



POLK STATE
Lakeland Gateway to College
Collegiate High School

Annual Financial Report

Fiscal Year Ending June 30, 2014

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FINANCIAL SECTION

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Polk State Lakeland Gateway to College Charter High School (School) for the year ended June 30, 2014, and should be read in conjunction with the financial statements and the notes thereto. This overview is required by Governmental Accounting Standards (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, 2014 totaled \$223,473. The School's net position increased by \$131,146 during the fiscal year primarily due to increased funding.

Governmental units are required to depreciate capital assets including furniture and equipment. Florida State Colleges, of which the School is a division, have established guidelines for capitalizing assets and for depreciation. Furniture 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 totaling that met the thresholds for capitalization during this fiscal year. There was no depreciation expense for this fiscal year.

Fiscal year ended June 30, 2014 was the first year of operation for the School. Since prior period information is available for the 2012-13 fiscal year, which represents start-up costs, 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 Board of Polk County, 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 first year of operation was 69.5 students. Enrollment for the fiscal year 2014-15 is estimated to be 125 students. Due to this anticipated increase in enrollment in 2014-15 fiscal year, the FTE revenues are expected to increase.

**POLK STATE COLLEGE
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A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 assets and liabilities, 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 assets and liabilities 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 assets, liabilities and net position of the School for the fiscal years ended June 30, 2014 and June 30, 2013, is shown in the following table:

Condensed Statement of Net Position at

	<u>6-30-14</u>	<u>6-30-13</u>
Assets		
Current Assets	<u>\$ 247,951</u>	<u>\$ 94,167</u>
Total Assets	<u>247,951</u>	<u>94,167</u>
Liabilities		
Current Liabilities	11,287	1,840
Noncurrent Liabilities:	<u>13,191</u>	<u>-</u>
Total Liabilities	<u>24,478</u>	<u>1,840</u>
Net Position		
Unrestricted	<u>223,473</u>	<u>92,327</u>
Total Net Position	<u>\$ 223,473</u>	<u>\$ 92,327</u>
Increase in Net Position	<u>\$ 131,146</u>	142.0%

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

Revenues and expenses for the School for the 2013-14 and 2012-13 fiscal years are shown in the following table:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended**

	<u>6-30-14</u>	<u>6-30-13</u>
Operating Revenues		
Federal Grants and Contracts	\$ 13,476	\$ 6,250
State and Local Grants and Contracts	<u>593,035</u>	<u>102,332</u>
Total Operating Revenues	606,511	108,582
Less, Operating Expenses	<u>475,365</u>	<u>16,255</u>
Net Operating Income	131,146	92,327
Net Position, Beginning of Year	<u>92,327</u>	<u>-</u>
Net Position, End of Year	<u><u>\$ 223,473</u></u>	<u><u>\$ 92,327</u></u>

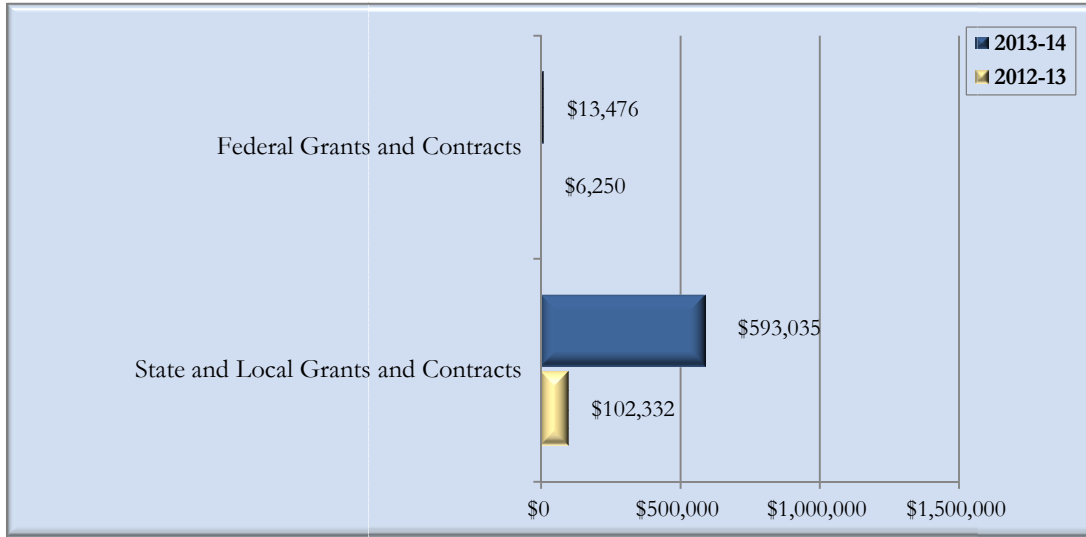
Operating Revenue

GASB Cod. Sec. Co5 categorizes revenues as either operating or nonoperating. 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 CHARTER HIGH SCHOOL
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The following chart presents the School's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues



School operating revenues increased by \$497,929 as compared to the prior fiscal year, primarily due to the following factors:

- Federal grants and contract increased by \$7,226 primarily as a result of an increase in the Start-Up grant.
- State and local grants and contracts increased by \$490,703 primarily as a result of receiving FTE funding from the school board for student enrollment.

