

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD**

**(A CHARTER SCHOOL UNDER THE SCHOOL OF ARTS  
AND SCIENCES FOUNDATION, INC.)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**THE SCHOOL OF ARTS AND SCIENCES  
ON THOMSAVILLE ROAD  
TABLE OF CONTENTS  
JUNE 30, 2017**

	<u><b>Page Number(s)</b></u>
<b>Independent Auditors’ Report</b>	1 – 2
<b>Management’s Discussion and Analysis</b>	3 – 8
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund balances – Governmental Funds	12
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund balances of Governmental Funds to the Statement of Activities	13
Fiduciary Fund	
Statement of Fiduciary Net Position	14
Notes to Financial Statements	15 – 29
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund balances – Budget to Actual – General Fund	31
Notes to Required Supplementary Information	32
Schedule of Proportionate Share of Net Pension Liability	33
Schedule of Contributions	34
<b>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</b>	35 – 36
<b>Independent Auditors’ Management Letter Required by Chapter 10.850, Rules of the State of Florida, Office of the Auditor General</b>	37 – 38

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
The School of Arts and Sciences Foundation, Inc.

### **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 School of Arts and Sciences on Thomasville Road (a charter school under The School of Arts and Sciences Foundation, Inc. and a component unit of the School Board of Leon County, Florida) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The School of Arts and Sciences on Thomasville Road's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

- 1 -

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of The School of Arts and Sciences on Thomasville Road, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in Note 1, the accompanying financial statements referred to above are intended to present the basic financial statements and related notes of only that portion of The School of Arts and Sciences Foundation, Inc. that is attributable to the transactions of The School of Arts and Sciences on Thomasville Road and is not intended to be a complete presentation of the basic financial statements and related notes of The School of Arts and Sciences Foundation, Inc., as of June 30, 2017, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***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 as listed in the table of contents 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 August 15, 2017, on our consideration of The School of Arts and Sciences on Thomasville Road's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The School of Arts and Sciences on Thomasville Road's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
August 15, 2017

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

As management of The School of Arts and Sciences on Thomasville Road, we offer readers of The School of Arts and Sciences on Thomasville Road's financial statements this narrative overview and analysis of the financial activities of The School of Arts and Sciences on Thomasville Road for the fiscal year ended June 30, 2017.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to The School of Arts and Sciences on Thomasville Road's basic financial statements. The School of Arts and Sciences on Thomasville Road's basic financial statements 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 themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of The School of Arts and Sciences on Thomasville Road's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of The School of Arts and Sciences on Thomasville Road's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of The School of Arts and Sciences on Thomasville Road is improving or deteriorating.

The *statement of activities* presents information showing how The School of Arts and Sciences on Thomasville Road'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.

Both of the government-wide financial statements distinguish various functions of The School of Arts and Sciences on Thomasville Road. The governmental activities of The School of Arts and Sciences on Thomasville Road include instruction and instruction related services, school administration, fiscal services, food services, pupil transportation services, board, central services, facility acquisition, community service, debt service, operation of plant, and maintenance of plant.

The government-wide financial statements can be found on pages 9 – 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 School of Arts and Sciences on Thomasville Road, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of The School of Arts and Sciences on Thomasville Road are governmental funds.

**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 school's near-term financing requirements.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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 school'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 School of Arts and Sciences on Thomasville Road maintains three governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital project fund, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 11 – 13 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 on pages 15 – 29 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning The School of Arts and Sciences on Thomasville Road's budgetary information and pension information. Required supplementary information can be found on pages 31 – 34 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of The School of Arts and Sciences on Thomasville Road, assets exceeded liabilities by \$1,772,533 at the close of the most recent fiscal year. This balance in the most recent fiscal year reflects its investment in capital assets (e.g., buildings, furniture, fixtures, equipment and software), less any related debt used to acquire those assets. The School of Arts and Sciences on Thomasville Road uses these capital assets to provide services to students. Accordingly, these assets are not available for future spending. Although The School of Arts and Sciences on Thomasville Road's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Net Position**

