

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

**Financial Statements
and
Supplemental Information**

Year Ended June 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc. (the "Foundation"), which is a component unit of the School District of Osceola County, Florida as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc., as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-8 and 47-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Foundation for Osceola Education, Inc.'s internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2022

Management's Discussion and Analysis

As management of the FOUNDATION FOR OSCEOLA EDUCATION, INC. (the "FOUNDATION"), which is a component unit of the School District of Osceola County, Florida, we offer readers of the FOUNDATION's financial statements this narrative overview and analysis of the financial activities of the FOUNDATION for the fiscal year ended June 30, 2021, to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the FOUNDATION's financial activities, (c) identify changes in the FOUNDATION's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements found on page 9.

Financial Highlights

- The assets of the FOUNDATION exceeded its liabilities at the close of the most recent fiscal year by \$4,062,193 which is an increase of \$362,331 from the prior year.
- As of the close of the current fiscal year, the FOUNDATION's governmental funds reported combined ending fund balances of \$9,862,718.
- At the end of the current fiscal year, unassigned fund surplus for the general fund was \$2,907,888 or 144 percent of total general fund expenditures, compared to 91 percent for the prior year.
- During the current fiscal year, total long term liabilities decreased by \$203,290.
- During the current fiscal year, the Foundation secured a \$147,685 loan under the Paycheck Protections Program ("PPP) established by the Coronavirus Aid Relief, and Economic Security Act ("CARES Act") and a \$150,000 loan under the Economic Injury Disaster Loan ("EIDL").

Overview of the Financial Statements

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

Government-Wide Financial Analysis

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

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

The FOUNDATION's total net positions were as follows at June 30.

	Governmental Activities		
	2021	2020	Change
Current and other assets	\$ 12,760,083	\$ 11,272,010	\$ 1,488,073
Capital assets and other assets, net of accumulated depreciation	5,012,890	5,287,678	(274,788)
Total assets	<u>17,772,973</u>	<u>16,559,688</u>	<u>1,213,285</u>
Deferred outflows	<u>2,026,567</u>	<u>1,660,172</u>	<u>366,395</u>
Current and other liabilities	2,897,365	2,434,723	462,642
Net pension liability	6,610,718	5,551,375	1,059,343
Long term liabilities outstanding	<u>5,475,384</u>	<u>5,678,674</u>	<u>(203,290)</u>
Total liabilities	<u>14,983,467</u>	<u>13,664,772</u>	<u>1,318,695</u>
Deferred inflows	<u>753,880</u>	<u>855,226</u>	<u>(101,346)</u>
Invested in capital assets	(444,958)	(358,217)	(86,741)
Restricted	2,911,717	2,870,005	41,712
Unrestricted	<u>1,595,434</u>	<u>1,188,074</u>	<u>407,360</u>
Total net position	<u>\$ 4,062,193</u>	<u>\$ 3,699,862</u>	<u>\$ 362,331</u>

Net position increased primarily due to the positive change in net assets of approximately \$362,000 noted on page 5. The increase in current assets is primarily attributed to increases in cash and investments. The increase in unrestricted net position results primarily from increases in revenue as there was an increase of capital outlay money, an emergency order funding adjustment, and ESSER and GEER grants, which were received this year.

The FOUNDATION's changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020, are as follows:

	Governmental Activities		
	2021	2020	Change
Revenues:			
Program revenues:			
Base funding	\$ 8,783,577	\$ 11,622,905	\$ (2,839,328)
Safe school	106,271	136,949	(30,678)
ESE guaranteed allocation	282,123	379,458	(97,335)
Supplemental academic instruction	426,989	568,756	(141,767)
Discretionary local WFTE	663,035	806,177	(143,142)
Reading programs	82,940	109,214	(26,274)
Class size reduction	2,147,901	2,914,572	(766,671)
Discretionary mileage	483,471	604,708	(121,237)
Teacher salary increase allocation	323,865	-	323,865
Florida teachers classroom supply assistance allocation	11,613	-	11,613
Discretionary lottery	-	2,518	(2,518)
Total funds compression allocation	104,882	176,827	(71,945)
Transportation	26,822	157,901	(131,079)
Emergency order funding adjustment	178,075	-	178,075
Best and Brightest	-	218,353	(218,353)
Instructional materials allocation	146,932	208,324	(61,392)
Digital classroom allocation	3,306	11,068	(7,762)
Mental health assistance allocation	68,243	28,259	39,984
Proration of available funds	(40,334)	(45,711)	5,377
Prior year funding adjustment	(4,258)	(22,298)	18,040
Subtotal	13,795,453	17,877,980	(4,082,527)
Capital outlay distribution	1,269,381	1,494,808	(225,427)
Local capital improvement revenue	-	41,230	(41,230)
Title grant	165,663	343,144	(177,481)
21st Century Grant revenue	124,845	124,637	208
ESSER & GEER revenue	93,876	-	93,876
Teacher lead program	9,443	25,469	(16,026)
School recognition	-	68,541	(68,541)
Total	15,458,661	19,975,809	(4,517,148)
Grants	546,756	594,746	(47,990)
Contributions	970,480	1,183,808	(213,328)
Program services	3,000	12,763	(9,763)
Fundraising	476,357	538,789	(62,432)
Interest income	52	24,991	(24,939)
Loss on transfer of Canoe Creak	(323,959)	810,928	(1,134,887)
Other revenue	1,193,115	825,367	367,748
Total revenues	18,324,462	23,967,201	(5,642,739)
Expenses:			
Program expenses:			
Instruction	9,069,678	11,875,711	2,806,033
School administration	2,660,106	3,255,016	594,910
Facilities acquisition and construction	1,073,359	1,005,424	(67,935)
Operating of plant	2,920,271	3,381,344	461,073
Community services	2,055,585	2,590,173	534,588
Interest on long-term debt	183,132	496,136	313,004
Total expenses	17,962,131	22,603,804	4,641,673
Change in net position	\$ 362,331	\$ 1,363,397	\$ (1,001,066)

The decrease in total revenue is directly attributable to an decrease in the number of students who are receiving the Florida Education Finance Program (FEFP) state and in local charter school discretionary funding compared to the prior year and the loss of the Canoe Creek students following their transfer to the District.

The total expenses decreased between the years as result of the transfer of Canoe Creek to the district and their expenses not being combined with the Foundation.

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

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

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

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The FOUNDATION, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the FOUNDATION are presented in governmental funds only.

