



POLK STATE
Lakeland Gateway to College
Collegiate High School

Annual Financial Report

Fiscal Year Ending June 30, 2020

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POLK STATE COLLEGE LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL

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June 30, 2020

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FINANCIAL SECTION

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, 2020, 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, 2020, 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.

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, 2020, 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.

As discussed in Note 9 to the financial statements, the School has elected to change its method of accounting in 2020 by ceasing to report an estimated pro rata share of the College's pension related deferred inflows and outflows of resources and the net pension liability to the School. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, 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 30, 2020

**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, 2020**

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, 2020, 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 after deducting liabilities. The School's net position at June 30, 2020 totaled \$663,779. The School's net position increased by \$195,548 during the current fiscal year as a result of total revenue of \$1,785,565 less total expenses of \$1,590,017.
- The School's beginning net position was increased by \$161,329 to reflect the removal of the pension related deferred outflows and inflows of resources as well as the net pension liability. In prior years, the School reported an estimated proportional share of Polk State College's pension elements related to the College's participation in the Florida Retirement System (FRS) pensions. More information can be found in Note 9 of the notes to financial statements.
- Governmental units are required to capitalize and 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 \$0.
- Fiscal year ended June 30, 2020 was the seventh year of operation for the School. Since prior period information is available for the 2018-2019 fiscal year, comparative analysis data is presented in this management's discussion and analysis.

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 seventh year of operation was 244 students. Enrollment for the fiscal year 2020-21 is estimated to be 270 students. Due to this anticipated increase in enrollment in 2020-21 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, 2020**

**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, 2020 and June 30, 2019, is shown in the following table:

Condensed Statement of Net Position at

	6-30-2020	6-30-2019(*)
ASSETS		
Current Assets	\$ 736,271	\$ 535,595
TOTAL ASSETS	736,271	535,595
LIABILITIES		
Current Liabilities	34,722	31,875
Noncurrent Liabilities	37,770	35,489
TOTAL LIABILITIES	72,492	67,364
NET POSITION		
Unrestricted	663,779	468,231
TOTAL NET POSITION	\$ 663,779	\$ 468,231
Change in Net Position	\$ 195,548	

(*) – Restated. See Note 9 to the notes to financial statements for more information.

**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, 2020**

Revenues and expenses for the School for the 2019-20 and 2018-19 fiscal years are shown in the following table:

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

	<u>6-30-2020</u>	<u>6-30-2019</u>
Operating Revenues		
Federal Grants & Contracts	\$ 2,400	\$ 2,400
State and Local Grants and Contracts	1,658,641	1,528,863
Other Operating Revenues	<u>1,575</u>	<u>5,811</u>
Total Operating Revenues	1,662,616	1,537,074
Less: Operating Expenses	<u>1,590,017</u>	<u>1,957,219</u>
Operating Income (Loss)	72,599	(420,145)
Nonoperating Revenue		
Capital Grants, Contracts, Gifts, and Fees	<u>122,949</u>	<u>112,126</u>
Change in Net Postion	195,548	(308,019)
Net Postion, Beginning of Year	306,902	614,921
Restatement	161,329	-
Net Postion, End of Year	<u>\$ 663,779</u>	<u>\$ 306,902</u>

