



POLK STATE

Chain of Lakes
Collegiate High School

Annual Financial Report

Fiscal Year Ending June 30, 2013

*We are Polk.*TM

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FINANCIAL SECTION

**POLK STATE COLLEGE
CHAIN OF LAKES COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the Polk State Chain of Lakes Collegiate Charter High School (School) for the year ended June 30, 2013, and should be read in conjunction with the financial statements and the notes thereto. This overview is required by Governmental Accounting Standards (GASB) Statement No. 35, *Basic Financial Statement-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and the financial statements and notes thereto, are the responsibility of School management.

FINANCIAL HIGHLIGHTS

Net position represents the residual interest in the School's assets after deducting liabilities. The School's net position at June 30, 2013 totaled \$901,510. The School's net position increased by \$58,727 during the fiscal year primarily due to State and Local Grants and Contracts increases in revenue from the school board.

Governmental units are required to depreciate capital assets including furniture, machinery, and equipment. Florida State Colleges, of which the Charter School is a division, have established guidelines for capitalizing assets and for depreciation. Furniture, machinery, and equipment with a value less than \$5,000, all library books, and computer software will be expensed in the year of purchase. The School did not purchase any furniture, machinery, and equipment that met the thresholds for capitalization during this fiscal year. Depreciation expense for this fiscal year totaled \$8,875.

Fiscal year ended June 30, 2013 was the seventh year of existence for the School. Since prior period information is available for the 2011-12 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 Criminal Justice.

The School is operated by Polk State College and is housed on the College's Winter Haven Campus. Students attending the School enjoy full access to all college facilities, activities and services. Enrollment during this seventh year of operation was 280 students. Enrollment for the 2013-14 fiscal year is estimated to be 280 students.

**POLK STATE COLLEGE
CHAIN OF LAKES COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 operating results.

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

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

A condensed statement of assets, liabilities and net position of the School for the fiscal years ended June 30, 2013 and June 30, 2012, is shown in the following table:

Condensed Statement of Net Position at

	<u>6-30-13</u>	<u>6-30-12</u>
Assets		
Current Assets	\$ 978,280	\$ 900,988
Capital Assets, Net	<u>1,725</u>	<u>10,600</u>
Total Assets	<u>980,005</u>	<u>911,588</u>
Liabilities		
Current Liabilities	40,538	29,684
Noncurrent Liabilities:	<u>37,957</u>	<u>39,121</u>
Total Liabilities	<u>78,495</u>	<u>68,805</u>
Net Position		
Net Investment in		
Capital Assets	1,725	10,600
Restricted	355,999	244,016
Unrestricted	<u>543,786</u>	<u>588,167</u>
Total Net Position	<u>\$ 901,510</u>	<u>\$ 842,783</u>
Increase in Net Position	<u>\$ 58,727</u>	7.0%

**POLK STATE COLLEGE
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A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
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Revenues and expenses for the School for the 2012-13 and 2011-12 fiscal years are shown in the following table:

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

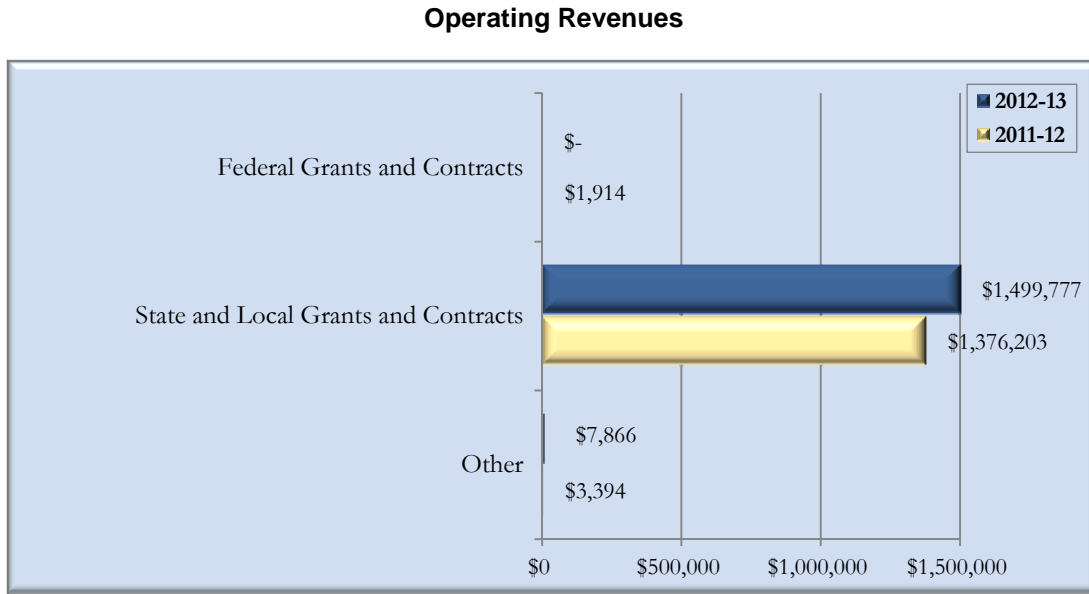
	<u>6-30-13</u>	<u>6-30-12</u>
Operating Revenues		
Federal Grants and Contracts	\$ -	\$ 1,914
State and Local Grants and Contracts	1,499,777	1,376,203
Other Operating Revenues	<u>7,866</u>	<u>3,394</u>
Total Operating Revenues	1,507,643	1,381,511
Less, Operating Expenses	<u>1,553,162</u>	<u>1,675,799</u>
Net Operating Loss	<u>(45,519)</u>	<u>(294,288)</u>
Other Revenues		
Capital Grants, Contracts, Gifts, and Fees	<u>104,246</u>	<u>139,516</u>
Increase (decrease) in Net Position	58,727	(154,772)
Net Position, Beginning of Year	<u>842,783</u>	<u>997,555</u>
Net Position, End of Year	<u><u>\$ 901,510</u></u>	<u><u>\$ 842,783</u></u>

Operating Revenue

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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The following chart presents the School's operating revenues for the 2012-13 and 2011-12 fiscal years:



School operating revenues increased by \$126,132, or 9.1 percent, as compared to the prior fiscal year, primarily due to the following factors:

- State and Local Grants and Contracts increased by \$123,574 primarily as a result of increased allocation from the school board for base funding, discretionary tax equalization, instructional material, and class size reduction.

Operating Expenses

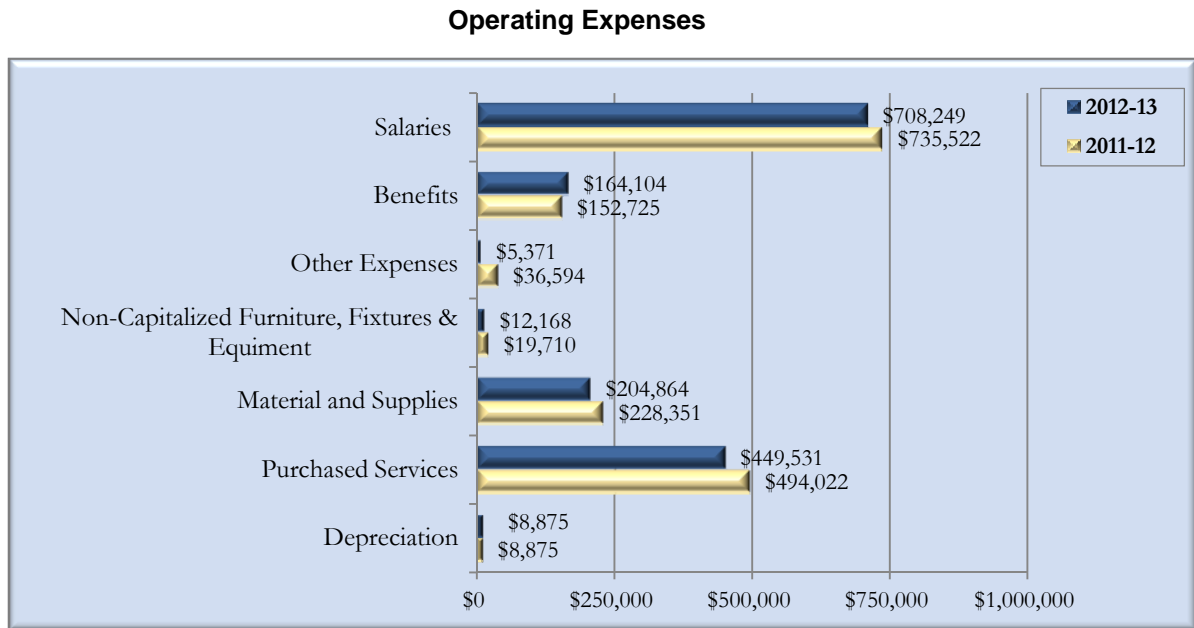
Expenses are categorized as operating or nonoperating. The majority of the School's expenses are operating expenses as defined by GASB Statement No. 35.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Operating expenses for the School for the 2012-13 and 2011-12 fiscal years are presented in the following table:

Operating Expenses For the Fiscal Years Ended		
	6-30-13	6-30-12
Operating Expenses		
Salaries	\$ 708,249	\$ 735,522
Benefits	164,104	152,725
Purchased Services	449,531	494,022
Materials and Supplies	204,864	228,351
Non-Capital Furniture, Fixtures & Equipment	12,168	19,710
Other Expenses	5,371	36,594
Depreciation	8,875	8,875
Total Operating Expenses	\$ 1,553,162	\$ 1,675,799

The following chart presents the School's operating expenses for the 2012-13 and 2011-12 fiscal years:



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

- Purchased services costs decreased by \$44,491, or 9.0 percent. This change is the result of the reduction of consulting services.
- Material and supplies costs decreased by \$23,487, or 10.3 percent. This change is the result of the reduction in the consumption of material and supplies by the School.

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- Non-capital furniture, fixtures & equipment decreased by \$7,542, or 38.3 percent. This change is the result of a decrease in the purchase of non-capitalized technology equipment.
- Other expenses decreased by \$32,223, or 85.3 percent, primarily the result of a decrease in non-capitalized repairs and maintenance expenditures.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of 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 2012-13 and 2011-12 fiscal years is presented in the following table:

Condensed Statement of Cash Flows

	<u>2012-13</u>	<u>2011-12</u>
Cash Provided (Used) by:		
Operating Activities	\$ (27,176)	\$ (340,373)
Noncapital Financing Activities	(72,558)	198,602
Capital and Related Financing Activities	<u>99,734</u>	<u>141,771</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2013, the School had \$41,625 in capital assets, less accumulated depreciation of \$39,900, for net capital assets of \$1,725. Depreciation charges for the current fiscal year totaled \$8,875. More information about the School's capital assets 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 2013-14 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.

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The School plans to enroll approximately 280 students in the 2013 fall term and is not seeking approval to increase enrollment in the 2014 fall term.

REQUEST FOR INFORMATION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Polk State College Chain of Lakes Collegiate Charter High School

Report on the Financial Statements

We have audited the accompanying financial statements of Polk State College Chain of Lakes Collegiate Charter High School (the "School") a charter school and division of Polk State College, as of and for the year ended June 30, 2013, 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 Chain of Lakes Collegiate Charter High School as of June 30, 2013, 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 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, 2013, 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.

INDEPENDENT AUDITOR'S REPORT
(cont...)

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 to 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 Information

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of Polk State College Chain of Lakes Collegiate Charter High'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 Chain of Lakes Collegiate Charter High's internal control over financial reporting and compliance.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Lakeland, Florida
September 18, 2013

POLK STATE COLLEGE
CHAIN OF LAKES COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF NET POSITION
As of June 30, 2013

ASSETS

Current Assets:

Due from Polk State College	\$ 971,465
Due from Other Governmental Agencies	4,512
Accounts Receivable	<u>2,303</u>
Total Current Assets	<u>978,280</u>

Noncurrent Assets:

Depreciable Capital Assets, Net	<u>1,725</u>
Total Noncurrent Assets	<u>1,725</u>

TOTAL ASSETS

\$ 980,005

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 11,907
Salary and Payroll Taxes Payable	<u>28,631</u>
Total Current Liabilities	<u>40,538</u>

Noncurrent Liabilities:

Compensated Absences Payable	<u>37,957</u>
Total Noncurrent Liabilities	<u>37,957</u>

TOTAL LIABILITIES

\$ 78,495

NET POSITION

Net Investment in Capital Assets	1,725
Restricted for Capital Outlay	355,999
Unrestricted	<u>543,786</u>

TOTAL NET POSITION

901,510

See Accompanying Notes to Financial Statements

POLK STATE COLLEGE
CHAIN OF LAKES 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, 2013

REVENUES

Operating Revenues:

State and Local Grants and Contracts	\$ 1,499,777
Other Operating Revenues	<u>7,866</u>
Total Operating Revenues	<u>1,507,643</u>

EXPENSES

Operating Expenses:

Salaries	708,249
Benefits	164,104
Purchased Services	449,531
Materials and Supplies	204,864
Non-Capitalized Furniture, Fixtures and Equipment	12,168
Other expenses	5,371
Depreciation	<u>8,875</u>
Total Operating Expenses	<u>1,553,162</u>

Operating Loss	<u>(45,519)</u>
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NONOPERATING REVENUES

Capital Grants, Contracts, Gifts, and Fees	<u>104,246</u>
Total Nonoperating Revenues	<u>104,246</u>

Increase in Net Position

Net Position, Beginning of Year	<u>842,783</u>
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Net Position, End of Year	<u><u>\$ 901,510</u></u>
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See Accompanying Notes to Financial Statements

POLK STATE COLLEGE
CHAIN OF LAKES COLLEGIATE CHARTER HIGH SCHOOL
A CHARTER SCHOOL AND DIVISION OF POLK STATE COLLEGE
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Grants and Contracts	\$ 1,499,777
Payments to Suppliers	(663,880)
Payments to Employees	(707,039)
Payments for Employee Benefits	(163,678)
Other Receipts	7,644
Net Cash Used By Operating Activities	<u>(27,176)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due from Polk State College	(72,558)
Net Cash Used by Noncapital Financing Activities	<u>(72,558)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants and Gifts	99,734
Net Cash Provided by Capital and Related Financing Activities	<u>99,734</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ -</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (45,519)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,875
Changes in Assets and Liabilities:	
Accounts Receivable	(222)
Accounts Payable	8,054
Salary and Payroll Taxes Payable	2,800
Compensated Absences Payable	(1,164)
Net Cash Used by Operating Activities	<u><u>\$ (27,176)</u></u>

See Accompanying Notes to Financial Statements

**POLK STATE COLLEGE
CHAIN OF LAKES COLLEGIATE CHARTERHIGH SCHOOL
A CHARTERSCHOOL AND DIVISION OF POLK STATE COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Polk State College Chain of Lakes Collegiate 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 renewed for ten years commencing on July 1, 2009 and ending June 30, 2019. 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 National Association of College and University Business Officers (NACUBO) also provided the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and Financial Accounting Standards Board (FASB). The College reports as an entity engaged in only business-type activities. The College has adopted the accrual basis of accounting and entitywide reporting including the following components:

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities 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 School's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

As a division of the College, reporting methods used by the College also hold true for the School. The College follows GASB pronouncements and FASB pronouncements issued after November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncement issued after November 30, 1989.

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NOTES TO FINANCIAL STATEMENTS
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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 School implemented the provisions of GASB Statement No. 62, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement amends the existing net asset reporting requirements by incorporating deferred outflows and inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets as previously reported. Accordingly, equity is classified as net position and displayed in three components;

- 1) Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- 2) Restricted net position - Consists of restricted assets reduced by liabilities related to those assets.
- 3) Unrestricted net position - Consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

The statement of net position is presented in a classified format to distinguish between current and non-current 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 Statement No. 9, *Reporting Cash Flows for Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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 (computer equipment).