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

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

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

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

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

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

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

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of FOUNDATION, it had positive fund positions of \$4,062,193 at June 30, 2021, and \$3,699,862 at June 30, 2020.

Governmental activities. Governmental activities increased FOUNDATION net position by \$362,331 for 2021, and increased net position by \$1,363,397 for 2020.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the FOUNDATION's governmental funds reported a combined ending fund surplus of \$9,862,718. Of this amount, \$3,625,424 constitutes unassigned fund surplus, which is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the FOUNDATION. At the end of the current fiscal year, the unassigned fund surplus of the general fund was \$2,907,888.

The fund balance of the FOUNDATION's general fund increased by \$837,996 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenue exceeded original budgeted revenue by \$1,365,598 while actual expenditures exceeded original budgeted expenditures by \$833,386. In-kind donations of office supplies and volunteer services accounted for \$452,632 of the increase in both revenues and expenditures. Historically, the FOUNDATION has not budgeted for these noncash items. The Board of Directors has approved a motion to adjust the 2021 general fund budget to the actual 2021 general fund year end financials. Thus, the final approved general fund budget is equal to the general fund statements of revenues, expenditures, and changes in fund balances.

Capital Asset and Debt Administration

Capital assets. The FOUNDATION's investment in capital assets net of related debt for its governmental activities as of June 30, 2021, amounted to (\$444,958). This investment in capital assets includes buildings and fixed equipment, furniture, fixtures, and computer software.

Debt. At the end of the current fiscal year, the FOUNDATION had long-term obligations payable in the amount of \$4,940,000 for the revenue bonds, \$296,568 for the PPP loans including an additional \$147,685 received during the year, which is expected to be forgiven in fiscal 2022, and \$150,000 of EIDL loan.

Economic Factors

State and federal funding which principally support the FOUNDATION are determined by the number of enrolled students. Enrollment for the 2020/2021 decreased in comparison to the 2019/2020 school year. The FOUNDATION expects to see increases in enrollment for the 2021/2022 school year. The FOUNDATION is aware that the COVID-19 outbreak is expected to have an effect on the FOUNDATION's financial position and results of operations. See the Risks and Uncertainties footnote for further information.

Request for Information

This financial report is designed to provide a general overview of FOUNDATION finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Foundation for Osceola Education, Inc., 2310 New Beginnings Road Suite 118, Kissimmee, FL 34744.

The Foundation for Osceola Education, Inc.

STATEMENT OF NET POSITION

June 30, 2021

	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	3,774,824
Cash and cash equivalents - restricted	1,944,950
Investments	5,582,678
Due from other agencies	537,757
Accounts receivable	18,862
Prepaid items	9,839
Deposits	28,082
Due from other schools	45,768
Due from other funds	206,392
Beneficial interest in assets held by others - restricted	610,931
Total current assets	<u>12,760,083</u>
Capital assets, net	<u>5,012,890</u>
Total assets	<u>17,772,973</u>
Deferred outflows, related to changes in the net pension and OPEB liability	<u>2,026,567</u>
Current liabilities:	
Accounts payable	80,433
Accrued expenses	473,613
Due to other agencies	1,336,478
Accrued interest	83,273
Due to management company	75,065
Due to other funds	206,392
Other liabilities	642,111
Total current liabilities	<u>2,897,365</u>
Long term liabilities:	
Due within one year, long-term debt and \$13,152 of compensated absences	391,658
Due in more than one year, long-term debt and \$4,384 of compensated absences	5,083,726
Net pension and OPEB liability	6,610,718
Total liabilities	<u>14,983,467</u>
Deferred inflows:	
Deferred revenue	294,206
Related amount to debt refinancing	135,237
Related to changes in the net pension liability	324,437
	<u>753,880</u>
Net position:	
Investment in capital assets, net of related debt	(444,958)
Restricted:	
Debt service	1,188,163
Other purposes - Take Stock in Children	796,214
Other purposes - Scholarships	111,441
Other purposes - Community Foundation	666,455
Capital outlay	149,444
Unrestricted	1,595,434
Total net position	<u>\$ 4,062,193</u>

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

The Foundation for Osceola Education, Inc.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 9,069,678	\$ 122,960	\$ 384,384	\$ -	\$ (8,562,334)
School administration	2,660,106	-	-	-	(2,660,106)
Facilities acquisition and construction	1,073,359	-	-	1,269,381	196,022
Operation and maintenance of plant	2,920,271	-	34,560	-	(2,885,711)
Community services	2,055,585	55,783	1,996,593	-	(3,209)
Interest on long-term debt	183,132	-	-	-	(183,132)
Total governmental activities	<u>\$ 17,962,131</u>	<u>\$ 178,743</u>	<u>\$ 2,415,537</u>	<u>\$ 1,269,381</u>	<u>(14,098,470)</u>
General revenues:					
State passed through local school district					13,804,896
Interest and investment income					52
Other local revenues					979,812
Loss from transfer of Canoe Creek					<u>(323,959)</u>
Total general revenues					<u>14,460,801</u>
Change in net assets					362,331
Net assets at July 1, 2020					<u>3,699,862</u>
Net position at June 30, 2021					<u>\$ 4,062,193</u>

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

The Foundation for Osceola Education, Inc.

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2021

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,523,384	\$ 961,964	\$ -	\$ 289,476	\$ 3,774,824
Cash - restricted	963,179	-	981,771	-	1,944,950
Investments	1,297,836	4,063,507	-	221,335	5,582,678
Accounts receivable	15,982	2,880	-	-	18,862
Due from other agency	32,565	505,192	-	-	537,757
Prepaid items	9,839	-	-	-	9,839
Deposits	-	28,082	-	-	28,082
Due from other funds	-	-	206,392	206,725	413,117
Due from local school district	-	45,768	-	-	45,768
Beneficial interest in assets held by others - restricted	610,931	-	-	-	610,931
Total assets	<u>\$ 5,453,716</u>	<u>\$ 5,607,393</u>	<u>\$ 1,188,163</u>	<u>\$ 717,536</u>	<u>\$ 12,966,808</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 80,433	\$ -	\$ -	\$ 80,433
Accrued expenses	99,613	374,000	-	-	473,613
Due to other agencies	9,938	1,326,540	-	-	1,336,478
Accrued interest payable	3,825	-	79,448	-	83,273
Due to management company	-	75,065	-	-	75,065
Due to others funds	206,392	206,725	-	-	413,117
Other current liabilities	642,111	-	-	-	642,111
Total liabilities	<u>961,879</u>	<u>2,062,763</u>	<u>79,448</u>	<u>-</u>	<u>3,104,090</u>
Fund balances:					
Nonspendable:					
Prepaid items	9,839	-	-	-	9,839
Restricted					
Take stock in children	796,214	-	-	-	796,214
Community foundation	666,455	-	-	-	666,455
Scholarships	111,441	-	-	-	111,441
Special revenue	-	3,544,630	-	-	3,544,630
Debt service	-	-	1,108,715	-	1,108,715
Unassigned	<u>2,907,888</u>	<u>-</u>	<u>-</u>	<u>717,536</u>	<u>3,625,424</u>
Total fund balances	<u>4,491,837</u>	<u>3,544,630</u>	<u>1,108,715</u>	<u>717,536</u>	<u>9,862,718</u>
Total liabilities and fund balances	<u>\$ 5,453,716</u>	<u>\$ 5,607,393</u>	<u>\$ 1,188,163</u>	<u>\$ 717,536</u>	<u>\$ 12,966,808</u>

