



POLK STATE  
Lakeland Gateway to College  
Collegiate High School

# Annual Financial Report

Fiscal Year Ending June 30, 2018

*We are Polk.*<sup>™</sup>

**POLK STATE COLLEGE LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL**

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June 30, 2018

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## **FINANCIAL SECTION**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

**Polk State College Lakeland Gateway to College Charter High School**

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Polk State College Lakeland Gateway to College Charter High School, (the "School"), a charter school and division of Polk State College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express an opinion 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk State College Lakeland Gateway to College Charter High School, as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT  
(cont...)

***Emphasis of Matter***

As discussed in Note 1, the financial statements of the School are intended to present the financial position, the changes in financial position and cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk State College that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Polk State College as of June 30, 2018, the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and the schedule of the School's proportionate share of the College's net pension liability on page 24 and schedule of School contributions to the Florida Retirement System on page 25 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 September 25, 2018, on our consideration of Polk State College Lakeland Gateway to College Charter High School'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 Polk State College Lakeland Gateway to College Charter High School's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
September 25, 2018

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Polk State College Lakeland Gateway to College Collegiate High School (School) for the year ended June 30, 2018, and should be read in conjunction with the financial statements and the notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) codification section Co5 – *Colleges and Universities*. The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

**FINANCIAL HIGHLIGHTS**

Net position represents the residual interest in the School's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The School's net position at June 30, 2018 totaled \$614,921. The School's net position increased by \$72,642 during the current fiscal year as a result of total revenue of \$1,427,320 less total expenses of \$1,354,678.

Governmental units are required to depreciate capital assets including furniture, machinery and equipment. Florida State Colleges, of which the School is a division, have established guidelines for capitalizing assets and for depreciation. Furniture, machinery and equipment with a value less than \$5,000, all library books, and computer software will be expensed in the year of purchase. The School did not purchase any furniture, machinery, and equipment that met the thresholds for capitalization during this fiscal year. Depreciation expense for this fiscal year totaled \$4,834.

Fiscal year ended June 30, 2018 was the fifth year of operation for the School. Since prior period information is available for the 2016-2017 fiscal year, comparative analysis data is presented.

**USING THIS ANNUAL REPORT**

This report consists of three basic financial statements. The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows that provide information on the School as a whole and presents a long-term view of the School's finances. The following activities are included in the School's basic financial statements:

The School is a public charter school of the School District of Polk County, Florida (District), open to Polk County public, private, or home school students who are between the ages of 16 and 21 in grades eleven (11) through twelve (12) who have earned 45% of the credits required for high school graduation but who have disengaged from academic studies. The School will replicate a model established by the Gateway to College National Network. The educational program and curriculum are specifically designed to serve disengaged youth, introduce them to college coursework, and position them for college success when they graduate from high school. Students will take at least three college courses while in high school; and while graduates are expected to earn a minimum of nine college credits, many will earn more.

The School is operated by Polk State College and is housed on the College's Lakeland Campus. Students attending the School enjoy full access to all college facilities, activities and services. Enrollment during this fifth year of operation was 210 students. Enrollment for the fiscal year 2018-2019 is estimated to be 225 students. Due to this anticipated increase in enrollment in 2018-2019 fiscal year, the FTE revenues are expected to increase.

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES,  
AND CHANGE IN NET POSITION**

One of the most important questions asked about the School's finances is, "Is the School as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the School as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the School's operating results.

These two statements report the School's net position and changes in them. One can think of the School's net position, the difference between 1) assets and deferred outflows of resources, and 2) liabilities and deferred inflows of resources, as one way to measure the School's financial health, or financial position. Over time, increases or decreases in the School's net position are one indicator of whether its financial health is improving or deteriorating.