Indirect Cost Allocation. The College provides for facility rent, utilities, insurance, and finance, payroll and administrative services of the School at an indirect cost allocation rate of \$1,000 per full-time equivalent student enrolled at the School. The indirect cost allocation for the year ended June 30, 2013 was \$280,000 and reported as an operating expense of the School.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – DUE FROM POLK STATE COLLEGE

The School does not have its own bank accounts and, therefore, the amount of \$971,465 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 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable Capital Assets:				
Furniture, Machinery, and Equipment	\$ 41,625	\$ -	\$ -	\$ 41,625
Total Depreciable Capital Assets	<u>41,625</u>	<u>-</u>	<u>-</u>	<u>41,625</u>
Less, Accumulated Depreciation:				
Furniture, Machinery, and Equipment	31,025	8,875	-	39,900
Total Accumulated Depreciation	<u>31,025</u>	<u>8,875</u>	<u>-</u>	<u>39,900</u>
Total Depreciable Capital Assets, Net	<u>\$ 10,600</u>	<u>\$ (8,875)</u>	<u>\$ -</u>	<u>\$ 1,725</u>

NOTE 4 – LONG-TERM LIABILITIES

Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 39,121	\$ -	\$ 1,164	\$ 37,957	\$ -

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, 2013, the estimated liability for compensated absences, which includes the School’s share of the Florida Retirement System, totaled \$37,958. Of this amount, none is considered a current liability that is expected to be paid in the coming fiscal year. The School calculates its current portion of compensated absences liability by applying the remaining percentage of time for those employees in the Deferred Retirement Option Program plus the total payouts of all employees who have notified the School that they are leaving employment during the fiscal year.

NOTE 5 – STATE RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the School are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail.

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FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

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

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.

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The School's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013 totaled \$42,777, \$33,296, and \$39,223 respectively, which were equal to the required contributions for each fiscal year.

There were 5 School participants in the Investment Plan during the 2012-13 fiscal year. The School's contributions including employee contributions to the Investment Plan totaled \$12,211, which was equal to the required contribution for the 2012-13 fiscal year.

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

NOTE 6 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School provides coverage for these risks through the Florida Colleges System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$90 million to February 28, 2013, and \$125 million from March 1, 2013. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, group long-term disability, team sport accident, property casualty, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE 7 – LITIGATION

The School has no pending or threatened legal actions.

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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 \$66,978 for the 2012-13 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 Polk District School Board revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Base Funding	\$ 1,082,900
Class Size Reduction	254,849
Instructional Materials Allocation	65,908
Discretionary Millage	50,619
Discretionary Tax Equalization Allocation	50,399
Proration to Funds Available	<u>(4,898)</u>
Subtotal	\$ 1,499,777
Capital Outlay	<u>104,246</u>
Total Revenue through Polk County District School Board	\$ 1,604,023
Other Operating Revenues	<u>7,866</u>
Total Revenue	<u><u>\$ 1,611,889</u></u>

OTHER REPORTS

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

To the Board of Trustees
Polk State College Chain of Lakes Collegiate Charter High School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Polk State College Chain of Lakes Collegiate Charter High School, a charter school and division of Polk State College, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Polk State College Chain of Lakes Collegiate Charter High School's basic financial statements, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polk State College Chain of Lakes Collegiate Charter High 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 Polk State College Chain of Lakes Collegiate Charter High School's internal control. Accordingly, we do not express an opinion on the effectiveness of Polk State College Chain of Lakes Collegiate Charter High School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk State College Chain of Lakes Collegiate Charter High 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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(cont...)

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*.

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.
Lakeland, Florida
September 18, 2013

MANAGEMENT LETTER

To the Board of Trustees
Polk State College Chain of Lakes Collegiate Charter High School

We have audited the financial statements of the Polk State College Chain of Lakes Collegiate Charter High School, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 18, 2013.

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. We have issued our Report on Compliance and Other Matters and on Internal Control over Financial Reporting. Disclosures in those reports, which are dated September 18, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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 Polk State College Chain of Lakes Collegiate Charter High School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- 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 school. The official title of the school is Polk State College Chain of Lakes Collegiate Charter High School.
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Polk State College Chain of Lakes Collegiate Charter High 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.

MANAGEMENT LETTER
(cont...)

We would like to take this opportunity to thank the Board of Trustees for allowing us the privilege to be of service, and the School's staff and management for the courtesies and cooperation extended to us during our audit

Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Trustees, management, the District School Board of Polk County, Florida, the Florida Department of Education, the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General and Federal and other granting agencies 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.
Lakeland, Florida
September 18, 2013