Operating Expenses

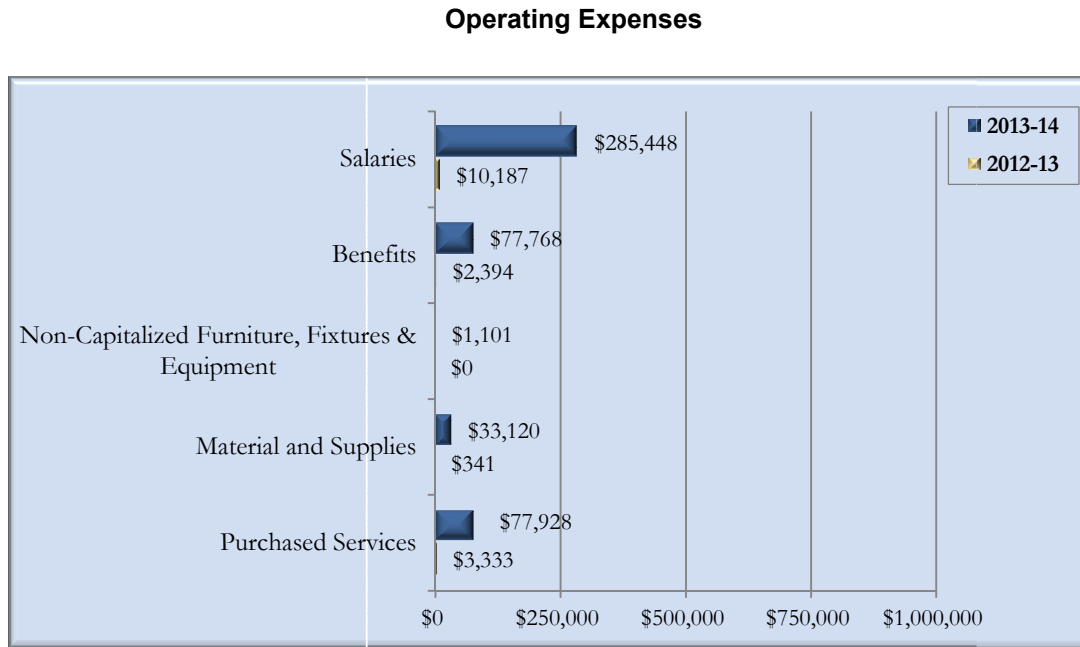
Expenses are categorized as operating or nonoperating. The majority of the School's expenses are operating expenses as defined by GASB Cod. Sec. Co5.

**POLK STATE COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Operating expenses for the School for the 2013-14 and 2012-13 fiscal years are presented in the following table:

	6-30-14	6-30-13
Operating Expenses		
Salaries	\$ 285,448	\$ 10,187
Benefits	77,768	2,394
Purchased Services	77,928	3,333
Materials and Supplies	33,120	341
Non-Capital Furniture, Fixtures & Equipment	1,101	-
	\$ 475,365	\$ 16,255

The following chart presents the School's operating expenses for the 2013-14 and 2012-13 fiscal years:



School operating expenses changes were the result of the following factors:

- Salary and benefit costs increased by \$350,635. This increased cost of instruction resulting from student enrollment and salary for School staff for the School's first year of operation.
- Purchased services costs increased by \$74,595. This increase is the result of student enrollment for the School's first year of operation.

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 2013-14 and 2012-13 fiscal years is presented in the following table:

Condensed Statement of Cash Flows

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ 85,677	\$ 87,918
Noncapital Financing Activities	(85,677)	(87,918)
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.

DEBT

At June 30, 2014, the School had \$13,191 of noncurrent liabilities consisting of compensated absences payable. More information about the School's noncurrent liabilities is presented in the notes to financial statements.

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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 2014-15 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 125 students in the 2014 fall term and is not seeking approval to increase enrollment in the 2014 fall term.

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.