	2017	2016
Current and other assets	\$ 615,209	\$ 437,686
Capital assets	5,897,300	2,950,827
Total assets	\$ 6,512,509	\$ 3,388,513
Deferred outflows	\$ 763,978	\$ 254,596
Other liabilities	\$ 4,256,225	\$ 1,315,480
Net pension liability	1,189,933	769,484
Total liabilities	\$ 5,446,158	\$ 2,084,964
Deferred inflows	\$ 57,796	\$ 237,619
Net position:		
Net investments in capital assets	\$ 1,873,071	\$ 1,681,507
Restricted	71,460	81,331
Unrestricted	(171,998)	(442,312)
Total net position	\$ 1,772,533	\$ 1,320,526

**Governmental activities.** During the current fiscal year, net position for governmental activities increased \$452,007 from the prior fiscal year for an ending net position of \$1,772,533.

- The key element of the increase is due to the increase in both per student FEFP and the increase in student count from 339 to 382 with a lesser increase in per student expenses.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Changes in Net Position**

	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$ 177,667	\$ 140,368
Operating grants and contributions	173,749	97,044
Capital grants and contributions	157,826	134,027
General revenues:		
Grants and contributions not restricted to specific programs and other	2,588,677	2,290,410
Total revenues	3,097,919	2,661,849
Expenses:		
Instruction	1,678,742	1,624,282
Instructional media services	-	19,939
Instruction and curriculum development	10,080	18,114
Instructional staff training	5,149	6,510
Board	10,879	17,438
School administration	306,280	358,719
Facility acquisition and construction	86,918	20,340
Fiscal services	42,269	47,355
Food services	18,950	20,198
Pupil transportation services	78,841	67,518
Operation of plant	155,794	127,525
Central services	33,725	31,780
Maintenance of plant	29,347	35,252
Community service	186,485	144,927
Debt service	2,453	45,712
Total expenses	2,645,912	2,585,609
Increase in net position	452,007	76,240
<b>Net position</b> , beginning of year,	1,320,526	1,244,286
<b>Net position</b> , end of year	\$ 1,772,533	\$ 1,320,526

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Financial Analysis of the Government's Funds**

As noted earlier, The School of Arts and Sciences on Thomasville Road uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of The School of Arts and Sciences on Thomasville Road's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing The School of Arts and Sciences on Thomasville Road's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a school's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, The School of Arts and Sciences on Thomasville Road itself, or a group or individual that has been delegated authority to assign resources for use for a particular purposes by The School of Arts and Sciences on Thomasville Road's board.

At June 30, 2017, The School of Arts and Sciences on Thomasville Road's governmental funds reported combined fund balances of \$154,825, a decrease of \$77,814.

The general fund is the chief operating fund of The School of Arts and Sciences on Thomasville Road. As of the end of the current fiscal year, unassigned fund balance of the general fund was \$192,150, while total fund balance was \$311,748.

The fund balance of The School of Arts and Sciences on Thomasville Road's general fund increased by \$1,553 during the current fiscal year.

- The key element of the increase was an increase in FEFP revenues from the prior year which is determined by student enrollment.

The capital projects fund is used to account for financial resources to be used for education's capital outlay needs, including new construction and renovation. As of the end of the current fiscal year, restricted fund balance was \$71,460 while unassigned fund balance was a deficit of \$228,383. The fund balance of the capital projects fund decreased by \$79,367 during the current fiscal year.

- The key element of the decrease was capital expenditures greater than current year revenue sources.

**General Fund Budgetary Highlights**

**Original budget compared to final budget.** The major differences between the original budget and the final amended budget were due to the following:

- The final budget FEFP revenues increased due to final student count was higher than was originally anticipated and local revenues decreased due to new capital campaign pledges were less than anticipated.