These statements include all asset, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of net position of the School for the fiscal years ended June 30, 2018 and June 30, 2017, is shown in the following table:

	<b>6-30-2018</b>	<b>6-30-2017</b>
<b>ASSETS</b>		
Current Assets	\$ 813,383	\$ 660,780
Capital Assets, Net	2,799	7,633
<b>TOTAL ASSETS</b>	<b>816,182</b>	<b>668,413</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>167,823</b>	<b>220,485</b>
<b>LIABILITIES</b>		
Current Liabilities	23,451	24,514
Noncurrent Liabilities	329,122	262,011
<b>TOTAL LIABILITIES</b>	<b>352,573</b>	<b>286,525</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>16,511</b>	<b>60,094</b>
<b>NET POSITION</b>		
Investment in Capital Assets	2,799	7,633
Restricted	-	28,279
Unrestricted	612,122	506,367
<b>TOTAL NET POSITION</b>	<b>\$ 614,921</b>	<b>\$ 542,279</b>
<b>Increase in Net Position</b>	<b>\$ 72,642</b>	

Revenues and expenses for the School for the 2017-2018 and 2016-2017 fiscal years are shown in the following table:



**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
for the fiscal years ended**

	<u>6-30-2018</u>	<u>6-30-2017</u>
<b>Operating Revenues</b>		
Federal Grants & Contracts	\$ 2,400	\$ 2,400
State and Local Grants and Contracts	1,361,422	1,184,061
Other Operating Revenues	-	3,317
<b>Total Operating Revenues</b>	<u>1,363,822</u>	<u>1,189,778</u>
Less: Operating Expenses	<u>1,354,678</u>	<u>1,084,027</u>
<b>Operating Income</b>	9,144	105,751
<b>Nonoperating Revenue</b>		
Capital Grants, Contracts, Gifts, and Fees	63,498	53,023
<b>Increase in Net Postion</b>	72,642	158,774
<b>Net Postion, Beginning of Year</b>	<u>542,279</u>	<u>383,505</u>
<b>Net Postion, End of Year</b>	<u>\$ 614,921</u>	<u>\$ 542,279</u>

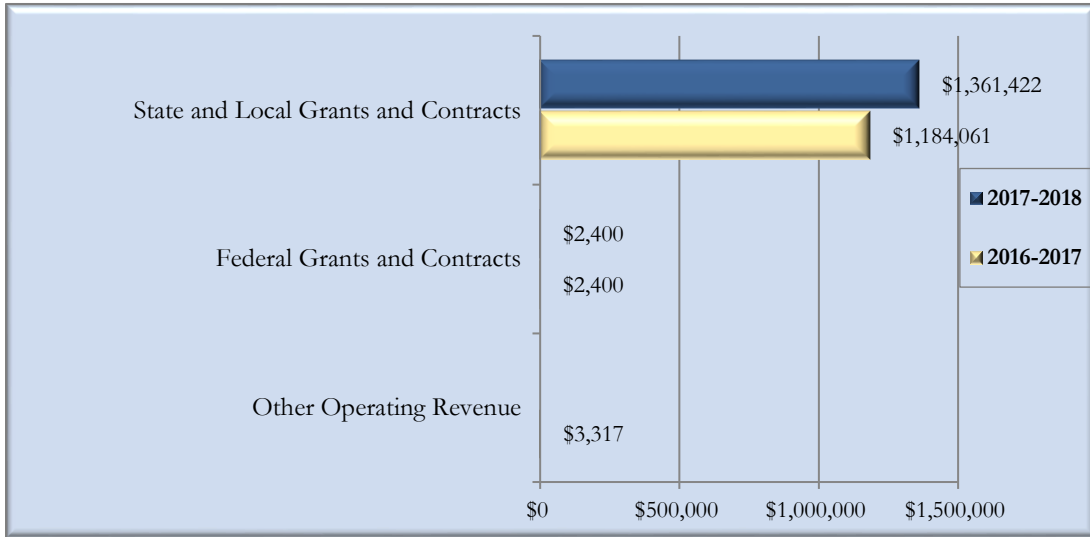
**Operating Revenue**

GASB Cod. Sec. Co5 categorizes revenues as either operating or non-operating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

The following chart presents the School's operating revenues for the 2017-2018 and 2016-2017 fiscal years:

**Operating Revenues**



School operating revenues increased by \$174,044, or 14.6 percent as compared to the prior fiscal year, primarily due to the following factor:

- State and local grants and contracts increased by \$177,361 as a result of increased enrollment and therefore increased FTE funding.

