POLK STATE
Lakeland Gateway to College
Collegiate High School

Annual Financial Report

Fiscal Year Ending June 30, 2015

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FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 Charter High School (School) for the year ended June 30, 2015, 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 and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The School's net position at June 30, 2015 totaled $263,795. The School's net position increased by $106,715 as a result of operations 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, 2015 was the second year of operation for the School. Since prior period information is available for the 2013-2014 fiscal year, comparative analysis data is presented.

USING THIS ANNUAL REPORT

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

The School is a public charter school of the School 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 second year of operation was 119 students. Enrollment for the fiscal year 2015-2016 is estimated to be 200 students. Due to this anticipated increase in enrollment in 2015-2016 fiscal year, the FTE revenues are expected to increase.

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 assets, liabilities and net position of the School for the fiscal years ended June 30, 2015 and June 30, 2014, is shown in the following table:

Condensed Statement of Net Position at

	6-30-15	6-30-14 (1)
Assets		
Current Assets	$ 346,817	$ 247,951
Total Assets	346,817	247,951
Deferred Outflows of Resources	33,831	12,117
Liabilities		
Current Liabilities	10,971	11,287
Noncurrent Liabilities	47,487	91,701
Total Liabilities	58,458	102,988
Deferred Inflows of Resources	58,395	-
Net Position		
Unrestricted	263,795	157,080
Total Net Position	$ 263,795	$ 157,080
Increase in Net Position	$ 106,715	

Note (1): The June 30, 2014 balance above has been restated to reflect the effects of the implementation of GASB Statement No. 68

Revenues and expenses for the School for the 2014-2015 and 2013-2014 fiscal years are shown in the following table:

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

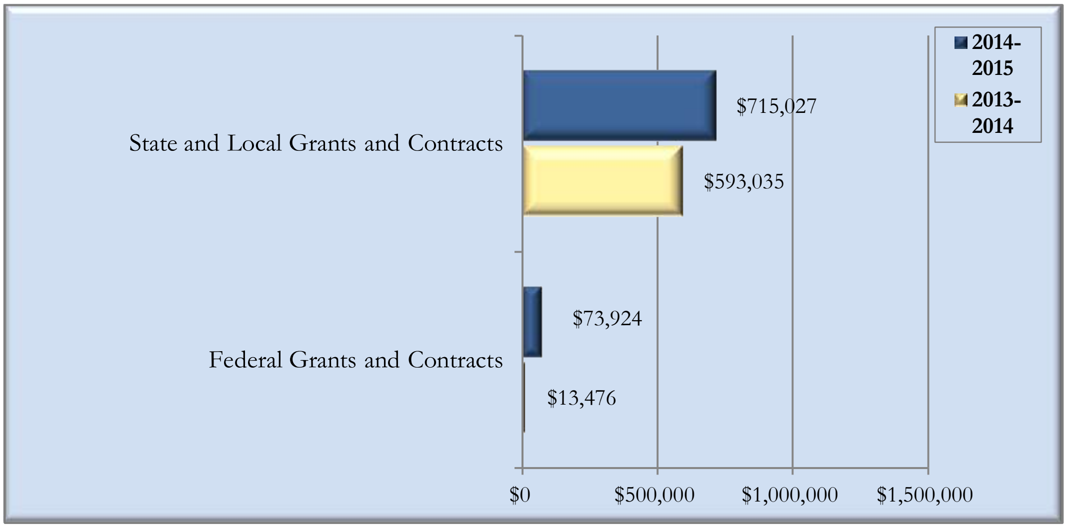
	6-30-15	6-30-14
Operating Revenues		
Federal Grants and Contracts	$ 73,924	$ 13,476
State and Local Grants and Contracts	715,027	593,035
Total Operating Revenues	788,951	606,511
Less, Operating Expenses	682,236	475,365
Net Operating Income	106,715	131,146
Net Position, Beginning of Year	223,473	92,327
Adjustment related to the implementation of GASB 68	(66,393)	-
Net Position, Beginning of Year, as Restated	157,080	-
Net Position, End of Year	$ 263,795	$ 223,473

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.