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

The Foundation for Osceola Education, Inc.

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

June 30, 2021

Fund balances - total governmental funds \$ 9,862,718

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

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

Land	\$ 238,220	
Construction in progress	15,759	
Buildings and fixed equipment, net of \$2,735,935 accumulated depreciation	4,166,232	
Furniture, fixtures and equipment, net of \$2,487,333 accumulated depreciation	299,482	
Computer software, net of \$32,172 accumulated depreciation	-	
IT equipment, net of \$917,700 accumulated depreciation	101,495	
Improvements other than buildings, net of \$413,248 accumulated depreciation	191,702	5,012,890

Long-term liabilities, including bonds payable, net pension and Net pension and OPEB liabilities	(4,908,588)	
Deferred revenue	(294,206)	
Deferred gain, net of accumulated amortization	(135,237)	
PPP loan	(296,568)	
EIDL loan	(150,000)	
Bonds payable	(4,940,000)	
Bond premium, net of accumulated amortization	(72,630)	
Bond discount, net of accumulated amortization	1,350	
Compensated absences	(17,536)	(10,813,415)

Total net position of governmental activities \$ 4,062,193

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

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2021

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Federal passed through state	\$ -	\$ 384,384	\$ -	\$ -	\$ 384,384
State passed through local school district	-	14,277,262	-	797,015	15,074,277
Grants	546,756	-	-	-	546,756
Contributions	970,480	-	-	-	970,480
Program services	3,000	-	-	-	3,000
Fundraising	512,836	-	-	-	512,836
Interest and investment income	-	-	52	-	52
Other local revenues	515,526	107,629	-	487	623,642
Total revenues	2,548,598	14,769,275	52	797,502	18,115,427
Expenditures					
Current:					
Basic instruction	-	7,150,070	-	-	7,150,070
School administration	-	1,316,287	-	-	1,316,287
Operation of plant	-	1,112,118	-	-	1,112,118
Community services	2,004,462	51,123	-	-	2,055,585
Exceptional instruction	-	393,881	-	-	393,881
Guidance services	-	115,935	-	-	115,935
Health services	-	42,986	-	-	42,986
Other pupil services	-	254,116	-	-	254,116
Curriculum development	-	168,107	-	-	168,107
Staff development	-	2,730	-	-	2,730
Board of directors	-	62,010	-	-	62,010
General administration	-	1,189,238	-	-	1,189,238
Fiscal services	-	885,246	-	-	885,246
Central services	-	31,397	-	-	31,397
Transportation	-	103,693	-	-	103,693
Maintenance of plant	-	296,868	-	-	296,868
Instructional media	-	80,980	-	-	80,980
Instructional staff training	-	6,437	-	-	6,437
Instructional related technology	-	128,123	-	-	128,123
Facilities	-	958,924	-	-	958,924
Fixed capital outlay	-	285,761	-	-	285,761
Debt service:					
Principal	-	-	360,000	-	360,000
Interest	3,825	-	186,490	-	190,315
Total expenditures	2,008,287	14,636,030	546,490	-	17,190,807
Excess (deficiency) of revenues over (under) expenditures	540,311	133,245	(546,438)	797,502	924,620
Other financing sources (uses):					
Transfers in	556,061	797,484	556,061	-	1,909,606
Transfers out	(556,061)	(556,061)	-	(797,484)	(1,909,606)
Proceeds from loan	297,685	-	-	-	297,685
Loss on transfer of Canoe Creek assets and liabilities	-	(196,874)	-	-	(196,874)
Total other financing sources (uses)	297,685	44,549	556,061	(797,484)	100,811
Net change in fund balances	837,996	177,794	9,623	18	1,025,431
Fund balances at July 1, 2020	3,653,841	3,366,836	1,099,092	717,518	8,837,287
Fund balances at June 30, 2021	\$ 4,491,837	\$ 3,544,630	\$ 1,108,715	\$ 717,536	\$ 9,862,718

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

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2021

Net change in fund balances - total governmental funds \$ 1,025,431

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

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

Expenditures for capital assets	\$ 322,091	
Current year depreciation	<u>(346,623)</u>	(24,532)

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

Loan proceeds - PPP	(147,685)	
Loan proceeds - EIDL	(150,000)	
Loss on Canoe Creek net assets balance - activities	(323,959)	
Gain on Canoe Creek fund balance - funds	196,874	
Principal payments on long-term debt	360,000	
Current year amortization of deferred gain	13,412	
Current year amortization of bond premium	7,183	
Current year amortization of bond discount	(1,216)	
Compensated absences	<u>15,245</u>	(30,146)

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

Net pension and OPEB liabilities	(1,059,343)	
Deferred outflows related to net pension and OPEB liabilities	124,422	
Deferred inflows related to net pension and OPEB liabilities	366,395	
Loss on disposal of assets	<u>(3,417)</u>	(571,943)

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

(36,479)

Change in net assets of governmental activities

\$ 362,331

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

PM Wells Charter Academy

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

Bellalago Charter Academy

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

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

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

2. Government-wide and fund financial statements

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

2. Government-wide and fund financial statements

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

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

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

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

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

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

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

4. Allowance for doubtful accounts

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

5. Budgetary basis of accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual budgets were legally adopted for the general fund only and may be amended by the board of directors. The budgets presented for fiscal year ended June 30, 2021, have been amended according to board procedures. Budgets are presented on the modified accrual basis of accounting.

