



Annual Financial Report

Fiscal Year Ending June 30, 2016

*We are Polk.*TM

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FINANCIAL SECTION

**POLK STATE COLLEGE
POLK STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Polk State Collegiate High School (School) for the year ended June 30, 2016, 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, 2016 totaled \$968,993. The School's net position increased by \$13,991 during the fiscal year ended June 30, 2016.

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 & 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 purchased furniture, machinery, and equipment that met the thresholds for capitalization during this fiscal year. Depreciation expense for this fiscal year totaled \$3,188.

Fiscal year ended June 30, 2016 was the twelfth year of existence for the School. Since prior period information is available for the 2014-2015 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 at the 11th and 12th grade level. The purpose of the School is to provide academic and technical education for serious high school students who desire to undertake college-level study. The two year curriculum gives students the opportunity to complete a high school diploma and an associate degree, simultaneously, in either academic transfer or technical education options. The high school is distinguished by application of varied instructional delivery and learning styles: a technology-across-the-curriculum approach and incorporation of an integrated academic seminar series at each grade level. The curriculum includes academies of Information Technology, Allied Health, and Fine Arts.

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 twelfth year of operation was 268 students. Enrollment for the fiscal year 2016-2017 is estimated to be 285 students.

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JUNE 30, 2016**

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

A condensed statement of net position of the School for the fiscal years ended June 30, 2016 and June 30, 2015, is shown in the following table:

Condensed Statement of Net Position at

	6-30-16	6-30-15
Assets		
Current Assets	\$ 1,206,902	\$ 1,173,376
Capital Assets, Net	-	3,188
Total Assets	<u>1,206,902</u>	<u>1,176,564</u>
Deferred Outflows of Resources	<u>156,939</u>	<u>81,967</u>
Liabilities		
Current Liabilities	69,950	41,932
Noncurrent Liabilities:	<u>216,155</u>	<u>120,117</u>
Total Liabilities	<u>286,105</u>	<u>162,049</u>
Deferred Inflows of Resources	<u>108,743</u>	<u>141,480</u>
Net Position		
Net Investment in Capital Assets	-	3,188
Restricted for Capital Outlay	70,594	178,144
Unrestricted	<u>898,399</u>	<u>773,670</u>
Total Net Position	<u>\$ 968,993</u>	<u>\$ 955,002</u>
Increase in Net Position	<u>\$ 13,991</u>	

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Revenues and expenses for the School for the 2015-2016 and 2014-2015 fiscal years are shown in the following table:

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

	<u>6-30-16</u>	<u>6-30-15</u>
Operating Revenues		
Federal Grants and Contracts	\$ 1,100	\$ -
State and Local Grants and Contracts	1,688,281	1,663,167
Other Operating Revenues	<u>3,493</u>	<u>3,408</u>
Total Operating Revenues	1,692,874	1,666,575
Less: Operating Expenses	<u>1,741,679</u>	<u>1,456,680</u>
Net Operating Income (Loss)	<u>(48,805)</u>	<u>209,895</u>
Other Revenues		
Capital Grants, Contracts, Gifts, and Fees	<u>62,796</u>	<u>127,141</u>
Increase in Net Position	<u>13,991</u>	<u>337,036</u>
Net Position, Beginning of Year	955,002	778,825
Adjustment related to implementation of GASB 68	<u>-</u>	<u>(160,859)</u>
Net Position, Beginning of Year, as Restated	<u>955,002</u>	<u>617,966</u>
Net Position, End of Year	<u><u>\$ 968,993</u></u>	<u><u>\$ 955,002</u></u>