The following chart presents the School's operating revenues for the 2014-2015 and 2013-2014 fiscal years:

Operating Revenues



School operating revenues increased by $182,440, or 30.1 percent as compared to the prior fiscal year, primarily due to the following factors:

- Federal grants and contract increased by $60,448, or 448.6 percent primarily as a result of an increase in the Start-Up grant.
- State and local grants and contracts increased by $121,992, or 20.6 percent primarily as a result of increased enrollment and therefor increased FTE funding.

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.

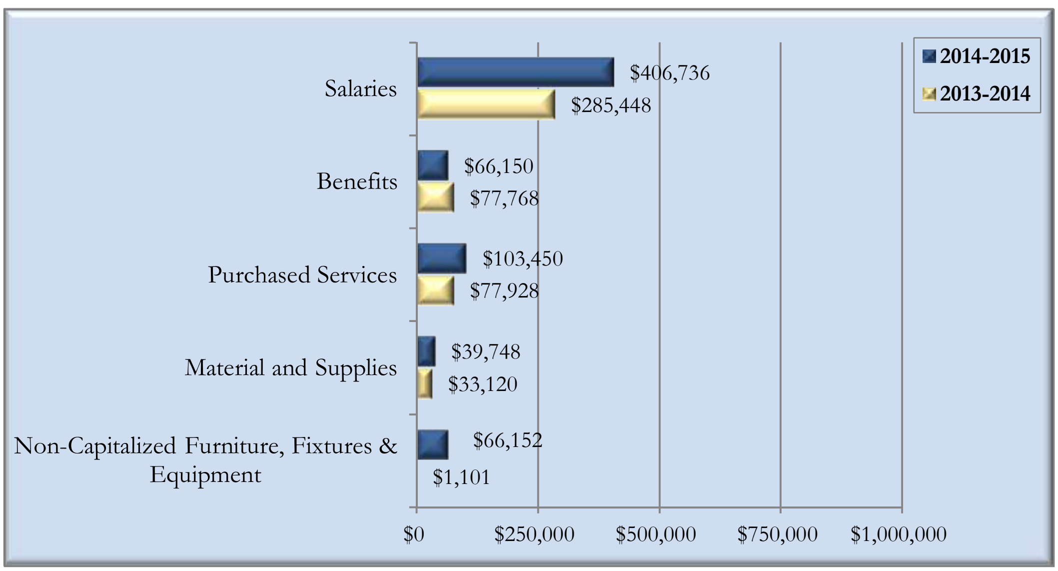
Operating expenses for the School for the 2014-2015 and 2013-2014 fiscal years are presented in the following table:

Operating Expenses
For the Fiscal Years Ended

	06-30-15	6-30-14
Operating Expenses		
Salaries	$ 406,736	$ 285,448
Benefits	66,150	77,768
Purchased Services	103,450	77,928
Materials and Supplies	39,748	33,120
Non-Capital Furniture, Fixtures & Equipment	66,152	1,101
Total Operating Expenses	$ 682,236	$ 475,365

The following chart presents the School's operating expenses for the 2014-2015 and 2013-2014 fiscal years:

Operating Expenses



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

- Salary and benefit costs increased by $109,670, or 30 percent. This increased cost of instruction resulted from increased student enrollment and an increased need for School faculty and staff to support this student load.

- Purchased services increased by $25,522 or 33 percent. This increase is mainly due to increased travel expenses and increased administrative fee withheld by the Polk County School Board caused by increased enrollment.

- Non-capitalized furniture, fixtures and equipment costs increased by $65,051. This increase is a result of technology purchased for the high school with CSP grant funds.