6. Cash and cash equivalents

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

6. Cash and cash equivalents (continued)

The Foundation's cash and cash equivalents at June 30, 2021, include demand deposit accounts, money market accounts, and savings accounts.

7. Investments

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

8. Inter-fund receivables, payables, and transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds. The purpose of interfund transfers are to cover the payments made from the General, Special Revenue and Debt Service fund for the Debt Service and Capital Projects funds for the bond payments and the purchase of capital assets.

9. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but rather are expensed in the period incurred. Property, plant, and equipment of the Foundation are depreciated using the straight-line method over the following estimated useful lives:

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

10. Donated property and services

Donated merchandise is recorded as income and expense at fair market value at the time the items are selected by the recipient. Contributed use of facilities and equipment are recorded at fair value at the date of the donation. Contributed services are reported as contributions at their fair market value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. During fiscal 2021, the Foundation recognized \$452,632 of donated property and services as both in-kind revenue and in-kind expense in the accompanying financial statements.

11. Accrued expenses

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

12. Restricted assets

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

13. Prepaid items

Payment made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items in both government-wide and fund financial statements.

14. Deferred outflows/ inflows of resources

In addition to assets and liabilities, the statement of financial net position reports separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until that time. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenues) until that time. The Foundation has four items that qualify for this category, which are deferred gain on debt refunding, pensions, OPEBs,

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

14. Deferred outflows/ inflows of resources (continued)

and deferred revenue. The deferred gain on debt refunding results from the difference in the carrying value of the refunded debt and its reacquisition price in 2016. This gain is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred revenue pertains to scholarship grants received in advance of meeting timing requirements.

15. Long-term obligations

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

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

16. Income taxes

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

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

17. Compensated absences

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

18. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of 5% administration fee retained by the School District. This funding is received on a prorated basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

19. Revenue sources

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

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

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

20. Pensions/Other postemployment benefits (OPEB)

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

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

21. Budgetary data

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

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

22. Use of estimates

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

23. New GASB implementation

The GASB issued Statement No. 84, Fiduciary Activities, effective for fiscal 2021, which established criteria for the identification of fiduciary activities and provides guidance on reporting those activities. An activity meeting the criteria should be reported in a fiduciary fund. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The new GASB did not have an impact on the financial statements as the Foundation did not have any funds which met the criteria.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

24. New GASB pronouncements

The GASB issued Statement No. 87, Leases, which establishes new guidance for lease accounting for lessees and lessors and eliminates the classification of leases into operating or capital leases. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Lessees will recognize a lease liability and an intangible right to use lease asset. Lessors will recognize a lease receivable and a deferred inflow of resources. The new guidance is effective for fiscal 2022.

The Foundation is evaluating the effect of this new standard on its financial statements.

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The carrying amount of the Foundation’s cash deposits were \$3,135,479 at June 30, 2021. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes. As of June 30, 2021, the Foundation had \$1,891,048 in brokerage accounts and \$1,244,431 in operating accounts not insured by the FDIC. The Foundation has not experienced any losses in the past relating to its cash balances.

NOTE C - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation’s beneficial interest in assets at June 30, 2021, consists of \$610,931 held by Florida Prepaid College Foundation, Inc. The amounts held by Florida Prepaid College Foundation, Inc. consist of funds contributed by the Foundation as part of the Take Stock in Children program. Contributions are matched by the State of Florida, and recorded as a contribution by the Foundation on the statement of activities at the time of contribution. The funds are to be used for college scholarships for selected individuals graduating from high school in Osceola County. As the scholarships are awarded, the expenditures are recorded by the Foundation. The funds held by Florida Prepaid College Foundation, Inc. can only be utilized for scholarships.

The Foundation also has restricted assets of \$666,455 at June 30, 2021, held for its benefit by the Community Foundation of Central Florida. These assets are included in cash and cash equivalents in the accompanying financial statements and restricted for scholarships for students to attend schools other than Valencia College.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE D - INVESTMENTS

Custodial Credit Risk – The carrying amount of the Foundation’s investments at June 30, 2021, were \$5,672,678 including \$5,582,678 classified as investments and \$90,000 as restricted cash in the accompanying financial statements. The investments include \$4,063,507 held in the District’s investment pool and \$1,387,836 in an investment pool with a financial institution. Monies invested in amounts greater than the insurance coverage of FDIC are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Foundation pursuant to Section 280.08, Florida Statutes.

NOTE E - CANOE CREEK TRANSFER

On July 1, 2020, Canoe Creek Charter Academy was transferred to the Osceola School District along with all of the School’s assets and liabilities. These amounts were included in the Foundation’s statements as June 30, 2020. The transfers of certain assets (i.e., fixed assets, accumulated depreciation, etc.) and liabilities (i.e., debt) are presented as deletions/reductions in Notes F on capital assets and G on debt, and as losses in the Statement of Activities and Revenues. The following table show the amount of the assets and liabilities which were transferred.

	Governmental Activites	Governmental Funds
Current assets	\$ 441,792	\$ 441,792
Capital assets	246,850	-
Total assets	<u>688,642</u>	<u>441,792</u>
Current liabilities	244,918	244,918
Long-term liabilities	119,765	-
Total liabilities	<u>364,683</u>	<u>244,918</u>
Loss on transfer	<u>\$ 323,959</u>	<u>\$ 196,874</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE F - CAPITAL ASSETS

Changes in capital assets by category are as follows for the year ended June 30, 2021:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets non-depreciated:				
Land	\$ 238,220	\$ -	\$ -	\$ 238,220
Construction in progress	15,759	-	-	15,759
Total assets, non-depreciated	<u>253,979</u>	<u>-</u>	<u>-</u>	<u>253,979</u>
Capital assets depreciated:				
Buildings and fixed equipment	6,902,167	-	-	6,902,167
Improvements other than building	847,634	3,000	245,684	604,950
Furniture, fixtures and equipment	2,782,663	232,104	227,952	2,786,815
IT equipment	1,672,266	86,987	740,058	1,019,195
Computer software	55,752	-	23,580	32,172
Total assets depreciated	<u>12,260,482</u>	<u>\$ 322,091</u>	<u>\$ 1,237,274</u>	<u>11,345,299</u>
Less accumulated depreciation:				
Buildings and fixed equipment	2,580,796	\$ 155,139	\$ -	2,735,935
Improvements other than building	404,411	74,280	65,443	413,248
Furniture, fixtures and equipment	2,625,270	61,385	199,322	2,487,333
IT equipment	1,574,610	55,543	712,453	917,700
Computer software	41,685	276	9,789	32,172
Total accumulated depreciation	<u>7,226,772</u>	<u>\$ 346,623</u>	<u>\$ 987,007</u>	<u>6,586,388</u>
Total governmental activities capital assets, net	<u>\$ 5,287,689</u>			<u>\$ 5,012,890</u>