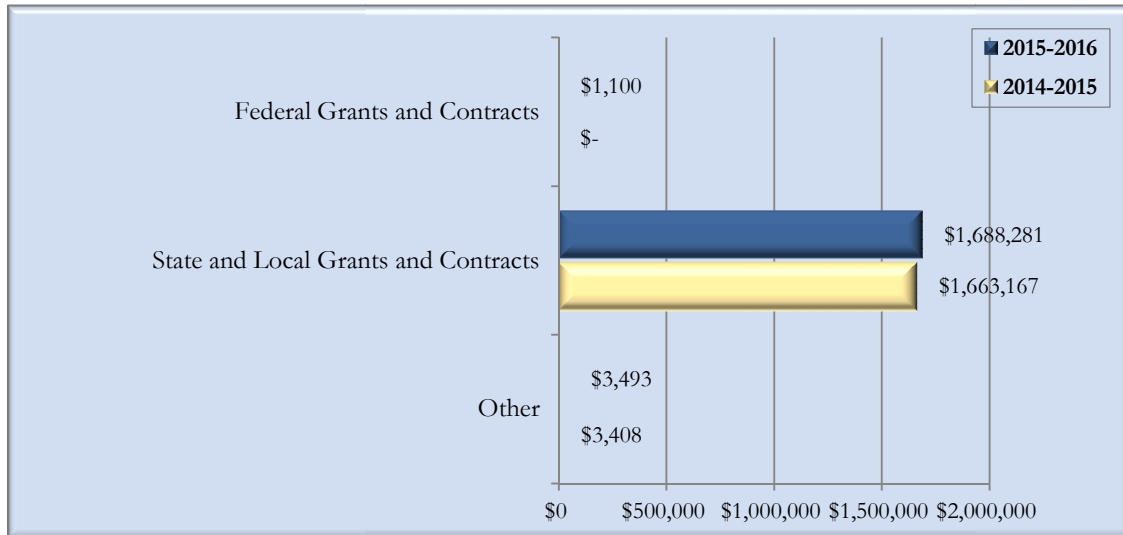
Operating Revenue

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

The following chart presents the School's operating revenues for the 2015-2016 and 2014-2015 fiscal years:

Operating Revenues



School operating revenues increased by \$26,299, or 1.6 percent, as compared to the prior fiscal year, primarily due to the following factors:

- State and local grants and contracts increased by \$25,114 primarily as a result of an increase in funding from the School Board.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

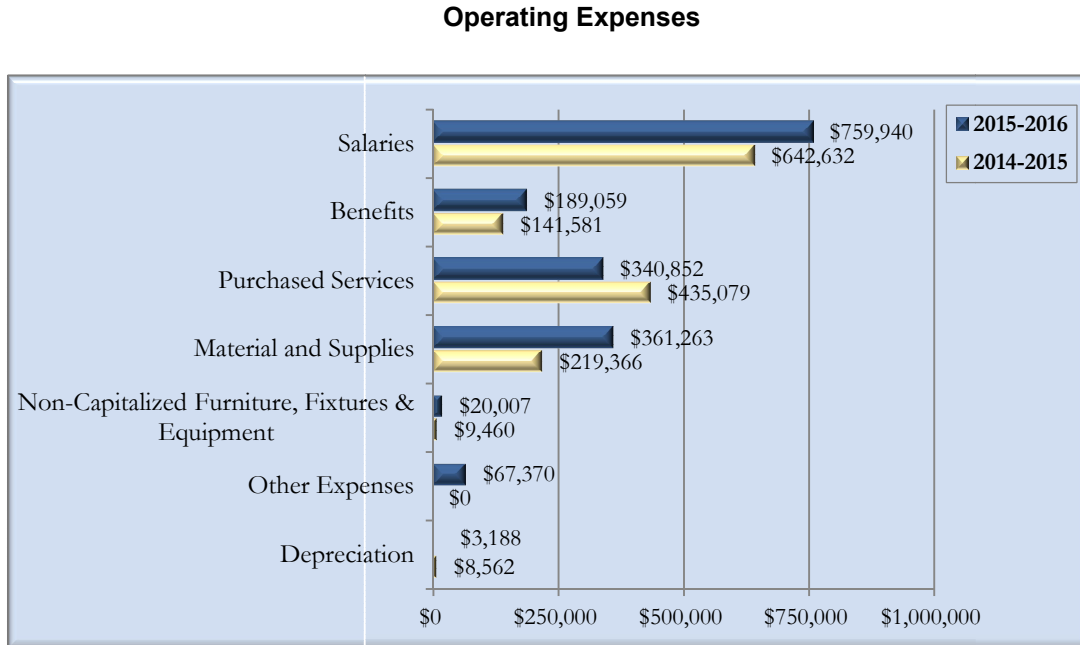
Operating Expenses

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 2015-2016 and 2014-2015 fiscal years are presented in the following table:

	6-30-16	6-30-15
Operating Expenses		
Salaries	\$ 759,940	\$ 642,632
Benefits	189,059	141,581
Purchased Services	340,852	435,079
Materials and Supplies	361,263	219,366
Non-Capital Furniture, Fixtures & Equipment	20,007	9,460
Other Expenses	67,370	-
Depreciation	3,188	8,562
Total Operating Expenses	\$ 1,741,679	\$ 1,456,680

The following chart presents the School's operating expenses for the 2015-2016 and 2014-2015 fiscal years:



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A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

School operating expenses increased by \$284,999, or 19.6 percent, as compared to the prior fiscal year, primarily due to the following factors:

- Salaries and benefit costs increased by \$164,786 or 21.0 percent. This change is due mainly to the allocation of teacher salaries between the School and the Polk State College Lakeland Gateway to College Charter High School.
- Materials and supplies costs increased by \$141,897, or 64.7 percent, primarily as a result of an increase in purchase of equipment (costing under \$1,000).

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 2015-2016 and 2014-2015 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows
For the year ended**

	6-30-16	6-30-15
Cash Provided (Used) by:		
Operating Activities	\$ (29,355)	\$ 177,908
Noncapital Financing Activities	(37,759)	(306,619)
Capital and Related Financing Activities	67,114	128,711
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.

CAPITAL ASSETS

At June 30, 2016, the School had \$30,700 in capital assets, less accumulated depreciation of \$30,700, for net capital assets of \$-0-. Depreciation charges for the current fiscal year totaled \$3,188. More information about the School's capital assets is presented in the notes to financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

DEBT

At June 30, 2016, the School had \$216,155 of noncurrent liabilities consisting of compensated absences payable and noncurrent net pension liability. 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 2016-2017 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 285 students 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 Collegiate High School

Report on the Financial Statements

We have audited the accompanying financial statements of the Polk State College Collegiate High School, (the "School"), a charter school and division of Polk State College, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Polk State College Collegiate High School, as of June 30, 2016, 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, 2016, 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 and the schedule of the School's proportionate share of the College's net pension liability on page 23 and schedule of School contributions to the Florida Retirement System on page 24 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 26, 2016, on our consideration of Polk State College Collegiate 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 Collegiate High School's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
September 26, 2016

**POLK STATE COLLEGE
POLK STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF NET POSITION
As of June 30, 2016**

ASSETS

Current Assets:

Due from Polk State College	\$ 1,198,246
Due from Other Governmental Agencies	8,656
Total Current Assets	<u>1,206,902</u>

TOTAL ASSETS

1,206,902

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	156,939
Total Deferred Outflows of Resources	<u>156,939</u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 2,080
Salary and Payroll Taxes Payable	67,870
Total Current Liabilities	<u>69,950</u>

Noncurrent Liabilities:

Compensated Absences Payable	39,258
Net Pension Liability	176,897
Total Noncurrent Liabilities	<u>216,155</u>

TOTAL LIABILITIES

286,105

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	108,743
Total Deferred Inflows of Resources	<u>108,743</u>

NET POSITION

Restricted for Capital Outlay	70,594
Unrestricted	<u>898,399</u>

TOTAL NET POSITION

\$ 968,993

See Accompanying Notes to Financial Statements

POLK STATE COLLEGE
POLK STATE COLLEGE COLLEGIATE 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, 2016

REVENUES

Operating Revenues:

Federal Grants and Contracts	\$ 1,100
State and Local Grants and Contracts	1,688,281
Other Operating Revenues	3,493
Total Operating Revenues	<u>1,692,874</u>

EXPENSES

Operating Expenses:

Salaries	759,940
Benefits	189,059
Purchased Services	340,852
Materials and Supplies	361,263
Non-Capitalized Furniture, Fixtures and Equipment	20,007
Other Expenses	67,370
Depreciation	3,188
Total Operating Expenses	<u>1,741,679</u>

Operating Loss	<u>(48,805)</u>
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NONOPERATING REVENUES

Capital Grants, Contracts, Gifts, and Fees	62,796
Total Nonoperating Revenues	<u>62,796</u>

Increase in Net Position	13,991
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Net Position, Beginning of Year	<u>955,002</u>
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Net Position, End of Year	<u><u>\$ 968,993</u></u>
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See Accompanying Notes to Financial Statements