**Actual amounts compared to final budget.** The major differences between actual amounts and the final amended budget were due to the following:

- Actual amounts for Local revenues were lower than anticipated.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Capital Asset Administration**

**Capital assets.** The School of Arts and Sciences on Thomasville Road's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$5,897,300 (net of accumulated depreciation). This investment in capital assets includes building, land, technology equipment, furniture, fixtures, equipment and vehicles.

Additional information on The School of Arts and Sciences on Thomasville Road's capital assets can be found in Note II. B. on page 22 of this report.

**Long-term Debt.** At the end of the current fiscal year, The School of Arts and Sciences on Thomasville Road had total debt outstanding of \$3,780,641 related to capital improvement debt and \$1,189,933 related to the net pension liability.

Additional information on The School of Arts and Sciences on Thomasville Road's long-term debt can be found in note II.C. on page 23 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect The School of Arts and Sciences on Thomasville Road and were considered in developing the 2017-2018 fiscal year budgets.

- Base Student Allocation per student for fiscal year 2017-2018 is \$4,204 compared to \$4,161 for 2016-2017.
- 2016-17 full time equivalent enrollments were 382. 2017-18 full time equivalent enrollments are anticipated to be 420, an increase of 38 students so it is anticipated that revenue will increase but expenses will not increase proportionally.

**Requests for Information**

This financial report is designed to provide a general overview of The School of Arts and Sciences on Thomasville Road's finances for all those with an interest in the school's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The School of Arts and Sciences on Thomasville Road, 3208 Thomasville Road., Tallahassee, FL 32308.

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 469,051
Pledges receivable	71,460
Due from other agencies	10,769
Due from internal fund	40,000
Prepaid expenses	23,929
Land	590,436
Capital assets, being depreciated, net	1,477,231
Construction in process	3,829,633
<b>Total assets</b>	<b>\$ 6,512,509</b>
<b><u>DEFERRED OUTFLOWS</u></b>	
Related to changes in the net pension liability	<u>\$ 763,978</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenses	\$ 455,909
Unearned revenue	4,475
Noncurrent liabilities:	
Due within one year	9,764
Due in more than one year	3,786,077
Net pension liability	1,189,933
<b>Total liabilities</b>	<b>\$ 5,446,158</b>
<b><u>DEFERRED INFLOWS</u></b>	
Related to changes in the net pension liability	<u>\$ 57,796</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	\$ 1,873,071
Restricted	71,460
Unrestricted	(171,998)
<b>Total net position</b>	<b>\$ 1,772,533</b>

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Functions/Programs</b>	<b>PROGRAM REVENUES</b>			<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating grants and contributions</b>	<b>Capital grants and contributions</b>	<b>Governmental Activities</b>
Governmental activities:					
Instruction	\$ 1,678,742	\$ -	\$ 73,919	\$ -	\$ (1,604,823)
Instruction and curriculum development	10,080	-	11,275	-	1,195
Instructional staff training	5,149	-	-	-	(5,149)
Board	10,879	-	-	-	(10,879)
School administration	306,280	-	-	-	(306,280)
Facility acquisition and construction	86,918	-	-	157,826	70,908
Fiscal services	42,269	-	-	-	(42,269)
Food services	18,950	4	-	-	(18,946)
Pupil transportation services	78,841	-	88,555	-	9,714
Operation of plant	155,794	-	-	-	(155,794)
Central services	33,725	-	-	-	(33,725)
Maintenance of plant	29,347	-	-	-	(29,347)
Community service	186,485	177,663	-	-	(8,822)
Debt service	2,453	-	-	-	(2,453)
Total governmental activities	\$ 2,645,912	\$ 177,667	\$ 173,749	\$ 157,826	(2,136,670)
			General revenues:		
			Leon County School District	2,543,563	
			Contributions not restricted	40,475	
			Miscellaneous	4,125	
			Investment earnings	514	
			Total general revenues	2,588,677	
			Change in net position	452,007	
			<b>Net position, beginning of year,</b>	1,320,526	
			<b>Net position, end of year</b>	\$ 1,772,533	