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 2014-2015 and 2013-2014 fiscal years is presented in the following table:

Condensed Statement of Cash Flows

	2014-2015	2013-2014
Cash Provided (Used) by:		
Operating Activities	$ 96,334	$ 85,677
Noncapital Financing Activities	(96,334)	(85,677)
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, 2015, the School had $16,080 of noncurrent liabilities consisting of compensated absences payable and $33,751 representing the School's proportionate share of the College's net pension liability related to the Florida Retirement System defined benefit pension plan. More information about the School's noncurrent liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Polk State College's and the School's economic condition is closely tied to that of the State of Florida. For the 2015-2016 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 200 students in the 2015 fall term and is not seeking approval to increase enrollment in the 2016 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, 2015, 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, 2015, 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.

Emphasis of Matters

As discussed in Note 9 to the financial statements, in 2015, the School adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions.* Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR’S REPORT
(cont…)

Emphasis of Matters *(concluded)*

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, 2015, 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 March 28, 2016, 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
March 28, 2016

POLK STATE COLLEGE
LAKELAND GATEWAY TO COLLEGE COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF NET POSITION
As of June 30, 2015

ASSETS	
Current Assets:	
Due from Polk State College	$ 269,928
Due from Other Governmental Agencies	76,889
Total Current Assets	346,817
TOTAL ASSETS	346,817
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	33,831
Total Deferred Outflows of Resources	33,831
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,357
Salary and Payroll Taxes Payable	7,268
Current net pension liability	2,346
Total Current Liabilities	10,971
Noncurrent Liabilities:	
Compensated Absences Payable	16,080
Noncurrent net pension liability	31,407
Total Noncurrent Liabilities	47,487
TOTAL LIABILITIES	58,458
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	58,395
Total Deferred Inflows of Resources	58,395
NET POSITION	
Unrestricted	263,795
TOTAL NET POSITION	263,795

See Accompanying Notes to Financial Statements

POLK STATE COLLEGE

LAKELAND GATEWAY TO COLLEGE COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015

REVENUES	
Operating Revenues:	
Federal Grants & Contracts	$ 73,924
State and Local Grants and Contracts	715,027
Total Operating Revenues	788,951
EXPENSES	
Operating Expenses:	
Salaries	406,736
Benefits	66,150
Purchased Services	103,450
Materials and Supplies	39,748
Non-Capitalized Furniture, Fixtures and Equipment	66,152
Total Operating Expenses	682,236
Operating Income	106,715
Increase in Net Position	106,715
Net Position, Beginning of Year	223,473
Adjustment related to the implementation of GASB 68	(66,393)
Net Postion, Beginning of Year, as Restated	157,080
Net Position, End of Year	$ 263,795

See Accompanying Notes to Financial Statements

POLK STATE COLLEGE

LAKELAND GATEWAY TO COLLEGE COLLEGIATE CHARTER HIGH SCHOOL

A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Grants and Contracts	$ 786,419
Payments to Suppliers	(208,089)
Payments to Employees	(407,770)
Payments for Employee Benefits	(74,226)
Net Cash Provided By Operating Activities	96,334
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from Polk State College	(96,334)
Net Cash Used by Noncapital Financing Activities	(96,334)
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	$ -

RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 106,715
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:	
(Increase) decrease in Accounts Receivable	(2,532.00)
(Decrease) increase in Accounts Payable	1,261.00
(Decrease) increase Salary and Payroll Taxes Payable	(3,923.00)
(Decrease) increase Compensated Absences Payable	2,889.00
Net change in pension related elements	(8,076.00)
Net Cash Provided by Operating Activities	$ 96,334

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Polk State College 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. The District may terminate the charter if good cause is shown.

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

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

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

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.

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 live of 3 years for furniture, machinery, and equipment. As of June 30, 2015, 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 $269,928 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.

NOTE 3 – LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	$ 13,191	$ 2,889	$ -	$ 16,080	$ -
Net pension liability (1)	78,511	-	44,757	33,753	2,346
	91,702	2,889	44,757	49,833	2,346
Less amount due in one year				(2,346)	
Net due after one year				47,487	

(1) - The beginning balance resulted from the implementation of GASB Statement No. 68

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, 2015, the estimated liability for compensated absences, which includes the School's share of the Florida Retirement System, totaled $16,080. 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

The School follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employers' proportionate share of the net pension liabilities for the FRS defined benefit pension plans.