POLK STATE COLLEGE
POLK STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Grants and Contracts	\$ 1,692,789
Payments to Suppliers	(797,928)
Payments to Employees	(722,568)
Payments for Employee Benefits	(201,648)
Net Cash Used By Operating Activities	<u>(29,355)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Due from Polk State College	(37,759)
Net Cash Used by Noncapital Financing Activities	<u>(37,759)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants and Gifts	67,114
Net Cash Provided by Capital and Related Financing Activities	<u>67,114</u>

Net Increase (Decrease) in Cash and Cash Equivalents	-
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Cash and Cash Equivalents, Beginning of Year	<u>-</u>
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Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
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**RECONCILIATION OF NET OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (48,805)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Used by Operating Activities:	
Depreciation Expense	3,188
(Increase) decrease in Accounts Receivable	(85)
(Decrease) increase in Accounts Payable	(8,436)
(Decrease) increase Salary and Payroll Taxes Payable	42,138
(Decrease) increase Compensated Absences Payable	(4,766)
Net change in pension related elements	<u>(12,589)</u>
Net Cash Used by Operating Activities	<u><u>\$ (29,355)</u></u>

See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE
POLK STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, Polk County District School Board. The charter was renewed in June 2014 for a term of seven years ending June 30, 2021. 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 Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for public colleges and universities through its statements (GASBS) and Interpretations (GASBI). The National Association of College and University Business Officers (NACUBO) also provided the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB. The College reports as an entity engaged in only business-type activities. The College has adopted the accrual basis of accounting and entity wide reporting including the following components:

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

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Indirect Cost Allocation. The College charges an indirect cost allocation rate of \$1,000 per full-time equivalent student enrolled in the School. The total indirect cost allocation for the year ended June 30, 2016 was \$269,000. A portion of the total indirect cost allocation was charged for facility rent, utilities and insurance for the School facilities at a rate of \$13 per square footage of the School facilities and totaled \$179,000 for the year ended June 30, 2016. The remainder of the indirect cost allocation was for finance, payroll and administrative services and totaled \$90,000 for the year ended June 30, 2016.

NOTE 2 – DUE FROM POLK STATE COLLEGE

The School does not have its own bank accounts and, therefore, the amount of \$1,198,246 reported as "Due from Polk State College" represents the School's equity in the College's current resources. Because the College's current resources are invested in a variety of different types of assets, this balance is not reported as cash.

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A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016 is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable Capital Assets:				
Furniture, Machinery, and Equipment	\$ 30,700	\$ -	\$ -	\$ 30,700
Total Depreciable Capital Assets	<u>30,700</u>	<u>-</u>	<u>-</u>	<u>30,700</u>
Less, Accumulated Depreciation				
Furniture, Machinery, and Equipment	27,512	3,188	-	30,700
Total Accumulated Depreciation	<u>27,512</u>	<u>3,188</u>	<u>-</u>	<u>30,700</u>
Total Depreciable Capital Assets, Net	<u>\$ 3,188</u>	<u>\$ (3,188)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 44,024	\$ -	\$ 4,766	\$ 39,258	\$ -
Net Pension Liability	81,777	95,120	-	176,897	-
	<u>\$ 125,801</u>	<u>\$ 95,120</u>	<u>\$ 4,766</u>	<u>216,155</u>	<u>\$ -</u>
Less amount due in one year				-	
Net due after one year				<u>\$ 216,155</u>	

School employees may accrue annual vacation and sick leave on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The School reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is paid in the current fiscal year. Although the School expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the School's share of the Florida Retirement System, totaled \$39,258. Of this amount, none is considered a current liability as this is not expected to be paid in the coming fiscal year. The School calculates its current portion of compensated absences liability by applying the remaining percentage of time for those employees in the Deferred Retirement Option Program plus the total payouts of all employees who have notified the School that they are leaving employment during the fiscal year.

NOTE 5 – STATE RETIREMENT PROGRAMS

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

General Information about the Florida Retirement System (FRS)

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

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The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance established under Section 112.363, Florida Statutes. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the State and faculty and specified employees of State colleges. 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 \$1,594,207 for the 2015-16 fiscal year which included \$892,706 pension expense for the FRS defined benefit plan and \$701,502 for the HIS plan.

Florida Retirement System (FRS) Defined Benefit Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership applicable to the School are as follows:

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. 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.