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 469,051	\$ -	\$ -	\$ 469,051
Pledges receivable	-	71,460	-	71,460
Due from other agencies	1,000	9,769	-	10,769
Due from internal funds	40,000	-	-	40,000
Prepaid items	23,929	-	-	23,929
<b>Total Assets</b>	<b>\$ 533,980</b>	<b>\$ 81,229</b>	<b>\$ -</b>	<b>\$ 615,209</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 217,757	\$ 238,152	\$ -	\$ 455,909
Unearned revenue	4,475	-	-	4,475
<b>Total liabilities</b>	<b>\$ 222,232</b>	<b>\$ 238,152</b>	<b>-</b>	<b>\$ 460,384</b>
<b>Fund Balance:</b>				
Nonspendable - prepaid items	\$ 23,929	-	-	\$ 23,929
Restricted				
Capital campaign	50,710	71,460	-	122,170
Assigned				
Media center	42,560	-	-	42,560
EDP	2,399	-	-	2,399
Unassigned	192,150	(228,383)	-	(36,233)
<b>Total fund balance</b>	<b>\$ 311,748</b>	<b>\$ (156,923)</b>	<b>\$ -</b>	<b>154,825</b>

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated Absences	\$ (15,200)	
Note payable	<u>(3,780,641)</u>	(3,795,841)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,897,300
---	-----------

Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.

Deferred outflows	\$ 763,978	
Net pension liability	(1,189,933)	
Deferred inflows	<u>(57,796)</u>	(483,751)

Net position of governmental activities	<u>\$ 1,772,533</u>
---	---------------------

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Intergovernmental				
Florida education finance program	\$ 2,637,778	\$ -	\$ -	\$ 2,637,778
Capital outlay funds	-	107,943	-	107,943
State	-	-	33,919	33,919
Local	268,396	49,883	-	318,279
Total revenues	<u>2,906,174</u>	<u>157,826</u>	<u>33,919</u>	<u>3,097,919</u>
<b>Expenditures</b>				
Instruction	1,812,687	-	27,010	1,839,697
Instruction and curriculum development	38,682	-	-	38,682
Instructional staff training	5,149	-	-	5,149
Board	10,879	-	-	10,879
School administration	302,592	-	3,688	306,280
Facility acquisition and construction	-	82,494	-	82,494
Fiscal services	44,722	-	-	44,722
Food services	18,950	-	-	18,950
Pupil transportation services	77,934	-	907	78,841
Operation of plant	155,201	-	593	155,794
Central services	33,725	-	-	33,725
Maintenance of plant	1,286	28,061	-	29,347
Community service	184,764	-	1,721	186,485
Capital outlay	-	2,910,383	-	2,910,383
Debt service:				
Principal	-	-	-	-
Interest	-	104,513	-	104,513
Total expenditures	<u>2,686,571</u>	<u>3,125,451</u>	<u>33,919</u>	<u>5,845,941</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>219,603</u>	<u>(2,967,625)</u>	<u>-</u>	<u>(2,748,022)</u>
<b>Other financing sources (uses)</b>				
Proceeds from note payable	-	2,670,208	-	2,670,208
Transfers in	-	218,050	-	218,050
Transfers out	(218,050)	-	-	(218,050)
Total other financing sources (uses)	<u>(218,050)</u>	<u>2,888,258</u>	<u>-</u>	<u>2,670,208</u>
<b>Net change in fund balances</b>	<u>1,553</u>	<u>(79,367)</u>	<u>-</u>	<u>(77,814)</u>
<b>Fund balances, beginning of year</b>	310,195	(77,556)	-	232,639
<b>Fund balances, end of year</b>	<u>\$ 311,748</u>	<u>\$ (156,923)</u>	<u>\$ -</u>	<u>\$ 154,825</u>

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds (page 12)	\$ (77,814)
--	-------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlays	\$ 3,014,896	
Depreciation expense	<u>(68,423)</u>	
		2,946,473