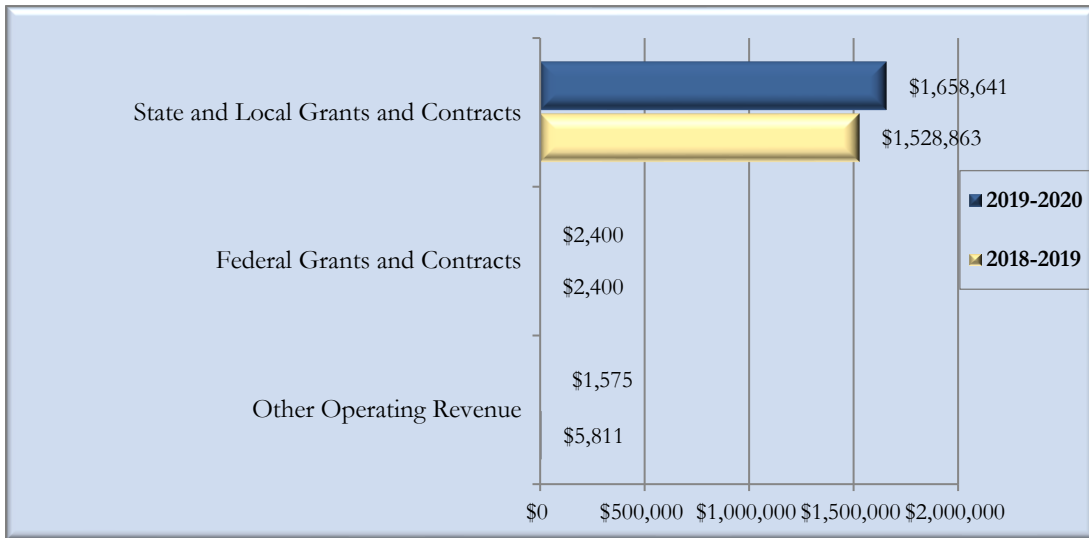
Operating Revenue

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, 2020**

The following chart presents the School's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues



School operating revenues increased by \$125,542, or 8.2 percent as compared to the prior fiscal year, primarily due to the following factor:

- State and local grants and contracts increased by \$129,778 or 8.5 percent as a result of a 6.1 percent increase in enrollment and increased FTE funding.

**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, 2020**

Operating Expenses

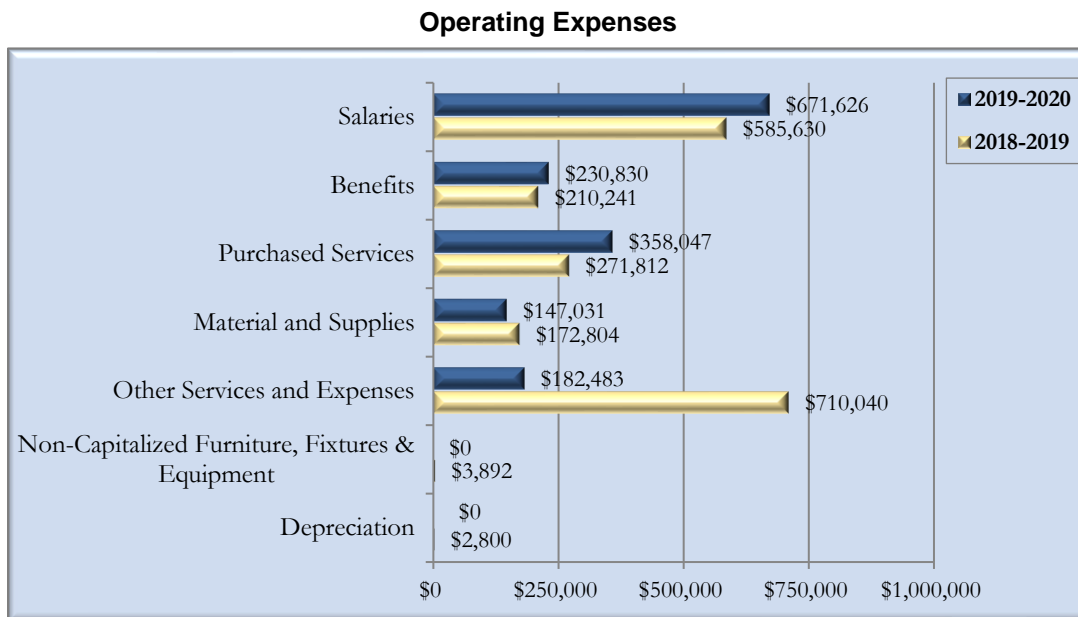
Expenses are categorized as operating or non-operating. The majority of the School's expenses are operating expenses as defined by GASB Cod. Sec. Co5.