Depreciation expense is charged to functions of the Foundation as follows for the year ended June 30, 2021:

Instruction	\$ 55,543
School administration	134,891
Plant	156,189
	<u>\$ 346,623</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G - LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the Foundation for the year ended June 30, 2021:

	Long-term obligations at July 1, 2020	Additions	Reductions	Long-term obligations at June 30, 2021	Amount Due in 1 Year
Revenue bonds:					
PM Wells Charter Academy - 2016	\$ 5,300,000	\$ -	\$ (360,000)	\$ 4,940,000	\$ 375,000
Subtotal	<u>5,300,000</u>	<u>-</u>	<u>(360,000)</u>	<u>4,940,000</u>	<u>375,000</u>
Premium / discount:					
Unamortized bond premium - 2016	79,813	-	(7,183)	72,630	-
Unamortized bond discount - 2016	(2,566)	-	1,216	(1,350)	-
Subtotal	<u>77,247</u>	<u>-</u>	<u>(5,967)</u>	<u>71,280</u>	<u>-</u>
Charter School Capital loan	119,765	-	(119,765)	-	-
EIDL loan	-	150,000	-	150,000	3,506
PPP loan	148,883	147,685	-	296,568	-
	<u>\$ 5,645,895</u>	<u>\$ 297,685</u>	<u>\$ (485,732)</u>	<u>\$ 5,457,848</u>	<u>\$ 378,506</u>

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

The 2016 debt refinancing resulting in a gain on refunding of \$520,065, which is not recognized in the fund level statements but is deferred and included in the government-wide statement as deferred inflow. The deferred gain is amortized over the life of the debt through 2032. Amortization expense of the gain of \$32,579 for 2020 was charged against interest expense. Accumulated amortization totaled \$57,560 at June 30, 2020.

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

Enrollment for PM Wells Charter Academy during the 2020-2021 school year was 724 students. The number of students enrolled for the 2021-2022 school year is expected to increase.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G - LONG-TERM DEBT (continued)

On March 27, 2020, the Coronavirus Aid Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 outbreak. Under the CARES Act, the Paycheck Protection Program (“PPP”) was established to provide assistance to small businesses with resources needed to maintain payroll and cover applicable overhead. On May 4, 2020 and on February 18, 2021, the Foundation, through a financial institution, was approved for and received loans in the amount of \$148,883 and \$147,685 under this program. The unforgiven portion of the loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. As of the date of the financials, the forgiveness process is not complete, however the Foundation expects both loans to be forgiven in fiscal 2022.

On July 1, 2020, the Foundation, through the SBA, received an Economic Injury Disaster Loan (“EIDL”) in the amount of \$150,000. The loan is payable over 30 years with monthly payments of \$641, at an interest rate of 2.75%, with a deferral of payments for the first 12 months. The loan matures July 1, 2050.

The annual requirements to amortize all debt outstanding as of June 30, 2020 are as follows:

Years ending June 30	Principal	Interest	Total
2022	\$ 378,506	\$ 183,205	\$ 561,711
2023	685,171	170,411	855,582
2024	403,704	156,157	559,861
2025	418,807	140,457	559,264
2026	433,913	124,185	558,098
2027-2031	2,421,261	355,774	2,777,035
2032-2036	559,392	24,315	583,707
2037-2041	27,982	10,478	38,460
2042-2046	32,103	6,357	38,460
2047-2050	25,729	1,715	27,444
	<u>\$ 5,386,568</u>	<u>\$ 1,173,054</u>	<u>\$ 6,559,622</u>

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

	PM Wells
Total academy revenue	\$ 6,161,591
Less operating expenses	<u>4,771,660</u>
Income available for debt service	<u>\$ 1,389,931</u>
Maximum annual debt service	<u>\$ 552,169</u>
Debt service coverage ratio	<u>251.72%</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE G - LONG-TERM DEBT (continued)

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

NOTE H - BOND DISCLOSURE REQUIREMENTS

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

	PM Wells
a. Number of classroom instructors:	34
b. Number of full-time equivalent students:	724
c. Average revenues per student:	\$ 8,510
d. Average expenditures per student:	\$ 8,371
e. Fees related to before/after school program:	\$ 55,783
f. Expenses related to before/after school program:	\$ 51,123
g. Charter school capital outlay funding:	\$ 472,366
h. Federal grant revenues received:	\$ 384,384

NOTE I - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The Foundation entered into a management service agreement with a management company in July, 2009, to manage PM Wells. The original agreement was for a term of three years commencing with the 2009-2010 school year. The agreement has been amended several times. The current PM Wells contract terminates the earlier of June 30, 2021, or the termination dates of the charters if the district chooses to terminate them. The contract has not been extended past the due date by the Board and a new management contract was entered into with National Academic Education Partners (NAEP).

The management company shall be paid consistent with the approved annual budget and the scheduled fees per the contracts. The fee is subject to a yearly adjustment based on the percentage change of the state funding per student allocation from the previous school year's allocation. For the current year there is a flat fee of \$835,544 for PM Wells. Current year management fees charged to operations totaled \$832,544.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE I - COMMITMENTS AND CONTINGENCIES (continued)

2. License agreement

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

3. Legal issues

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

NOTE J - RELATED PARTY TRANSACTIONS

1. Due to management company

The management company is responsible for organizing, developing, managing, staffing and operating the charter schools in which the Foundation is the charter holder. During the current year, the management company charged fees to the Foundation for management services as described in Note I-1. The due to management company obligation also reflects activities for operating advances and invoices for certain expenses paid on behalf of the Foundation for operations of the schools. If, at the end of the fiscal year, there are not sufficient funds in the charter academy operating account, the management company shall adjust the budget accordingly. The due to management company activity consists of the following for the year ended June 30, 2021:

	Management fees	Advances	Operating expenses and contributions	Total
Balance at July 1, 2020	\$ -	\$ -	\$ 233,360	\$ 233,360
Invoiced	832,544	-	1,026,717	1,859,261
Payments	(832,544)	-	(1,335,142)	(2,167,686)
Balance at June 30, 2021	\$ -	\$ -	\$ (75,065)	\$ (75,065)