The repayment of the principal of long-term debt consumes current financial resources of the governmental funds. The issuance of debt provides financial resources for current and long term use. This is the amount by which debt proceeds exceeds debt payments in the current period.	(2,670,208)
--	-------------

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:

Compensated absences	\$ (15,200)	
Net pension liability	(420,449)	
Deferred outflows related to net pension liability	509,382	
Deferred inflows related to net pension liability	<u>179,823</u>	
		253,556

Change in net position of governmental activities (page 10)	<u>\$ 452,007</u>
---	-------------------

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2017**

**ASSETS**

Cash and cash equivalents	<u>\$ 76,275</u>
---------------------------	------------------

**LIABILITIES**

Due to general fund	\$ 40,000
Due to educational programs	5,556
Due to teachers for classroom support	10,743
Due to other miscellaneous programs	<u>19,976</u>
Total liabilities	<u>\$ 76,275</u>

<b>NET POSITION</b>	<u>\$ -</u>
---------------------	-------------

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

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of The School of Arts and Sciences on Thomasville Road (the "School"), which affect significant elements of the accompanying basic financial statements:

**A. Description of government wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, are normally supported by intergovernmental revenues, and other nonexchange transactions.

**B. Reporting entity**

The School entered into a contract with the School Board of Leon County, Florida ("Sponsor") to provide an educational program for elementary and middle school students in grades kindergarten through eighth. The School receives a majority of its funding through the Sponsor based on a formula of student attendance which is identical to that of other Leon County, Florida public elementary and middle schools. The current charter is effective through June 30, 2026, and may be renewed based on academic performance, by mutual agreement between the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter, in which case the Sponsor is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Leon County, Florida.

As described in Note 1, the accompanying financial statements referred to above are intended to present the basic financial statements and related notes of only that portion of The School of Arts and Sciences Foundation, Inc. that is attributable to the transactions of The School of Arts and Sciences on Thomasville Road and is not intended to, be a complete presentation of the basic financial statements and related notes of The School of Arts and Sciences Foundation, Inc., as of June 30, 2017, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**C. Basis of presentation – government wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School reports the following major governmental funds:

**General Fund**—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

**Capital Projects Fund**—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and major maintenance projects.

Additionally, the School reports the following Fiduciary Fund:

**Agency Fund** —Agency funds are custodial in nature and do not involve measurement of results of operations. The school's agency fund accounts for classroom support, special area programs and student activities.

During the course of operations the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**E. Measurement focus and basis of accounting**

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, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Leon County School Board, are reported as general revenues.

All governmental fund financial statements are reported using the 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. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. 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. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

**F. Budgetary information**

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's governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenues and expenditures primarily resulting from events unknown at the time of budget adoption.

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.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**G. Assets, liabilities, and net position/fund balance**

**1. Deposits and investments**

Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

**2. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**3. Capital assets**

Capital assets are defined by the School as assets with an initial individual cost of at least \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	8-35
Buildings and improvements	10-50
Leasehold improvements	7-20
Furniture, fixtures, and equipment	3-10
Computer software	3-5

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**G. Assets, liabilities, and net position/fund balance (Continued)**

**4. Long-term obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

**5. 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.

**6. Net position flow assumption**

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. Fund balance flow assumptions**

Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**8. Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**G. Assets, liabilities, and net position/fund balance (Continued)**

**8. Fund balance policies (Continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The School Board is the highest level of decision making authority for the School that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as committed. The School Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**9. Deferred outflows/inflows of resources**

In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (III C).

**10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**I. Summary of Significant Accounting Policies: (Continued)**

**H. Revenues and expenditures/expenses**

**1. Revenue sources**

Revenues for current operations are received primarily from the Leon County School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the Leon County School Board. Under the provisions of Section 1011.62, Florida Statutes, the Leon County School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during designated FTE student survey periods.