**POLK STATE COLLEGE  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Operating Expenses**

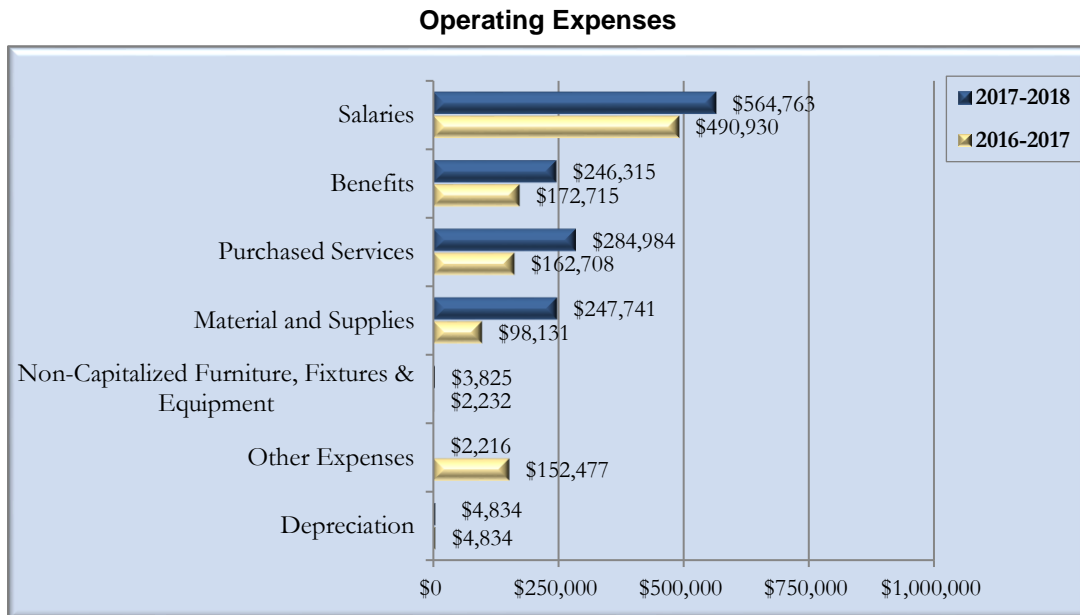
Expenses are categorized as operating or non-operating. The majority of the School's expenses are operating expenses as defined by GASB Cod. Sec. Co5.

Operating expenses for the School for the 2017-2018 and 2016-2017 fiscal years are presented in the following table:

**Operating Expenses  
For the Fiscal Years Ended**

<b>Operating Expenses</b>	<b>6-30-18</b>	<b>6-30-17</b>
Salaries	\$ 564,763	\$ 490,930
Benefits	246,315	172,715
Purchased Services	284,984	162,708
Materials and Supplies	247,741	98,131
Non-Capitalized Furniture, Fixture and Equipment	3,825	2,232
Other Expenses	2,216	152,477
Depreciation	4,834	4,834
<b>Total Operating Expenses</b>	<b>\$ 1,354,678</b>	<b>\$ 1,084,027</b>

The following chart presents the School's operating expenses for the 2017-2018 and 2016-2017 fiscal years:



**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

School operating expenses increased \$270,651, or 25.0 percent, as compared to the prior fiscal year, primarily due to the following factors:

- Salary and benefit costs increased by \$147,433 or 22.2 percent. This increased cost of instruction resulted from increased student enrollment and an increased need for School faculty and staff to support this student load.
- Purchased Services increased by \$122,276 or 75 percent. The main cause of this increase is due to the fact that in 2016-2017, the School paid for building renovations in lieu of the indirect cost allocation for overhead services provided by the College. In 2017-2018, the School paid the full indirect cost allocation of \$1,100 per FTE student and this was recorded as a component of purchased services whereas the building renovations were recorded as an "other expense" in the prior year.
- Materials and Supplies increased by \$149,610 or 152 percent. This increase is mainly due to increase cost of facility use due to increase in student enrollment.

**THE STATEMENT OF CASH FLOWS**

Another way to assess the financial health of the School is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

A summary of the School's cash flows for the 2017-2018 and 2016-2017 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows  
For the Fiscal Years Ended**

	<b>6-30-18</b>	<b>6-30-17</b>
Cash Provided (Used) by:		
Operating Activities	88,116	129,667
Noncapital Financing Activities	(153,154)	(169,323)
Capital and Related Financing Activities	65,038	39,656
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>

Because the School does not have its own bank account, cash flows can actually be measured in terms of the increase or decrease in the Due from Polk State College.