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan.

Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the State and faculty and specified employees of State colleges. The College does not allocate HIS costs to the School.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature.

The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The College's pension expense totaled $1,206,630 for the 2014-15 fiscal year.

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. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits. *Benefits Provided*. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

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.

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.37
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes	0.00	12.28

Notes: (A) Employer rates include 1.26 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Public Employee Optional Retirement Program.

The School's contributions to the plan totaled $13,920 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the College reported a liability of $3,601,859 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was .059032633 percent, which was an increase of .010364314 from its proportionate share measured as of June 30, 2013. The School's proportionate share is calculated to be 0.9371 percent of the total College share and totaled $33,753 at June 30, 2015.

For the fiscal year ended June 30, 2015, the School recognized pension expense of $8,076. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,089
Change of assumptions	5,845	
Net difference between projected and actual earnings on FRS pension plan investments	-	56,306
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	14,066	-
College FRS contributions subsequent to the measurement date	13,920	-
Total	$ 33,831	$ 58,395

The deferred outflows of resources related to pensions totaling $13,920 resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (10,714)
2017	(10,714)
2018	(10,714)
2019	(10,714)
2020	3,363
Thereafter	1,009
Total	$ (38,484)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

NOTE 5 – 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 $150 million to February 28, 2015, and up to $200 million from March 1, 2015, 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 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 $34,424 (for 119 students) for the 2014-2015 fiscal year from the School, which is reflected as purchased services expenditure in the accompanying statement of revenues, expenses and changes in net position.

The following is a schedule of revenue sources and amounts received from Polk District School Board and the Gateway to College National Network grant:

Source	Amount
Base Funding	$ 515,796
Class Size Reduction	107,126
Start Up Grant - Implementation I	73,924
Discretionary Tax Equalization Allocation	23,680
Discretionary Millage	23,110
Instructional Materials Allocation	22,719
Title II Funds	2,965
Teacher Supply Allocation	780
Discretionary Lottery	397
13-14 Class Size Adjustment	10
Proration to Funds Available	(4,344)
Total Revenue through Polk County District School Board	$ 766,163
Gateway to College National Network Grant	22,788
Total Revenue	**$ 788,951**

POLK STATE
Lakeland Gateway to College
Collegiate High School

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REQUIRED SUPPLEMENTARY INFORMATION

ıedule of Polk State College Lakeland Gateway to College Collegiate Charter High School's Proportionate Share of Net Pension Liabi
Florida Retirement System
Last 10 Fiscal Years

	2014
College's proportion of the net pension liability (asset)	0.059032633%
College's proportionate share of the net pension liability (asset)	$ 3,601,859
School's proportion of College net pension liability (asset)	0.9371%
School's proportionate share of the College net pension liability (asset)	$ 33,753
School's covered-employee payroll	$ 410,340
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.23%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%

Notes to the Schedule of Proportionate Share of Net Pension Liability

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

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

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

Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by part II of Chapter 121, Florida Statutes.

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

		2015
School's contractually required contribution	$	13,920
School's contributions in relation to the contractually required contribution	$	(13,920)
Contribution deficiency (excess)	$	-
School's covered-employee payroll	$	410,340
Contributions as a percentage of covered-employee payroll		3.39%

Notes to the Schedule of Contributions

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

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

Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by part II of Chapter 121, Florida Statutes.

POLK STATE
Lakeland Gateway to College
Collegiate High School

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OTHER REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements 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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated March 28, 2016.

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.*

307 Pontotoc Plaza ■ Auburndale, FL 33823 ■ **Phone** 800.368.3959 ■ **Fax** 863.583.0872
Brynjulfson CPA, P.A. **www.myfloridacpas.com**

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
March 28, 2016

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, 2015, and have issued our report thereon dated March 28, 2016.

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 March 28, 2016, 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.

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
March 28, 2016