2. Local school district

The Foundation receives various contributions and services from the School District of Osceola County and also provides educational enhancement services to the District. During the year ended June 30, 2021, the Foundation received \$102,864 of cash contributions and approximately \$196,620 of in-kind contributions from the District for general operations.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE K - CONCENTRATIONS

Local revenue sources

As stated in Note A-18, the Foundation receives revenues for current operations primarily from the State of Florida passed through to the District. The following is a schedule of revenue sources and amounts for fiscal 2021:

Sources	Amounts
Base Funding	\$ 8,783,577
Safe school	106,271
ESE guaranteed allocation	282,123
Supplemental academic instruction	426,989
Discretionary local effort	663,035
Class size reduction funds	2,147,901
Discretionary millage compression allocation	483,471
Florida teachers classroom supply assistance program	11,613
Instructional materials allocation	146,932
Digital classroom allocation	3,306
Mental health assistance allocation	68,243
Reading allocation	82,940
Emergency order funding adjustment	178,075
Total funds compression allocation	104,882
Transportation	26,822
Teacher salary increase allocation	323,865
Proration of available funds	(40,334)
Prior year funding adjustment	(4,258)
Subtotal	13,795,453
Capital outlay distribution	1,269,381
Title federal revenue	165,663
21st Century Grant revenue	124,845
ESSER & GEER revenue	93,876
Teacher lead program	9,443
Total School District of Osceola County:	15,458,661
Grants	546,756
Contributions	970,480
Program services	3,000
Fundraising	476,357
Interest income	52
Other revenues:	
Rent	261
Investment income	7,891
Lost, damaged, sold textbooks	155
Community services	55,783
Miscellaneous revenue	805,066
Total	\$ 18,324,462

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Essentially all regular employees of Bellalago Charter Academy (the School) are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. A comprehensive annual financial report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The School's pension expense totaled \$1,010,354 for the fiscal year ended June 30, 2021.

1. FRS Pension Plan

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

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

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Contributions. The State of Florida established contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	8.28
Florida Retirement System, Elected County Officers	3.00	49.18
Florida Retirement System, Senior Management	3.00	27.29
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	16.98
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The School's contributions, including employee contributions, to the Plan totaled \$324,946 for the fiscal year ending June 30, 2021. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the School reported a liability of \$4,434,977 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was .009771182 percent, which was an increase of .000777393 from its proportionate share measured as of June 30, 2019.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$861,800 related to the Plan. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 162,081	\$ -
Change of assumptions	766,665	-
Net difference between projected and actual earnings on FRS pension plan investments	252,155	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	29,192	103,247
District FRS contributions subsequent to the measurement date	419,999	-
Total	<u>\$ 1,630,092</u>	<u>\$ 103,247</u>

The deferred outflows of resources related to pensions, totaling \$419,999, resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2022	\$ 202,000
2023	369,383
2024	324,814
2025	187,352
2026	23,297
Thereafter	-
	<u>\$ 1,106,846</u>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Actuarial Assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.05 percent, average, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Mortality rates were based on PUB 2010 base table with Scale MP-2018. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (A)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100%</u>			
Assumed inflation - Mean		2.40%		1.70%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.8 percent) or 1 percentage-point higher (7.8 percent) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
District's proportionate share of the net pension liability	\$ 7,081,868	\$ 4,434,977	\$ 2,224,230

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

Payable to the Pension Plan. At June 30, 2021, the District reported a payable of \$57,988 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2021.

2. HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The School's contributions to the HIS Plan totaled \$85,921 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the School reported a net pension liability of \$1,880,829 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2019, the School's proportionate share was .014910373 percent, which was a decrease of .0002175098 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2020, the School recognized pension expense of \$148,553. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 74,471	\$ 1,404
Change of assumptions	195,759	105,857
Net difference between projected and actual earnings on HIS pension plan investments	1,454	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	40,165	46,891
District contributions subsequent to the measurement date	90,202	-
Total	<u>\$ 402,051</u>	<u>\$ 154,152</u>

The deferred outflows of resources totaling \$90,202, was related to pensions resulting from School contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2021	\$ 41,431
2022	29,806
2023	6,923
2024	24,505
2025	37,858
Thereafter	17,173
	<u>\$ 157,696</u>

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.21 percent

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

Discount Rate. The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.21</u>	<u>2.21</u>	<u>3.21</u>
District's proportionate share of the net pension liability	\$ 2,174,154	\$ 1,880,829	\$ 1,640,743

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

Payables to the Pension Plan. At June 30, 2021, the School reported a payable of \$1,152 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2021.

Pension Plan Aggregates. The aggregate amount of net pension liability, related deferred outflows of resources and deferred inflows of resources and pension expense for the School’s defined pension plans are summarized below:

	<u>Pension Plan</u>	<u>HIS Plan</u>	<u>Total</u>
Net pension liability	\$ 4,434,977	\$ 1,880,829	\$ 6,315,806
Deferred outflows of resources	1,630,092	402,050	2,032,142
Deferred inflows of resources	103,247	154,152	257,399
Pension expense	861,800	148,554	1,010,354

3. FRS – Defined Contribution Pension Plan

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

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

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

Allocations to the investment member’s accounts during the 2020-21 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	8.28
FRS, Elected County Officers	49.18
FRS, Senior Management Service	27.29

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

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

The School’s Investment Plan pension expense totaled \$76,363, for the fiscal year ended June 30, 2021.

Payables to the Pension Plan. At June 30, 2021, the School reported a payable of \$25,323 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2021.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

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

Benefit Terms and Employees Covered

Plan contribution requirements and benefit terms of the School and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The School has not advanced funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. As of the valuation date, June 30, 2021, there were 124 active plan members and 10 inactive plan members or beneficiaries receiving benefits. There are no inactive plan members entitled to benefits not yet receiving benefits. The School provided contributions of \$22,723 toward annual OPEB costs, comprised of benefit payments made on behalf of the retirees for claims expense, retention costs, and net of retiree contributions totaling \$17,662. Required contributions are based on projected pay-as-you-go financing.