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

**II. Detailed Notes on All Funds:**

**A. Deposits**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned. At year end, the carrying amount of the School's deposits was \$545,326 and the bank balance was \$615,622. Of the bank balance, \$250,000 was covered by Federal depository insurance or by collateral held by the School's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

The carrying amount of deposits consisted of the following as of June 30, 2017:

Cash and cash equivalents	\$ 545,326
---------------------------	------------

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**II. Detailed Notes on All Funds: (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	July 1, 2016	Additions	Disposals	June 30, 2017
Capital assets, not being depreciated:				
Construction in progress	\$ 842,610	\$ 2,987,023	\$ -	\$ 3,829,633
Land	590,436	-	-	590,436
Total capital assets, not being depreciated	<u>1,433,046</u>	<u>2,987,023</u>	<u>-</u>	<u>4,420,069</u>
Capital assets, being depreciated:				
Land Improvements	121,521	19,511	-	141,032
Building and Improvements	2,028,465	-	-	2,028,465
Furniture, fixture and equipment	300,649	261	-	300,910
Audio-visual materials	24,725	7,101	-	31,826
Computer software	4,592	1,000	-	5,592
Vehicles	23,500	-	-	23,500
Total capital assets, being depreciated	<u>2,503,452</u>	<u>27,873</u>	<u>-</u>	<u>2,531,325</u>
Less accumulated depreciation for:				
Land improvements	(81,553)	(4,100)	-	(85,653)
Building and improvements	(590,650)	(47,056)	-	(637,706)
Furniture, fixture and equipment	(265,977)	(16,487)	-	(282,464)
Audio-visual materials	(22,099)	(380)	-	(22,479)
Computer software	(4,592)	-	-	(4,592)
Vehicles	(20,800)	(400)	-	(21,200)
Total accumulation depreciation	<u>(985,671)</u>	<u>(68,423)</u>	<u>-</u>	<u>(1,054,094)</u>
Capital assets, net	<u>\$ 2,950,827</u>	<u>\$ 2,946,473</u>	<u>\$ -</u>	<u>\$ 5,897,300</u>

Depreciation expense of \$68,423 was charged to instruction.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**II. Detailed Notes on All Funds:** (Continued)

**C. Long-term debt**

*Governmental Activities*

4.25% note payable, with interest only payable through May 18, 2018. Beginning June 18, 2018, the indebtedness shall be payable over the remaining eight year term through May 18, 2026 based on equal monthly payments of \$23,434, which is based on the full principal amount of \$4,335,000 and twenty year amortization with the remaining unpaid principal and interest being due at maturity date. Secured by mortgage on property.

	\$ 3,780,641
Less: Current portion	9,764
Notes payable, less current portion	<u>\$ 3,770,877</u>

Maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 9,764	\$ 158,101
2019	123,045	158,164
2020	127,966	153,243
2021	133,943	147,267
2022	139,758	141,452
2023-2027	3,246,165	493,289
Total	<u>\$ 3,780,641</u>	<u>\$ 1,251,516</u>

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Note payable	\$ 1,110,433	\$ 2,670,208	\$ -	\$ 3,780,641	\$ 9,764
Compensated absences	-	15,200	-	15,200	-
	<u>\$ 1,110,433</u>	<u>\$ 2,685,408</u>	<u>\$ -</u>	<u>\$ 3,795,841</u>	<u>\$ 9,764</u>

**III. Other Information:**

**A. Significant Funding Source**

The School receives a substantial amount of its funding from the Leon County School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**B. Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Loss mitigation is provided through purchased commercial insurance. Settled claims resulting from insurance coverage above have not exceeded purchased insurance coverage for the past three fiscal years.

**C. Florida Retirement System**

**(a) General Information about the Pension Plan—**

The School of Arts and Sciences (The “School”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the 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. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**C. Florida Retirement System** (Continued)

**(a) General Information about the Pension Plan:** (Continued)

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable 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 creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

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.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**C. Florida Retirement System** (Continued)

(a) **General Information about the Pension Plan:** (Continued)

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS – Regular	3.00	7.52
Drop – Applicable to members from all of the above	0.00	12.99
FRS – Reemployed Retiree	(B)	(B)

Notes: A) Employer rates include 1.66 percent for the postemployment HIS (health insurance subsidy). Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

B) Contribution rates are dependent upon retirement class in which reemployed.