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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, 2014, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2014, 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, 2014, 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 1 through 7 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 22, 2014, 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 22, 2014

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF NET POSITION
As of June 30, 2014**

ASSETS

Current Assets:

Due from Polk State College	\$ 173,594
Accounts Receivable	74,357
Total Current Assets	247,951

TOTAL ASSETS

\$ 247,951

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 96
Salary and Payroll Taxes Payable	11,191
Total Current Liabilities	11,287

Noncurrent Liabilities:

Compensated Absences Payable	13,191
Total Noncurrent Liabilities	13,191

TOTAL LIABILITIES

24,478

NET POSITION

Unrestricted	223,473
Total Net Position	223,473

TOTAL NET POSITION

223,473

TOTAL LIABILITIES AND NET POSITION

\$ 247,951

See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ending June 30, 2014**

REVENUES

Operating Revenues:	
Federal Grants and Contracts	\$ 13,476
State and Local Grants and Contracts	593,035
Total Operating Revenues	<u>606,511</u>

EXPENSES

Operating Expenses:	
Salaries	285,448
Benefits	77,768
Purchased Services	77,928
Materials and Supplies	33,120
Non-Capitalized Furniture, Fixtures and Equipment	1,101
Total Operating Expenses	<u>475,365</u>

Operating Income	<u>131,146</u>
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Increase in Net Position	131,146
Net Position, Beginning of Year	<u>92,327</u>

Net Position, End of Year	<u><u>\$ 223,473</u></u>
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See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ending June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Grants and Contracts	\$ 538,404
Payments to Suppliers	(113,893)
Payments to Employees	(262,445)
Payments for Employee Benefits	(76,389)
Net Cash Provided By Operating Activities	<u>85,677</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from Polk State College	(85,677)
Net Cash Used by Noncapital Financing Activities	<u>(85,677)</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>\$ -</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income	\$ 131,146
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Due from Other Governmental Agencies	6,250
Accounts Receivable	(74,357)
Accounts Payable	(1,744)
Salary and Payroll Taxes Payable	11,191
Compensated Absences Payable	13,191
Net Cash Used by Operating Activities	<u><u>\$ 85,677</u></u>

See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Polk State Lakeland Gateway to College Charter 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, Polk County District School Board. The charter was entered into in June 2013 for a term of three years ending June 30, 2016.

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 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 and Financial Accounting Standards Board (FASB). The College reports as an entity engaged in only business-type activities. The College has adopted the accrual basis of accounting and entitywide 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 nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

As a division of the College, reporting methods used by the College also hold true for the School. The School's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for public colleges and universities through its statements (GASBS) and Interpretations (GASBI). During the year the School implemented GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASBS 20. GASBS 20 gave governments the choice to elect to follow only GASB's authoritative literature, or to follow FASB and AICPA pronouncements that did not conflict with GASB pronouncements. Upon adoption of GASBS 62, all governmental accounting guidance is codified into the GASB literature.

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LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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*.

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 estimated fair 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. As of June 30, 2014, the School had not purchased any capital assets that met the above definition.

NOTE 2 – DUE FROM POLK STATE COLLEGE

The School does not have its own bank accounts and, therefore, the amount of \$173,594 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 CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ -	\$ 13,191	\$ -	\$ 13,191	\$ -

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, 2014, the estimated liability for compensated absences, which includes the School's share of the Florida Retirement System, totaled \$13,191. 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.

NOTE 4 – STATE RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the School are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. School employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes	0.00	12.84

Notes: (A) Employer rates include 1.20 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

The School's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contributions including employee contributions for the fiscal year June 30, 2014, totaled \$16,879, which were equal to the required contributions for the 2013-14 fiscal year.

There were 5 School participants in the Investment Plan during the 2013-14 fiscal year. The School's contributions including employee contributions to the Investment Plan totaled \$8,216, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School provides coverage for these risks through the Florida Colleges 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 is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$125 million to February 28, 2014, and \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, group long-term disability, team sport accident, property casualty, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 6 – LITIGATION

The School has no pending or threatened legal actions.

NOTE 7 – 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 provides for an administrative fee of 5 percent for enrollment for up to and including 250 students. For charter schools with a population of 251 or more students, the difference between the total administrative fee calculation and the amount of the administrative fee withheld may only be used for capital outlay purposes. The School Board withheld a 5 percent administrative fee totaling \$19,658 (for 69.5 students) for the 2013-14 fiscal year from the School, which is reflected as purchased services expenditure in the accompanying statement of revenues, expenses and changes in net position.

**POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

<u>Source</u>	<u>Amount</u>
Base Funding	\$ 282,554
Class Size Reduction	62,493
Discretionary Millage	12,944
Discretionary Tax Equalization Allocation	12,784
Start Up Grant	12,076
Teacher Salary Increase Allocation	11,319
Instructional Materials Allocation	10,121
IDEA	1,400
Other FEFP	1,329
Discretionary Lottery	637
Equal Percentage Adjustment	231
Proration to Funds Available	<u>(1,257)</u>
Total Revenue through Polk County District School Board	\$ 406,631
Gateway to College National Network Grant	<u>199,880</u>
Total Revenue	<u><u>\$ 606,511</u></u>

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 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, 2014, 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 22, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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 22, 2014

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, 2014, and have issued our report thereon dated September 22, 2014.

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*.

Other Reporting Required by Government Auditing Standards

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 Standard*. Disclosures in this report, which is dated September 22, 2014, 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 are no prior audit findings.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School 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.

MANAGEMENT LETTER

(cont...)

Other Matters

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

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

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 22, 2014