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Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

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

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Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	7.26
Florida Retirement System, SMC	3.00	21.43
Deferred Retirement Option Program - Applicable to Members from all of the Above Classes	0.00	12.88

Notes: (A) Employer rates include 1.66 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 \$53,200 for the fiscal year ended June 30, 2016 and included \$30,004 of normal contributions, \$15,562 of contributions to the investment plan and \$7,634 to the deferred retirement option program.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the College reported a liability of \$7,869,419 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. 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 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was .060926073 percent, which was an increase of .00189344 from its proportionate share measured as of June 30, 2014. The School's proportionate share is calculated to be 2.2479 percent of the total College share and totaled \$176,897 at June 30, 2016 and represents a decrease of .00023 from its proportionate share in the prior year.

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For the fiscal year ended June 30, 2016, the School recognized pension expense of \$17,414. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,675	\$ 4,195
Change of assumptions	11,741	
Net difference between projected and actual earnings on FRS pension plan investments	62,308	104,548
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	32,960	-
College FRS contributions subsequent to the measurement date	31,255	-
Total	<u>\$ 156,939</u>	<u>\$ 108,743</u>

The deferred outflows of resources related to pensions totaling \$31,255 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (6,234)
2018	\$ (6,234)
2019	\$ (6,234)
2020	28,616
2021	5,594
Thereafter	1,433
Total	<u>\$ 16,941</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			
Assumed inflation - Mean		2.60%		1.90%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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 6 – RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$200 million to February 28, 2016, and up to \$200 million from March 1, 2016, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

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NOTE 7 – LITIGATION

The School has no pending or threatened legal actions.

NOTE 8 – SCHEDULE OF DISTRICT SCHOOL BOARD REVENUE SOURCES

Revenues for current operations are received primarily through the Polk County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE and under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. Section 1002.33(20)(a)2, Florida Statutes 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 \$76,850 for the 2015-2016 fiscal year from the School, which is reflected as purchased services expenditure in the accompanying statement of revenues, expenses and changes in net position.

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

<u>Source</u>	<u>Amount</u>
Base Funding	\$ 1,168,410
Class Size Reduction	237,152
Instructional Materials Allocation	121,770
Discretionary Tax Equalization Allocation	54,150
Discretionary Millage	57,974
Teacher Recognition	26,155
Student Transportation	16,093
Other FEFP	5,244
Digital Classroom Allocation	4,753
Title II Funds	3,493
Teacher Supply Allocation	1,834
IDEA	1,100
15-16 Class Size Adjustment	212
14-15 Class Size Adjustment	157
Capital Outlay Portion of 5% Fee	(5,623)
Subtotal	\$ 1,692,874
Capital Outlay	62,796
Total Revenue through Polk County District School Board	\$ 1,755,670

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2014</u>	<u>2015</u>
College's proportion of the net pension liability (asset)	0.059032633%	0.060926073%
College's proportionate share of the net pension liability (asset)	\$ 3,601,859	\$ 7,869,419
School's proportion of College net pension liability (asset)	2.2704%	2.2479%
School's proportionate share of the College net pension liability (asset)	\$ 81,777	\$ 176,897
School's covered-employee payroll	\$ 654,929	\$ 686,695
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.49%	25.76%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%

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 Collegiate Charter High School's Contributions
Florida Retirement System
Last 10 Fiscal Years

	2015	2016
School's contractually required contribution	\$ 26,577	\$ 30,812
School's contributions in relation to the contractually required contribution	\$ (26,577)	\$ (30,812)
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 654,929	\$ 686,695
Contributions as a percentage of covered-employee payroll	4.06%	4.49%

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.



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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 Collegiate 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 Collegiate High School (the "School") a charter school and division of Polk State College, as of and for the year ended June 30, 2016, 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 26, 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*.

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 26, 2016

MANAGEMENT LETTER

To the Board of Trustees
Polk State College Collegiate High School

Report on the Financial Statements

We have audited the financial statements of Polk State College Collegiate High School, (the "School"), a charter school and division of Polk State College, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 26, 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* and Chapter 10.850, Rules of the Auditor General.

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 26, 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 were no prior audit findings.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to 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 specified conditions of a financial emergency 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 with the exception of current school grade, the annual budget for fiscal year ended June 30, 2016 and the annual independent audit for the fiscal year ending June 30, 2015.

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.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Polk State College Collegiate 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 26, 2016