689	93,689
Total Revenues	<u>11,700,124</u>	<u>12,499,428</u>	<u>12,613,595</u>	<u>114,167</u>
Expenditures				
Current:				
Instruction	7,291,933	7,594,349	7,337,624	256,725
Pupil Personnel Services	624,029	654,881	595,123	59,758
Instructional Media Services	130,510	127,697	156,208	(28,511)
Instructional Staff Training	20,000	46,443	45,589	854
Instruction and Curriculum				
Development Services	100,000	363,616	370,700	(7,084)
Board	66,873	88,038	73,126	14,912
General Administration	388,014	402,352	388,485	13,867
School Administration	504,896	503,238	458,579	44,659
Facilities Acquisition and				
Construction	-	-	6,680	(6,680)
Fiscal Services	261,679	278,533	276,488	2,045
Central Services	720,068	752,599	818,605	(66,006)
Pupil Transportation Services	-	-	83,600	(83,600)
Operation of Plant	1,047,829	1,009,135	1,154,335	(145,200)
Maintenance of Plant	219,293	228,547	202,732	25,815
Community Services	325,000	450,000	452,264	(2,264)
Other	-	-	2,015	(2,015)
(Total Expenditures)	<u>(11,700,124)</u>	<u>(12,499,428)</u>	<u>(12,422,153)</u>	<u>77,275</u>
Other Financing Sources (Uses)				
Transfers in	-	-	10,000	10,000
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,442</u>	<u>\$ 201,442</u>

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FLORIDA STATE UNIVERSITY SCHOOL, INC.
FOR THE YEAR ENDED JUNE 2015**

	(Unaudited) Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
Federal through State	\$ 210,000	\$ 210,000	\$ 223,268	\$ 13,268
Charges for Services	315,000	315,000	292,216	(22,784)
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>515,484</u>	<u>(9,516)</u>
Expenditures				
Current:				
Food Services	525,000	525,000	538,116	(13,116)
(Total Expenditures)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(538,116)</u>	<u>(13,116)</u>
Other Financing (Uses)				
Transfers (out)	-	-	(10,000)	(10,000)
(Deficiency) of Revenues (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,632)</u>	<u>\$ (32,632)</u>

**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE
 FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
 FOR THE YEAR ENDED JUNE 2015**

	(Unaudited)		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental:				
State	\$ 1,570,989	\$ 1,760,036	\$ 1,847,356	\$ 87,320
Investment Income	-	-	855	855
Total Revenues	<u>1,570,989</u>	<u>1,760,036</u>	<u>1,848,211</u>	<u>88,175</u>
Expenditures				
Current:				
Debt Services	1,570,989	1,760,036	1,539,898	220,138
Other	-	-	3,474	(3,474)
(Total Expenditures)	<u>(1,570,989)</u>	<u>(1,760,036)</u>	<u>(1,543,372)</u>	<u>216,664</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,839</u>	<u>\$ 304,839</u>

**SCHEDULE OF BOARD OF DIRECTORS
FLORIDA STATE UNIVERSITY SCHOOL, INC. - TALLAHASSEE, FLORIDA
JUNE 30, 2015**

Voting Members

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

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

Mr. Kimlin NeSmith
(Parent Rep - Appointed)

Ms. Joni Synatschk
(Community Rep - Appointed)

Ms. Anne Blenkenship
(FSU Rep - Appointed)

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

Mr. Alan Hanstein
(Parent Rep - Appointed)

Dr. Jeanne Wanzek
(FSU Rep - Appointed)

Dr. Ramonda Horton-Ikard
(FSU Rep - Appointed)

Mr. Michael Williams
(FSU Rep - Appointed)

Dr. Jason Pappas
(Parent Rep - Appointed)

Ex-Officio Members (Non-Voting)

Dr. Lynn Wicker
(Director)

Ms. Melanie Hester
(Faculty Rep - Appointed)

Ms. Demi Dedman
(Student Rep - Appointed)

See accompanying notes.

**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, 2015, 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 25, 2015.

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

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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*.

We noted certain other matters that we reported to management of the School in our separate management letter dated September 25, 2015.

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.

Durvis, Gray and Company, LLP

September 25, 2015
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, 2015, and have issued our report thereon dated September 25, 2015.

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 25, 2015, 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. There were no significant findings and recommendations, which required corrective action in our preceding two annual financial audit reports.