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**DEBT**

At June 30, 2018, the School had \$329,122 of non current liabilities consisting of \$40,086 in compensated absences payable and \$289,036 representing the School's proportionate share of the College's net pension liability related to the Florida Retirement System defined benefit pension plan. More information about the School's noncurrent liabilities is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Polk State College's and the School's economic condition is closely tied to that of the State of Florida. For the 2018-2019 fiscal year, the School will continue its on-going efforts to contain costs and to continue to serve the School in its commitment to the growth of educational programs, improved student access, and overall excellence in the service to its students and community. The conservative budgetary stance taken by the College and School provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State and College resources.

The School plans to enroll approximately 225 students in the 2018-2019 fiscal year.

**REQUEST FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional information should be addressed to the Vice President for Administration/CFO, Polk State College, 999 Avenue H, Northeast, Winter Haven, Florida 33881.

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
STATEMENT OF NET POSITION  
As of June 30, 2018**

**ASSETS**

Current Assets:

Due from Polk State College	\$ 804,483
Due from Other Governmental Agencies	<u>8,900</u>
Total Current Assets	<u>813,383</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>2,799</u>
Total Noncurrent Assets	<u>2,799</u>

**TOTAL ASSETS** 816,182

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Amounts Related to Pensions	<u>167,823</u>
Total Deferred Outflows of Resources	<u>167,823</u>

**LIABILITIES**

Current Liabilities:

Accounts Payable	310
Salary and Payroll Taxes Payable	<u>23,141</u>
Total Current Liabilities	<u>23,451</u>

Noncurrent Liabilities:

Compensated Absences Payable	40,086
Noncurrent net pension liability	<u>289,036</u>
Total Noncurrent Liabilities	<u>329,122</u>

**TOTAL LIABILITIES** 352,573

**DEFERRED INFLOWS OF RESOURCES**

Deferred Amounts Related to Pensions	<u>16,511</u>
Total Deferred Inflows of Resources	<u>16,511</u>

**NET POSITION**

Investment in Capital Assets	2,799
Unrestricted	<u>612,122</u>

**TOTAL NET POSITION** \$ 614,921

See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE**  
**LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL**  
**A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended June 30, 2018**

**REVENUES**

Operating Revenues:

Federal Grants & Contracts	\$ 2,400
State and Local Grants and Contracts	1,361,422
Total Operating Revenues	1,363,822

**EXPENSES**

Operating Expenses:

Salaries	564,763
Benefits	246,315
Purchased Services	284,984
Materials and Supplies	247,741
Non-Capitalized Furniture, Fixtures and Equipment	3,825
Other Expenses	2,216
Depreciation	4,834
Total Operating Expenses	1,354,678

<b>Operating Income</b>	9,144
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**NONOPERATING REVENUE**

Capital Grants, Contracts, Gifts, and Fees	63,498
Total Nonoperating Revenue	63,498

<b>Increase in Net Position</b>	72,642
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Net Position, Beginning of Year	542,279
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<b>Net Position, End of Year</b>	\$ 614,921
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See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Grants and Contracts	\$ 1,362,832
Payments to Suppliers	(538,644)
Payments to Employees	(565,947)
Payments for Employee Benefits	(170,125)
<b>Net Cash Provided By Operating Activities</b>	<b>88,116</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Due from Polk State College	(153,154)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(153,154)</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants and Gifts	65,038
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>65,038</b>

**Net Increase (Decrease) in Cash and Cash Equivalents** -

**Cash and Cash Equivalents, Beginning of Year** -

**Cash and Cash Equivalents, End of Year** \$ -

**RECONCILIATION OF NET OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 9,144
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation Expense	4,834
(Increase) decrease in Accounts Receivable	(989)
(Decrease) increase in Accounts Payable	121
(Decrease) increase Salary and Payroll Taxes Payable	(1,184)
(Decrease) increase Compensated Absences Payable	18,083
(Decrease) increase Net Pension Liability	49,028
(Decrease) increase Deferrred Outflows of Resources related to Pension	52,662
(Decrease) increase Deferrred Inflows of Resources related to Pension	(43,583)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 88,116</b>

See Accompanying Notes to Financial Statements



**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** Polk State College Lakeland Gateway to College Collegiate High School (School) is a charter school and division of Polk State College (College). The School is organized pursuant to Section 1002.33, Florida Statutes and is governed by the Board of Trustees of the College who are appointed by the governor of the State of Florida.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School District of Polk County, Florida (District). The original charter became effective on July 1, 2013 and has been extended through June 30, 2023. The District may terminate the charter if good cause is shown.