Operating expenses for the School for the 2019-20 and 2018-19 fiscal years are presented in the following table:

**Operating Expenses
For the Fiscal Years Ended**

Operating Expenses	6-30-2020	6-30-2019
Salaries	\$ 671,626	\$ 585,630
Benefits	230,830	210,241
Purchased Services	358,047	271,812
Materials and Supplies	147,031	172,804
Other Services and Expenses	182,483	710,040
Non-Capitalized Furniture, Fixtures and Equipment	-	3,892
Depreciation Expense	-	2,800
Total Operating Expenses	\$ 1,590,017	\$ 1,957,219

The following chart presents the School's operating expenses for the 2019-20 and 2018-19 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, 2020**

School operating expenses decreased \$367,202, or 18.7 percent, as compared to the prior fiscal year, primarily due to the following factors:

- Other services and expenses decreased by \$527,557 or 74.3 percent. This change is due the decrease in the support allocation from \$3,343 per FTE in the prior year to \$1,500 in the current year. The change was necessary to allocate an equitable share of the College indirect support costs to the School.
- Salaries and benefits increased by \$106,585 or 13.41% due to the addition of additional staff.

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 2019-20 and 2018-19 fiscal years is presented in the following table:

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

	6-30-20	6-30-19
Cash provided (used) by:		
Operating Activities	\$ 80,007	\$ (389,594)
Noncapital Financing Activities	(201,998)	283,966
Capital and Related Financing Activities	121,991	105,628
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	-	-
Cash and Cash Equivalents, End of Year	\$ -	\$ -

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, 2020**

LONG TERM OBLIGATIONS

At June 30, 2020, the School had \$37,770 of non current liabilities consisting of solely of compensated absences payable. 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 2020-2021 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 270 students in the 2020-21 fiscal year.

Management continues to monitor the ongoing effects of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the financial condition and results of operations of the School, the specific impact is not readily determinable as of the date of these financial statements.

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 and Finance, 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, 2020**

ASSETS

Current Assets:

Due from Polk State College	\$ 722,515
Due from Other Governmental Agencies	13,756
Total Current Assets	736,271

TOTAL ASSETS

736,271

LIABILITIES

Current Liabilities:

Salary and Payroll Taxes Payable	32,225
Compensated Absences Payable	2,497
Total Current Liabilities	34,722

Noncurrent Liabilities:

Compensated Absences Payable	37,770
Total Noncurrent Liabilities	37,770

TOTAL LIABILITIES

72,492

NET POSITION

Unrestricted	663,779
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TOTAL NET POSITION

\$ 663,779

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, 2020**

REVENUES

Operating Revenues:

Federal Grants and Contracts	\$ 2,400
State and Local Grants and Contracts	1,658,641
Other Operating Revenues	1,575
Total Operating Revenues	1,662,616

EXPENSES

Operating Expenses:

Salaries	671,626
Benefits	230,830
Purchased Services	358,047
Materials and Supplies	147,031
Other Services and Expenses	182,483
Total Operating Expenses	1,590,017

Operating Income (Loss)	72,599
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NONOPERATING REVENUES

Capital Grants, Contracts, Gifts, and Fees	122,949
Total Nonoperating Revenues	122,949

Change in Net Position	195,548
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Net Position, Beginning of Year - previously reported	306,902
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Restatement (Note 9)	161,329
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Net Position, Beginning of Year - as restated	468,231
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Net Position, End of Year	\$ 663,779
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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, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Grants and Contracts	\$ 1,663,321
Payments to Suppliers	(508,185)
Payments to Employees	(668,169)
Payments for Employee Benefits	(226,052)
Payments for Other Services and Expenses	(182,483)
Other Receipts	1,575
Net Cash Provided by (Used for) Operating Activities	<u>80,007</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from Polk State College	(201,998)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(201,998)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts	121,991
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>121,991</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 72,599
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
(Increase) decrease in Due from Other Governmental Agencies	2,280
Decrease (increase) in Accounts Payable	(3,107)
Decrease (increase) Salary and Payroll Taxes Payable	3,457
Decrease (increase) Compensated Absences Payable	4,778
Net Cash Provided by (Used for) Operating Activities	<u>\$ 80,007</u>

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, 2020**

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 existing charter contract expires on 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 standards 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, 2020**

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. Non-operating revenues include capital outlay funding as provided under Section 1013.62, Florida Statutes as well as grants or contributions restricted for capital construction or 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 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.

**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, 2020**

Support Allocation. The College segregates direct instructional costs from support costs within the College's accounting information system and performs an annual analysis to systematically allocate these support costs to the different functional classifications of direct instruction to ultimately arrive at a total cost per FTE for each education segment. The College-wide support allocation rate was \$4,148 per FTE for the year ended June 30, 2020. The College charges a support cost allocation to the School at a rate per FTE not to exceed this amount. The actual per FTE support allocation charge is determined at the end of each fiscal year by College management and is based on all available factors including the results of operations of the School and the level of the School's net position.