Total OPEB Liability

The School's total OPEB liability of \$294,913 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Actuarial Cost Method	Entry Age Normal cost method
Inflation	2.25%
Discount Rate	2.45%
Salary Increases	FRS 7/1/2016 Actuarial Valuation 3.4% - 7.8%, including inflation
Retirement Age	Rates used in the 7/1/2020 FRS Actuarial Valuation based on a statewide experience study from 2013 to 2018
Mortality	PUB 2010 Mortality tables, MP-2018 scale, used on the 7/1/2020 FRS actuarial valuation, based on the results of a statewide experience study from 2013 to 2018
Healthcare Cost Trend Rates	Getzen Model with trend starting at 6.5% and gradually decreasing to an ultimate trend rate of 3.99% plus .31 increase for excise tax.
Aging Factors	2013 SOA Study "Health Care Costs- From Birth to Death"
Administrative Expenses	Included in the Per Capita Costs

The School selected the economic, demographic, and health care claim cost assumption used in the June 30, 2020 valuation. The current actuary provided guidance with respect to the economic assumptions demographic assumptions, the health care participation rate assumption, and the spouse coverage election rate assumption. The demographic assumptions were based on those employed in the July 1, 2020, Defined Benefit Pension Plan Actuarial Valuation of the FRS, which were developed by the FRS from an Actuarial Experience Study. These include assumed rates of future termination, mortality, disability and retirement. In addition, salary increase assumptions for development of the pattern of the normal cost increases were the same as those used by the FRS.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Changes to the Total OPEB Liability

Below are the details regarding the total OPEB liability for the measurement period from June 30, 2020, to June 30, 2021.

	Total OPEB Liability
Balance Recognized at June 30, 2020	<u>\$ 275,499</u>
Changes for the Fiscal Year:	
Service Cost	\$ 19,910
Interest	10,880
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes in Assumptions and Other Inputs	11,347
Benefit Payments	<u>(22,723)</u>
Net Changes	<u>19,414</u>
Balance as of June 30, 2021	<u>\$ 294,913</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent as of the beginning of the measurement period, to 2.45 as of June 30, 2020. In addition, the healthcare trend rates were revised as of June 30, 2020, based on Getzen Model latest trend survey, with adjustments based on the provisions of the benefits sponsored by the School.

Discount Rate

The School has no plan assets held in trust to finance the OPEB plan liability. Therefore, the discount rate in the calculation of the total OPEB liability is equal to the tax-exempt municipal bond rate based on a 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the OPEB plan valuation, the municipal bond rate was 2.45% (based on the daily rate closest to, but no later than the measurement date of the "Fidelity's 20-Year Municipal GO AA Index"). The discount rate was 2.45% as of the beginning of the measurement period.

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

The following presents the total OPEB liability of the School, as well as what the School's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.45 percent) or 1 percentage point higher (3.45 percent) than the current discount rate:

	<u>Decrease 1.45%</u>	<u>Discount Rate 2.45%</u>	<u>Increase 3.45%</u>
Total OPEB Liability	\$ 309,837	\$ 294,913	\$ 279,307

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE M - OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

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

	<u>1% Decrease</u>	<u>Health Care Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 262,023	\$ 294,913	\$ 333,952

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

For the year ended June 30, 2021, the School recognized OPEB expense credit of \$23,310. The expense credit was a result of excluding life insurance for retirees that are rated independently and separately from active members, and whose rates are not supported by the School's active policy. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between Expected and Actual Experience	\$ -	\$ 1,567
Changes of Assumptions of Other Inputs	-	65,471
Benefits Paid	(23,237)	-
Contribution Paid After the Measurement Date	17,662	-
Total	\$ (5,575)	67,038

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Years Ending June 30</u>	<u>Amount</u>
2021	\$ (7,480)
2022	(7,480)
2023	(7,480)
2024	(7,480)
2025	(7,480)
Thereafter	(29,638)
Total	\$ (67,038)

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE N - RISK MANAGEMENT

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

The Foundation is exposed to various risks of loss related torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Foundation on behalf of the Osceola County District School Board is a member of the Florida School Boards Insurance Trust (FSBIT) which was established by the Florida School Boards Association, Inc., to provide combined self-insurance and risk management services to participating members. The Trust is a public entity risk pool and provides a combined self-insurance program for property protection, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Trust. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases of coverage through commercial companies for claims in excess of specified amounts. The Board of trustees for the Trust is composed of one board member from each participating district and a superintendent and a district-level business official selected from one of the participating districts. The amounts from settlements of insurable losses have not exceeded the insurance coverage for each of the prior three years.

NOTE O – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID- 19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Foundation’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation.

NOTE P - SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the Foundation has evaluated subsequent events and transactions for potential recognition or disclosure through January 10, 2022, which is the date the financial statements were available be issued.

REQUIRED SUPPLEMENTAL INFORMATION

The Foundation for Osceola Education, Inc.

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

Year Ended June 30, 2021

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance - Positive (Negative)
Revenues				
Grants	\$ 347,500	\$ 546,756	\$ 546,756	\$ -
Contributions	465,000	970,480	970,480	-
Program services	13,000	3,000	3,000	-
Fundraising	242,500	512,836	512,836	-
Interest income	35,000	-	-	-
Other local revenues	80,000	515,526	515,526	-
Total revenues	<u>1,183,000</u>	<u>2,548,598</u>	<u>2,548,598</u>	<u>-</u>
Expenditures				
Current:				
Community services	1,174,901	2,004,462	2,004,462	-
Interest expense	-	3,825	3,825	-
Total expenditures	<u>1,174,901</u>	<u>2,008,287</u>	<u>2,008,287</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,099</u>	<u>540,311</u>	<u>540,311</u>	<u>-</u>
Other financing sources:				
Proceeds from loan	-	297,685	297,685	-
Transfers in	-	556,061	556,061	-
Transfers out	-	(556,061)	(556,061)	-
Total other financing sources	<u>-</u>	<u>297,685</u>	<u>297,685</u>	<u>-</u>
Net change in fund balances	8,099	837,996	837,996	-
Fund balances at July 1, 2020	<u>3,653,841</u>	<u>3,653,841</u>	<u>3,653,841</u>	<u>-</u>
Fund balances at June 30, 2021	<u>\$ 3,661,940</u>	<u>\$ 4,491,837</u>	<u>\$ 4,491,837</u>	<u>\$ -</u>

See independent auditors' report.