**Basis of Presentation.** As a division of the College, the School's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is responsible for establishing GAAP for public colleges and universities through its statements (GASBS) and Interpretations (GASBI). The National Association of College and University Business Officers (NACUBO) also provided the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB. The College reports as an entity engaged in only business-type activities. The College has adopted the accrual basis of accounting and entity wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
- Notes to Financial Statements

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. As a division of the College, the School's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The School follows GASB statements of accounting and financial reporting.

**POLK STATE COLLEGE  
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL  
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

The School's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, and depreciation of capital assets. Nonoperating revenues include revenues for capital construction and equipment.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the School's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources.

The statement of cash flows is presented using the direct method in compliance with GASB Cod. Sec. 2450 – *Cash Flow Statements*.

**Inventory.** Supplies inventory is immaterial and such items are charged to expense when purchased.

**Receivables.** Consist primarily of amounts due from other governments. All receivables are deemed collectible and no allowance for uncollectible accounts is considered necessary.

**Deferred Outflows/Inflows of Resources.** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, 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 of resources (revenue) until that time.

**Capital Assets.** School capital assets include furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchase of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. The School has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the estimated useful life of 3 years for furniture, machinery, and equipment.

**Indirect Cost Allocation.** The College charges an indirect cost allocation rate of \$1,100 per full-time equivalent student enrolled in the School. The total indirect cost allocation for the year ended June 30, 2018 was \$230,868. A portion of the total indirect cost allocation was charged for facility rent, utilities, and insurance for the School facilities at a rate of \$13 per square footage of the School facilities and totaled \$120,146 for the year ended June 30, 2018. The remainder of the indirect cost allocation was for finance, payroll, administrative services and technology services and totaled \$110,722 for the year ended June 30, 2018.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make use of estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates.

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**Equity Classifications.** The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components:

- a) *Investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b) *Restricted net position* - Consists of net position with constraints placed in its use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* - Consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of the investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position are available for use, it is the School's policy to use restricted net position first, then unrestricted net position as they are needed.

**NOTE 2 – DUE FROM POLK STATE COLLEGE**

The School does not have its own bank accounts and, therefore, the amount of \$804,483 reported as “Due from Polk State College” represents the School’s equity in the College’s current resources. Because the College’s current resources are invested in a variety of different types of assets, this balance is not reported as cash.

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**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2018 is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable Capital Assets:				
Furniture, Machinery, and Equipment	\$ 14,500	\$ -	\$ -	\$ 14,500
Total Depreciable Capital Assets	14,500	-	-	14,500
Less, Accumulated Depreciation				
Furniture, Machinery, and Equipment	6,867	4,834	-	11,701
<b>Total Accumulated Depreciation</b>	<b>6,867</b>	<b>4,834</b>	<b>-</b>	<b>11,701</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 7,633</b>	<b>\$ (4,834)</b>	<b>\$ -</b>	<b>\$ 2,799</b>

**NOTE 4 – LONG-TERM LIABILITIES**

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown below:

Descriptions	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 22,003	\$ 18,083	\$ -	\$ 40,086	\$ -
Net Pension Liability	240,008	49,028	-	289,036	-
	<u>\$ 262,011</u>	<u>\$ 67,111</u>	<u>\$ -</u>	<u>329,122</u>	<u>\$ -</u>
Less amount due in one year				-	
Net due after one year				<u>\$ 329,122</u>	

School employees may accrue annual vacation and sick leave on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The School reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is paid in the current fiscal year. Although the School expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2018, the estimated liability for compensated absences, which includes the School's share of the Florida Retirement System, totaled \$40,086. None of this amount is considered a current liability to be paid in the coming fiscal year. The School calculates its current portion of compensated absences liability by applying the remaining percentage of time for those employees in the Deferred Retirement Option Program plus the total payouts of all employees who have notified the School that they are leaving employment during the fiscal year.