The total support allocation charge for the year ended June 30, 2020 was \$1,500 per full-time equivalent student enrolled at the School and totaled \$365,640. A portion of the total support allocation was charged as an estimate for School facility use costs of building and grounds maintenance, utilities, custodial services, security and insurance at a rate of \$13 per square footage of the School facilities and totaled \$183,157 for the year ended June 30, 2020. The remainder of the support allocation charge was for finance, payroll, technology, administrative and student services as well academic support and totaled \$182,483 for the year ended June 30, 2020.

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.

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 \$722,515 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.

**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, 2020**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020 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	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>
Less, Accumulated Depreciation				
Furniture, Machinery, and Equipment	(14,500)	-	-	(14,500)
Total Accumulated Depreciation	<u>(14,500)</u>	<u>-</u>	<u>-</u>	<u>(14,500)</u>
Total Depreciable Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown below:

Descriptions	Beginning Balance (*)	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 35,489	\$ 4,778	\$ -	\$ 40,267	\$ 2,497
Less amount due in one year				(2,497)	
Net due after one year				<u>\$ 37,770</u>	

(*) – the beginning balance of the long-term liabilities has been restated to remove the portion of the College's net pension liability. See Note 9 for more information.

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, 2020, the estimated liability for compensated absences, which includes the School's share of the Florida Retirement System, totaled \$40,267. Of this amount, \$2,497 is considered a current liability that is expected 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.

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
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JUNE 30, 2020**

NOTE 5 – STATE RETIREMENT PROGRAMS

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 to assist retired members of any State-administered retirement system in paying the costs of health insurance under Section 112.363, Florida Statutes.

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.

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, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

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 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. 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. 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.

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The Deferred Retirement Option Program (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.

Benefits Provided. Benefits under the Plan are computed based on 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>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

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

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HIS Defined Benefit Pension Plan

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

Benefits Provided. Eligible retirees and beneficiaries receive a monthly HIS payment as determined by years of creditable service and subject to a minimum and maximum monthly benefit pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	8.47
Florida Retirement System, SMSC	3.00	25.41
Deferred Retirement Option Program – Applicable to Members from all the above classes	0.00	14.60

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

The School’s contributions to the FRS and HIS plans totaled \$55,691 for the fiscal year ended June 30, 2020 and included \$41,313 of normal contributions, \$6,870 of contributions to the investment plan and \$7,508 of contributions to the DROP.

Management has elected not to allocate pension related deferred outflows of resources, deferred inflows of resources or the net pension liability to the School’s financial statements. Because of this, the disclosures required by GASB Cod. Sec. P20 are not presented in the School’s financial statements.

A complete presentation in accordance with GASB Cod. Sec. P20 of the pension related elements, financial statement disclosures and required supplementary information for the College can be found in the annual audited financial statements of Polk State College which is available by contacting the Vice President, Administration and Finance, Polk State College, 999 Avenue H NE, Winter Haven, Florida, 33881.

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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 \$79,818 for the 2019-20 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:

Source	Amount
Base Funding	\$ 1,103,389
Class Size Reduction	212,312
Dual Enrollment	82,814
Discretionary Millage	68,006
Discretionary Tax Equalization Allocation	62,132
School Recognition	23,023
Best & Brightest Award	22,466
Instructional Material Allocation	19,580
Early graduation adjustment	14,286
Total Funds Compression Allocation	13,256
Safe Schools	13,021
Student Transportation	11,468
Reading Allocation	9,440
Teacher Supply Allocation	2,496
IDEA Funds	2,400
Title II Funds	1,575
Digital Classroom Allocation	732
Discretionary Lottery	220
Subtotal	\$ 1,662,616
Capital Outlay	122,949
Total Revenue through Polk County District School Board	1,785,565
Total Revenue	\$ 1,785,565

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

Management has elected to change accounting principles to remove the June 30, 2019 pension related deferred outflows of resources, deferred inflows of resources and the net pension liability and has elected to no longer report these pension related elements, related financial statement disclosures and required supplementary information in the School's financial statements.