Actual contributions made for School employees participating in FRS and HIS for the each of last three fiscal years ended June 30 were as follows:

	2017	2016	2015
Contributions – FRS	\$ 105,886	\$ 102,103	\$ 85,175
Contributions – HIS	29,736	26,219	17,563
Employee Contributions – FRS	53,238	45,403	41,817

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual 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, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at [rep@dms.myflorida.com](mailto:rep@dms.myflorida.com); or at the Division's Web site ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**C. Florida Retirement System** (Continued)

**(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—**

At June 30, 2017, the School reported a liability of \$1,189,933 for its proportionate share of the net pension liability, \$676,452 related to FRS and \$513,481 to HIS. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017 and June 30, 2016, the School's FRS proportion was 0.002679009% and 0.00299875686299587%, respectively. At June 30, 2017 and June 30, 2016, the School's HIS proportion was 0.004405829% and 0.00459481687695672%, respectively. For the year ended June 30, 2017, the School's recognized pension expense of \$119,481 from FRS and \$63,958 from HIS, for a grand total of \$183,439.

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,794	\$ (6,298)	\$ -	\$ (1,170)
Changes of assumptions	40,923	-	80,578	-
Net different between projected and actual investment earnings	174,855	-	260	-
Change in proportionate share	128,847	(32,087)	151,099	(18,242)
Contributions subsequent to measurement date	105,886	-	29,736	-
	<u>\$ 502,305</u>	<u>\$ (38,385)</u>	<u>\$ 261,673</u>	<u>\$ (19,412)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ 87,888
2019	87,888
2020	156,006
2021	129,916
2022	66,034
Thereafter	42,827
Total	<u>\$ 570,559</u>

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**C. Florida Retirement System** (Continued)

**(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—** (Continued)

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. 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 experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 2.85%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.60%. 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. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.85% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.80%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-Term Expected Rate of Return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.7%
Global equities	53.0%	8.1%
Real estate	10.0%	6.4%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**III. Other Information:** (Continued)

**C. Florida Retirement System** (Continued)

**(c) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—** (Continued)

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.60%	\$ 1,245,394	\$ 676,452	\$ 202,883
HIS	2.85%	589,079	513,481	450,739

**D. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally Federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**E. Subsequent Events**

The School has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 15, 2017, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**REQUIRED SUPPLEMENTARY INFORMATION**

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
Florida education finance program	\$ 2,592,709	\$ 2,634,778	\$ 2,637,778	\$ 3,000
Federal	-	2,893	-	(2,893)
Local	223,145	288,065	268,396	(19,669)
Total revenues	<u>2,815,854</u>	<u>2,925,736</u>	<u>2,906,174</u>	<u>(19,562)</u>
<b>Expenditures</b>				
Instruction	1,732,702	1,837,330	1,812,687	24,643
Instruction and curriculum development	8,450	37,859	38,682	(823)
Instructional staff training	-	4,600	5,149	(549)
Board	18,375	14,864	10,879	3,985
School administration	341,304	295,623	302,592	(6,969)
Facility acquisition and construction	-	-	-	-
Fiscal services	41,700	44,167	44,722	(555)
Food services	23,646	23,923	18,950	4,973
Pupil transportation services	114,902	129,800	77,934	51,866
Operation of plant	137,309	155,856	155,201	655
Central services	33,390	33,725	33,725	-
Maintenance of plant	-	-	1,286	(1,286)
Community service	142,091	201,941	184,764	17,177
Total expenditures	<u>2,593,869</u>	<u>2,779,688</u>	<u>2,686,571</u>	<u>93,117</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>221,985</u>	<u>146,048</u>	<u>219,603</u>	<u>73,555</u>
<b>Other financing sources</b>				
Transfers out	-	218,050	(218,050)	-
<b>Net change in fund balance</b>	<u>221,985</u>	<u>364,098</u>	<u>1,553</u>	<u>73,555</u>
<b>Fund balance, beginning of year</b>	310,195	310,195	310,195	-
<b>Fund balance, end of year</b>	<u>\$ 532,180</u>	<u>\$ 674,293</u>	<u>\$ 311,748</u>	<u>\$ 73,555</u>

The accompanying notes to required supplementary information is an integral part of this schedule.