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**NOTE 5 – STATE RETIREMENT PROGRAMS**

The School follows GASB Cod. Sec. P20 for reporting the employers' proportionate share of the net pension liabilities for the Florida Retirement System (FRS) defined benefit pension plans.

**General Information about the Florida Retirement System (FRS)**

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.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple employer defined benefit pension plan established under Section 112.363, Florida Statutes to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the State and faculty and specified employees of State colleges. The College does not allocate HIS costs to the School.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. 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. 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 defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The College's pension expense totaled \$3,840,488 for the 2017-18 fiscal year which included \$3,101,055 pension expense for the FRS defined benefit plan and \$739,433 for the HIS plan.

**Florida Retirement System (FRS) Defined Benefit 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 applicable to the School are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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.

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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. Employees enrolled in the Plan 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 to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the 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 retirement plan and/or the 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>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	<b>2.00</b>

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.

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*Contributions:* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

Class	<u>Percent of Gross Salary</u>	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, SMSC	3.00	22.71

Notes: (A) Employer rates include 1.66 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .06 percent for administrative costs of the Public Employee Optional Retirement Program.

The School's contributions to the FRS plan totaled \$39,925 for the fiscal year ended June 30, 2018 and included \$32,635 of normal contributions and \$7,290 of contributions to the investment plan.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* At June 30, 2018, the College reported a liability of \$17,051,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was .057645793 percent, which was an increase of .001439154 from its proportionate share measured as of June 30, 2016. The School's proportionate share is calculated to be 1.6951 percent of the total College share and totaled \$289,036 at June 30, 2018 and represents an increase of .004 from its proportionate share in the prior year.

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For the fiscal year ended June 30, 2018, the School recognized pension expense of \$52,566. 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	\$ 26,527	\$ 1,601
Change of assumptions	97,136	-
Net difference between projected and actual earnings on FRS pension plan investments	-	7,163
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	16,854	7,747
School FRS contributions subsequent to the measurement date	27,306	-
<b>Total</b>	<u>\$ 167,823</u>	<u>\$ 16,511</u>

The deferred outflows of resources related to pensions totaling \$27,306 resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. 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 Year Ending June 30</u>	<u>Amount</u>
2019	\$ 16,186
2020	43,021
2021	30,080
2022	6,146
2023	20,788
Thereafter	7,785
<b>Total</b>	<u>\$ 124,006</u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Payroll growth	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.



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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 (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investment	<u>12.00%</u>	6.10%	5.60%	9.70%
<b>Total</b>	<u><u>100.00%</u></u>			
Assumed inflation - Mean			2.60%	1.90%

Note: (1) As outlined in the Plan's investment policy.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.10 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.

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

*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 7.10 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	<u>1% Decrease (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>1% Increase (8.10%)</u>
School's proportionate share of the net pension liability	\$ 523,137	\$ 289,036	\$ 94,678

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**NOTE 6 – RISK MANAGEMENT**

The College 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. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$100 million for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years. Bonding of the members of the College Board of Trustees is provided through purchased commercial insurance with minimum deductibles.

**NOTE 7 – LITIGATION**

The School has no pending or threatened legal actions.

**NOTE 8 – SCHEDULE OF DISTRICT SCHOOL BOARD REVENUE SOURCES**

Revenues for current operations are received primarily through the Polk County District 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 District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (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 the revised calculations by the FDOE and under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

Section 1002.33(20)(a)2, Florida Statutes allows the District to withhold an administrative fee equal to 5% of the School's funding provided by the Florida Education Financing Program (FEFP) and totaled \$66,029 for the 2017-2018 fiscal year. This expense is reflected as a component of purchased services expense in the accompanying statement of revenues, expenses and changes in net position.