This change in accounting principle was made to synchronize the financial reporting of the School using those principles that are generally accepted in reporting of other charter schools that are divisions of a State college that are not a separate legal entity.

In connection with this change in accounting principle, the previously reported net position was increased by \$161,329 which reflects the removal of the June 30, 2019 pension related deferred outflows of resources, deferred inflows of resources and the net pension liability.

NOTE 10 – CONTINGENCY

The COVID-19 pandemic has created economic disruptions throughout the country as of the date of this report causing significant declines in economic activity overall. Management is evaluating the impact of the COVID-19 pandemic on the School and has concluded that while it is reasonably possible that the virus could have a negative effect on the financial condition and results of operations of the School, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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, 2020, 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 30, 2020.

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*.

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 30, 2020

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, 2020, and have issued our report thereon dated September 30, 2020.

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 30, 2020, 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.

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.

Additional 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 have the following finding and recommendation.

2020-01: Transportation Expense:

During our audit we noted the School likely overpaid the student transportation provider by approximately \$6,600. The contract between the School and the transportation provider allows for a maximum annual cost per student of \$950. After reviewing the detailed listing of bus riders, we determined the transportation provider's invoices were higher than expected given the list of actual riders of the bus. Based upon our audit procedures we feel this overpayment is a result of inadequate review of the vendor invoices, including comparison to the detailed listing of bus riders, and accordingly recommend strengthening the invoice review process.

Polk State College Lakeland Gateway to College Charter High School's Response to Recommendation – Polk State College Lakeland Gateway to College Charter High School's response to the above finding and recommendation is described in the accompanying letter of management's response and was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Polk State College Lakeland Gateway to College Charter High School of District 53 Polk, School 8003.

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 30, 2020



POLK STATE
Office of
the President

October 7, 2020

Brynjulfson CPA, P.A.
307 Pontotoc Plaza
Auburndale, FL 33823

RE: Responses to 2019-20 Polk State Lakeland Gateway to College Collegiate High School Audit Concerns

Dear Mr. Brynjulfson:

Attached please find our responses to the noncompliance concerns that were included in the report to be prepared on the 2019-20 financial audit for Polk State Lakeland Gateway to College Collegiate High School.

Please feel free to contact us if we can provide further information.

Sincerely,

A handwritten signature in black ink that reads "Angela Garcia Falconetti".

Dr. Angela Garcia Falconetti, CFRE
President, Polk State College

A handwritten signature in blue ink that reads "C. Allen Bottorff".

Dr. Allen Bottorff
Vice President, Business Administration
and Finance, and Chief Business Officer

Polk State Lakeland Gateway to College Collegiate High School
Response to Noncompliance Concerns
2019-20 Financial Audit

Auditor Concerns, 2020-01

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 charges with governance. In connection with our audit we have the following findings and recommendations:

2020-01: Transportation Expense:

During our audit we noted the School likely overpaid the student transportation provider by approximately \$6,600. The contract between the School and the transportation provider allows for a maximum annual cost per student of \$950. After reviewing the detailed listing of bus riders, we determined the transportation provider's invoices were higher than expected given the list of actual riders of the bus. Based upon our audit procedures we feel this overpayment is a result of inadequate review of the vendor invoices, including comparison to the detailed listing of bus riders, and accordingly recommend strengthening the invoice review process.

Principal Response:

Polk State Lakeland Gateway to College Collegiate High School (GHS) reviews and approves all invoices from vendors before submitting them for payment to Polk State College. In this case, there was a discontinuity in staff reviewing this and leadership approving in how the contract treated the cost per student. This was an oversight and will be corrected.

Polk State Lakeland Gateway to College Collegiate High School leadership will develop internal controls with the support of Polk State College Business Office and Business Affairs and Budgeting department. GHS will put internal controls in to place to 1) review contracts for unusual business terms, 2) create a list of relevant and unusual terms for each contract, 3) attach these unusual terms list to the corresponding invoice, and 4) check all invoices against this attached list before submitting the signed and approved invoice to the College for payment. This control is intended to ensure that proper payment is not missed in the future. In addition, from time to time the Polk State College Business Office and Business Affairs and Budgeting department will collaborate and perform informal, internal audits of these controls and will provide corrective action as soon as possible in the process. This audit is not intended to relieve GHS from their responsibility but is intended to help support them for the benefit of the college community.