**THE SCHOOL OF ARTS AND SCIENCES ON  
THOMASVILLE ROAD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual is presented using the School’s budget format for the general fund.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors. The budget presented for fiscal year ended June 30, 2017, has been amended according to Board procedures.

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.

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -  
LAST 10 FISCAL YEAR AS OF JUNE 30**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Florida Retirement System (FRS)</b>			
Proportion of the net pension liability (asset)	0.002679009%	0.002998757%	0.002340112%
Proportionate share of the net pension liability (asset)	\$ 676,452	\$ 330,525	\$ 142,778
Covered-employee payroll	1,579,473	1,393,956	1,070,095
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42.83%	23.71%	13.34%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>			
Proportion of the net pension liability (asset)	0.004405829%	0.004594817%	0.003646993%
Proportionate share of the net pension liability (asset)	\$ 513,481	\$ 438,959	\$ 341,000
Covered-employee payroll	1,579,473	1,393,956	512,760
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.51%	31.49%	66.50%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

**THE SCHOOL OF ARTS AND SCIENCES ON THOMASVILLE ROAD  
SCHEDULE OF CONTRIBUTIONS -  
LAST 10 FISCAL YEAR AS OF JUNE 30**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Florida Retirement System (FRS)</u></b>			
Contractually required contribution	\$ 105,886	\$ 102,103	\$ 85,175
Contributions in relation to the contractually required contribution	(105,886)	(102,103)	(85,175)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,791,344	\$ 1,579,473	\$ 1,393,956
Contributions as a percentage of covered-employee payroll	5.91%	6.46%	6.11%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>			
Contractually required contribution	\$ 29,736	\$ 26,219	\$ 17,563
Contributions in relation to the contractually required contribution	(29,736)	(26,219)	(17,563)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,791,344	\$ 1,579,473	\$ 1,393,956
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%

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.

**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 School of Arts and Sciences Foundation, Inc.:

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 School of Arts and Sciences on Thomasville Road, a charter school under The School of Arts and Sciences Foundation, Inc., and a component unit of the District School Board of Leon County, Florida, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 15, 2017.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J" and a distinct "Co." followed by "P.L.".

Tallahassee, Florida  
August 15, 2017

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850,  
RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Board of Directors,  
The School of Arts and Sciences Foundation, Inc.:

**Report on the Financial Statements**

We have audited the financial statements of The School of Arts and Sciences on Thomasville Road, a charter school under The School of Arts and Sciences Foundation, Inc. and a component unit of the District School Board of Leon County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated August 15, 2017.

**Auditor's Responsibility**

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 and Chapter 10.850, Rules of the Auditor General.

**Other Reports and Schedules**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August \_\_\_\_, 2017, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The School of Arts and Sciences on Thomasville Road.

- 37 -

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gnv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

## **Financial Condition**

Sections 10.854(1)(e)2. Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not The School of Arts and Sciences on Thomasville Road has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that The School of Arts and Sciences on Thomasville Road did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for The School of Arts and Sciences on Thomasville Road. It is management's responsibility to monitor The School of Arts and Sciences on Thomasville Road's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether The School of Arts and Sciences on Thomasville Road maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that The School of Arts and Sciences on Thomasville Road maintained on its Web site the information specified in Section 1002.33(9)9, Florida Statutes.

## **Other Matters**

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

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

## **Purpose of this Letter**

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

*James Moore & Co., P.L.*

Tallahassee, Florida  
August 15, 2017