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The following is a schedule of Polk County District School Board revenue sources and amounts:

<b>Source</b>	<b>Amount</b>
Base Funding	\$ 913,674
Class Size Reduction	183,779
Instructional Material Allocation	106,638
Discretionary Millage	51,647
Discretionary Tax Equalization Allocation	47,997
School Recognition	18,830
Best & Brightest Award	9,200
Reading Allocation	8,271
Title II Funds	7,447
Digital Classroom Allocation	4,291
Other FEFP	3,857
Student Transportation	3,330
IDEA Funds	2,400
Teacher Supply Allocation	1,827
Discretionary Lottery	335
Equal Percentage Adjustment	228
Class Size Reallocation	214
Proration to Funds Available	(143)
<b>Subtotal</b>	<b>\$ 1,363,822</b>
Capital Outlay	63,498
<b>Total Revenue through Polk County District School Board</b>	<b>\$ 1,427,320</b>

**NOTE 9 – COMMITMENTS**

The College has entered into a contract for additional Polk County Sheriff Deputies due to Legislative requirements related to Chapter 2018-3, Laws of Florida. The term of said contract is April 1, 2018 through June 30, 2019. The costs of these deputies are being allocated between the College's three collegiate charter high schools on an FTE prorata basis. The School's anticipated allocation of this contract is \$67,305 for the fiscal year of 2018-19. This expense will be reported as a component of purchased services expenses on the statement of revenues, expenses, and changes in net position.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of Polk State College Lakeland Gateway to College Collegiate High School's Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
College's proportion of the net pension liability (asset)	0.059032633%	0.060926073%	0.056206639%	0.0576457%
College's proportionate share of the net pension liability (asset)	\$ 3,601,859	\$ 7,869,419	\$ 14,192,221	\$ 17,051,239
School's proportion of College net pension liability (asset)	0.9371%	1.4875%	1.6911%	1.70%
School's proportionate share of the College net pension liability (asset)	\$ 33,753	\$ 117,058	\$ 240,008	\$ 289,036
School's covered payroll	\$ 134,231	\$ 102,323	\$ 290,673	\$ 405,432
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.15%	40.27%	59.20%	71.29%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%

**Notes to the Schedule of Proportionate Share of Net Pension Liability**

Additional years will be added to this table until ten years' data is presented

The amounts presented for each fiscal year were determined as of the measurement date of the collective pension liability which is 6/30 of each year presented,

The School's share of the net pension liability is calculated using a measurement date as of the end of the prior fiscal year.

Covered payroll is the payroll on which contributions are based.

*Changes of Assumptions.* As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent.

*Changes of Assumptions.* As of June 30, 2017, the long-term expected rate of return decreased from 7.60 percent to 7.10 percent.

**Schedule of Polk State College Lakeland Gateway to College Collegiate High School's Contributions  
Florida Retirement System  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School's contractually required contribution	\$ 7,111	\$ 21,103	\$ 30,489	\$ 32,635
School's contributions in relation to the contractually required contribution	\$ (7,111)	\$ (21,103)	\$ (30,489)	\$ (32,635)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 102,323	\$ 290,673	\$ 405,432	\$ 412,058
Contributions as a percentage of covered payroll	6.95%	7.26%	7.52%	7.92%

**Notes to the Schedule of Contributions**

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Additional years will be added to this table until ten years' data is presented

The amounts presented for each fiscal year were determined as of 6/30 of each year presented,

Covered payroll is the payroll on which contributions are based.



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## **OTHER REPORTS**



INDEPENDENT AUDITOR'S 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 Trustees

**Polk State College Lakeland Gateway to College Charter High School**

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 Polk State College Lakeland Gateway to College Charter High School (the "School") a charter school and division of Polk State College, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 25, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**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.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.  
Auburndale, Florida  
September 25, 2018

## MANAGEMENT LETTER

To the Board of Trustees  
**Polk State College Lakeland Gateway to College Charter High School**

### ***Report on the Financial Statements***

We have audited the financial statements of Polk State College Lakeland Gateway to College Charter High School, (the "School"), a charter school and division of Polk State College, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 25, 2018.

### ***Auditor's 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 10.850, Rules of the Auditor General.

### ***Other Reporting Requirements***

We have issued our Independent Auditor's 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 this report, which is dated September 25, 2018, 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 prior audit findings.

### ***Financial Condition and Management***

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements of the School, we determined that the School did not meet any of the specified conditions of a financial emergency 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, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School'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 10.854(1)(e)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.

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MANAGEMENT LETTER  
(cont...)

***Transparency***

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

***Other Matters***

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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.

***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 Polk State College Lakeland Gateway to College Charter High School.

***Purpose of this Letter***

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

*Brynjulfson CPA, P.A.*

Brynjulfson CPA, P.A.  
Auburndale, Florida  
September 25, 2018