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 offer the following recommendations.

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

MANAGEMENT LETTER
(Concluded)

■ **2015-1 - Internal Account**

During our review of the internal account maintained by the School, we noted the following:

- Internal account ledgers were not updated when a certificate of deposit matured several years ago. We recommend that the subsidiary ledgers be reviewed on at least a quarterly basis and reconciled to corresponding cash accounts.
- A backup of the accounting system for the internal account is not currently being stored in an off-site location. We recommend that a back-up of the accounting system be maintained in an off-site location in order to prevent the loss of data in the event of a disaster.

■ **2015-2 - Receipt Books**

A number of receipt books are maintained by the Accounting Department and the Extended Day Program. These receipt books are used to account for the daily receipt of activity fees and receipts from the extended day program. In order to ensure that all receipts are accounted for, we recommend that additional control procedures be implemented to review the completeness of the receipts within each receipt book and that any missing or voided receipts contain appropriate documentation of the cause for the missing receipt and the review and approval of a responsible official.

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 an effect on the financial statements that is less than material but more than inconsequential. 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(10), *Rules of the Auditor General*, we applied financial condition assessment procedures. 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.

Pursuant to Section 10.854(1)(e)7., *Rules of the Auditor General*, a statement is required describing the results of the auditors' determination pursuant to Rule 10.855(13) as to whether the charter school 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 25, 2015
Tallahassee, Florida



FLORIDA STATE UNIVERSITY SCHOOLS, INC.

3000 School House Road
Tallahassee, FL 32311
(850) 245-3700 FAX (850) 245-3737
www.fsus.fsu.edu

October 27, 2015

Dr. Stacy Chambers
Chief Operating Officer

Mr. Stephen Bowen
Associate Director

Dr. Elvis Epps
Principal

Ms. Sue Weathersbee
Chief Financial Officer

Board of Directors

- Mr. Robert Bedford, Chair*
- Mr. Kimblin NeSmith, Vice Chair*
- Mr. Eric Algoe*
- Ms. Anne Blankenship*
- Dr. Kathy Clark*
- Dr. Allison Crume*
- Ms. Demi Dedman*
- Ms. Angelyn Hirai*
- Dr. Jason Pappas*
- Mr. Abraham Prado*
- Ms. Joni Synatschk*
- Ms. Janis Timmons*
- Ms. Jann Tucker-Pettway*

FSU College of Education

Dr. Marcy Driscoll, Dean

FSUS Mission

Educational Research

Innovative Instruction

Professional Service

Ms. Sherrill F. Norman, CPA, Auditor General
State of Florida
111 West Madison Street
Tallahassee, FL 32399-1450

June 30, 2015 Financial Statement Audit

Finding 2015-1 - Internal Account

During our review of the internal account maintained by the School, we noted the following: Internal account ledgers were not updated when a certificate of deposit matured several years ago. We recommend that the subsidiary ledgers be reviewed on at least a quarterly basis and reconciled to corresponding cash accounts. A backup of the accounting system for the internal account is not currently being stored in an off-site location. We recommend that a back-up of the accounting system be maintained in an off-site location in order to prevent the loss of data in the event of a disaster.

District Response:

District Management concurs with the financial auditor's finding. The Internal account ledgers were updated in regards to the certificate of deposit and a new ledger was provided. In the future, when the quarterly statements are sent out to sponsors, the financial statements ledgers will be printed and verified by the Finance Officer.


We are researching our options for off-site storage and anticipate having a solution by December with NWRDC or Amazon.

2015-2 - Receipt Books

A number of receipt books are maintained by the Accounting Department and the Extended Day Program. These receipt books are used to account for the daily receipt of activity fees and receipts from the extended day program. In order to ensure that all receipts are accounted for, we recommend that additional control procedures be implemented to review the completeness of the receipts within each receipt book and that any missing or voided receipts contain appropriate documentation of the cause for the missing receipt and the review and approval of a responsible official.

District Response:

A new procedure has been implemented which includes a new sign out/sign in log sheet for all receipt books. Before a new receipt book is issued to an employee (either in Accounting or Extended Day), an employee that does not write receipts in the book will verify that all receipts are intact and the voided receipts have the proper documentation. They will certify that they have verified the receipt book on the log sheet. All receipt books will be maintained in the vault.

Signature: 
Title: FSUS, Executive Director