The Foundation for Osceola Education, Inc.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Florida Retirement System (FRS)</u>								
Proportion of the net pension liability	0.009771182%	0.008993789%	0.008594352%	0.009221939%	0.010752485%	0.011347608%	0.011958724%	0.011985122%
Proportionate share of the net pension liability (asset)	\$ 4,434,977	\$ 3,458,283	\$ 2,993,805	\$ 3,017,330	\$ 2,762,960	\$ 1,546,472	\$ 729,658	\$ 2,063,173
Covered-employee payroll	\$ 5,178,877	\$ 4,530,534	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969	\$ 4,893,794
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	85.64%	76.33%	71.94%	68.98%	53.82%	31.60%	14.22%	42.16%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%
<u>Health Insurance Subsidy Program (HIS)</u>								
Proportion of the net pension liability	0.014910373%	0.013520478%	0.012735275%	0.013726899%	0.016110064%	0.015922593%	0.016670335%	0.016881913%
Proportionate share of the net pension liability (asset)	\$ 1,880,830	\$ 1,835,493	\$ 1,703,806	\$ 1,728,863	\$ 1,920,814	\$ 1,697,653	\$ 1,578,500	\$ 1,451,372
Covered-employee payroll	\$ 5,178,877	\$ 4,530,534	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969	\$ 4,835,353
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.32%	40.51%	40.94%	39.52%	37.42%	34.69%	30.75%	30.02%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

See independent auditors' report.

The Foundation for Osceola Education, Inc.

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Florida Retirement System (FRS)								
Contractually required contribution	\$ 419,999	\$ 324,653	\$ 278,872	\$ 244,932	\$ 243,440	\$ 262,216	\$ 291,592	\$ 261,947
Contributions in relation to the contractually required contribution	<u>(419,999)</u>	<u>(324,653)</u>	<u>(278,872)</u>	<u>(244,932)</u>	<u>(243,440)</u>	<u>(262,216)</u>	<u>(291,592)</u>	<u>(261,947)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered-employee payroll	\$ 5,428,321	\$ 5,178,877	\$ 4,530,534	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969
Contributions as a percentage of covered-employee payroll	7.74%	6.27%	6.16%	5.89%	5.57%	5.11%	5.96%	5.10%
Health Insurance Subsidy (HIS)								
Contractually required contribution	\$ 90,202	\$ 85,922	\$ 75,078	\$ 69,064	\$ 72,647	\$ 82,574	\$ 64,150	\$ 54,608
Contributions in relation to the contractually required contribution	<u>(90,202)</u>	<u>(85,922)</u>	<u>(75,078)</u>	<u>(69,064)</u>	<u>(72,647)</u>	<u>(82,574)</u>	<u>(64,150)</u>	<u>(54,608)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
Covered-employee payroll	\$ 5,428,321	\$ 5,178,877	\$ 4,530,534	\$ 4,161,455	\$ 4,374,489	\$ 5,133,503	\$ 4,893,367	\$ 5,132,969
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.61%	1.31%	1.06%

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

See independent auditors' report.

The Foundation for Osceola Education, Inc.

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

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Other Postemployment Benefits (OPEB)</u>				
Service cost	\$ 19,910	\$ 24,066	\$ 21,400	\$ 22,456
Interest on the total OPEB liability	10,880	15,072	13,327	10,970
Changes on benefits terms	-	(47,858)	-	-
Difference between expected and actual experience	-	(1,890)	-	-
Changes of assumptions	11,347	(78,043)	(1,496)	(15,566)
Benefits payments	<u>(22,723)</u>	<u>(30,791)</u>	<u>(18,308)</u>	<u>(17,931)</u>
Net change in total OPEB liability	19,414	(119,444)	14,923	(71)
Total beginning OPEB liability	<u>275,499</u>	<u>394,943</u>	<u>380,020</u>	<u>380,091</u>
Total ending OPEB liability	<u>\$ 294,913</u>	<u>\$ 275,499</u>	<u>\$ 394,943</u>	<u>\$ 380,020</u>
Covered-employee payroll	\$ 4,986,791	\$ 4,841,544	\$ 4,906,154	\$ 4,296,575
Contributions as a percentage of covered-employee payroll	5.91%	5.69%	8.05%	8.84%

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

See independent auditors' report.

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2021, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The discount rate was changed from 3.13 percent as of the beginning of the measurement period to 2.45 percent as of June 30, 2020 to reflect changes in Fidelity's 20-Year Municipal GO AA Index.

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

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the Pension Plan benefit terms. The following were changes in actuarial assumptions in 2020:

- The inflation rate assumption decreased from 2.6 percent to 2.4 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 6.9 percent to 6.8 percent.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at: <http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual-reports>

A summary of key changes implemented since the latest valuation are described in the Florida Department of Management Services, Actuarial Valuations at: <http://www.dms.myflorida.com/workforceoperations/retirement/publications/actuarial-valuations>

The Foundation for Osceola Education, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

The Florida Retirement System Actuarial Assumptions Conference performs an annual review of the actuarial assumptions for the FRS Pension Plan. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent study for the FRS Pension Plan was completed in 2014 for the period of July 1, 2008 through June 30, 2013. There were no changes in the HIS Program benefit terms. The following were changes in actuarial assumptions in 2020:

- The inflation rate assumption decreased from 2.6 percent to 2.4 percent.
- Payroll growth, including inflation, remained at 3.25 percent.
- The long-term expected rate of return decreased from 3.87 percent to 3.50 percent.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program.

A summary of key changes in plan provisions are described in the Florida Department of Management Services, GASB 68 Reporting Information, which can be found at: http://www.dms.myflorida.com/workforceoperations/retirement/publications/annual_reports

A summary of key changes implemented since the last valuation are described in the Florida Department of Management Services, Actuarial Valuations at: http://www.dms.myflorida.com/workforce_operations/retirement/publications/actuarial_valuations



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Foundation for Osceola Education, Inc., (the "Foundation") which is a component unit of the School District of Osceola County, Florida as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements, and have issued our report thereon dated January 10, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2022



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INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined The Foundation for Osceola Education, Inc.'s, (the "Foundation") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended June 30, 2021. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Foundation's compliance with those requirements is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Foundation's compliance with the requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Foundation's compliance with the requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, the Foundation complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2021.

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2022



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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Foundation for Osceola Education, Inc., (the "Foundation"), which is a component unit of the School District of Osceola County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated January 10, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which is dated January 10, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

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

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

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

Transparency

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

Additional Matters

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

Purpose of This Letter

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

Moss, Krusick & Associates, LLC

Winter Park, Florida
January 10, 2022