

**FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL – CHARLOTTE CAMPUS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL – CHARLOTTE CAMPUS
DISTRICT BOARD OF TRUSTEES AND OFFICERS

MEMBERS OF THE DISTRICT BOARD OF TRUSTEES WHO SERVED DURING THE FISCAL PERIOD ARE LISTED BELOW:

Brian Chapman, Jr., Chair	Thomas Edison (Lee)
Tristan "Tris" Chapman Vice-Chair	Hendry
Sankey E. "Eddie" Webb, III,	Charlotte
Marjorie Starnes-Bilotti	Thomas Edison (Lee)
Christopher T. Vernon	Collier
Julia G. Perry	Glades
Eric Loche	Charlotte
Byron Donalds	Collier
Braxton C. Rhone	Thomas Edison (Lee)

THE CHARTER SCHOOL'S EXECUTIVE OFFICERS FOR THE FISCAL PERIOD ARE LISTED BELOW:

Dr. Jeffery S. Allbritten, President
Matthew Catanzarite, Principal

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL – CHARLOTTE CAMPUS
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FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL – CHARLOTTE CAMPUS
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Florida SouthWestern State College Collegiate High School
Charlotte Campus
Fort Myers, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Florida SouthWestern State College Collegiate High School – Charlotte County campus, (the School), a department of Florida SouthWestern State College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Auditors' Responsibility (Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements of the School are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Florida Southwestern State College that is attributable to the School. They do not purport to, and do not, present fairly the financial position of Florida Southwestern State College as of June 30, 2017, 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, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of employer pension contributions, as listed in the table of contents, 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.

Board of Trustees
Florida SouthWestern State College Collegiate High School
Charlotte Campus

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School's 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 School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
November 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Florida SouthWestern State College Collegiate High School (Charter School) for the year ended June 30, 2017. This discussion has been prepared by management and the information contained in the MD&A is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the Charter School's financial statements and notes to financial statements.

The Florida SouthWestern State College Collegiate High School is a division of Florida SouthWestern State College (College). The Charter 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 Charter School operates under a charter with the sponsoring school district, Charlotte County District School Board (Sponsor). The Charter School commenced operations on July 1, 2009 for an initial term of five (5) years ending on June 30, 2014 which was renewed for fifteen (15) years ending on June 30, 2029.

The Charter School is operated by the College and is housed on the Charlotte Campus. Students attending the Charter School enjoy full access to all College facilities, activities and services. The Charter School is designed to provide students of all ability levels an opportunity to graduate with both a high school diploma and an Associate of Arts (AA) degree. Charter School students enjoy a college environment along with a vast array of resources provided by the College while also maintaining the traditional elements of high school life.

The Charter School is recognized as a separate and discrete department in the accounting system of Florida SouthWestern State College. The State of Florida Auditor General's Office audits the College's financial statements. The College adheres to internal control procedures contained in the Board of Trustees Rules and the Accounting Manual of the Florida College System.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year are as follows:

- The Net Position of the Charter School at year end was (308,483).
- General revenues total \$2,081,480 or 93 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$157,160 or 7 percent.
- Expenses total \$2,198,389; of which \$157,160 of these expenses was offset by program specific charges and revenue, with the remainder paid from general revenues. Total revenue exceeded total expenses by \$40,251.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$324,201 at June 30, 2017, or 17 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the Charter School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, deferred inflows and outflows of resources, using an economic resources measurement focus. The difference between the assets (including deferred outflows of resources) and liabilities (including deferred inflows of resources), the net position, is a measure of the financial health of the Charter School. The statement of activities presents information about the change in the Charter School's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the Charter School's financial health is improving or deteriorating.

All of the Charter School's activities and services are reported in the government-wide financial statements as governmental activities. The Charter School's governmental activities include instruction, pupil transportation services, instructional support services, administrative support, facility maintenance, transportation, and food services. Revenues for current operations are received primarily from the Sponsor pursuant to the funding provisions included in the charter.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the Charter School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity wide perspective contained in the government-wide statements. All of the operations of the Charter School are presented in governmental funds only.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements.

The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the Charter School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the Charter Schools. The District's major funds are the General Fund, Lease Revenue Fund, and Grant Revenue Fund.

The Charter School adopts an annual appropriated budget for its governmental funds

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the Charter School's own programs. In its fiduciary capacity, the Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the Charter School's net position as of June 30, 2017 and 2016:

	2017	2016
Assets		
Current Assets	\$ 530,210	\$ 348,501
Total Assets	530,210	348,501
Deferred Outflows of Resources	360,688	197,916
Total Assets and Deferred Outflows of Resources	890,898	546,417
Liabilities		
Current Liabilities	212,820	169,223
Non-current Liabilities	971,207	649,562
Total Liabilities	1,184,027	818,785
Deferred Inflows of Resources	15,354	76,366
Total Liabilities and Deferred Inflows of Resources	1,199,381	895,151
Net Position	\$ (308,483)	\$ (348,733)

The restricted portion of the net position represents resources that are subject to restrictions on how they may be used. Unrestricted net position may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the Charter School's net position for the fiscal years ended June 30, 2017 and 2016 are as follows:

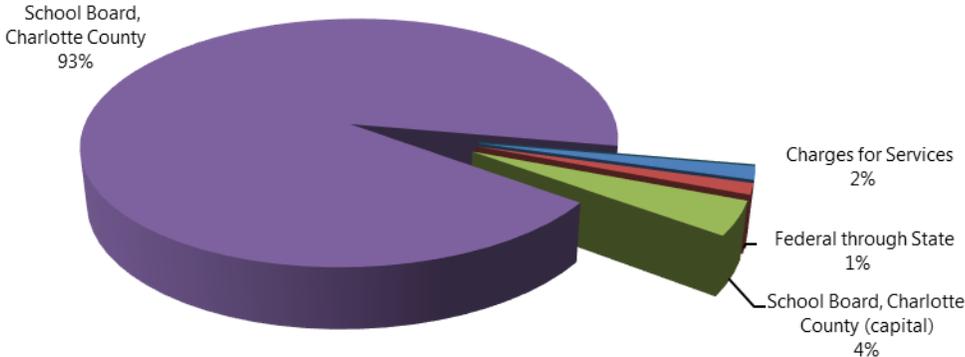
	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for Services	\$ 37,152	\$ 25,721
Federal through State	31,055	31,803
Operating Grants	-	-
School Board, Charlotte County (capital)	88,953	67,356
General Revenues		
School Board, Charlotte County	2,081,480	1,877,703
Other Income	-	108
Total Revenues	<u>2,238,640</u>	<u>2,002,691</u>
Functions/Program Expenses		
Instruction	1,057,377	960,633
Pupil Personnel Services	87,616	78,929
Board	10,542	11,000
School Administration	693,802	647,754
Food Services	74,328	64,842
Pupil Transportation Services	63,149	71,881
Operation of Plant	190,918	194,170
Maintenance of Plant	20,657	22,533
Total Functions/Program Expenses	<u>2,198,389</u>	<u>2,051,742</u>
Increase (Decrease) in Net Position	<u>\$ 40,251</u>	<u>\$ (49,051)</u>

The largest revenue source is the operating funds received by the School District (93 percent). The primary source of these funds comes from the State of Florida and flows through the School District on behalf of the Charter School. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts including Charter Schools.

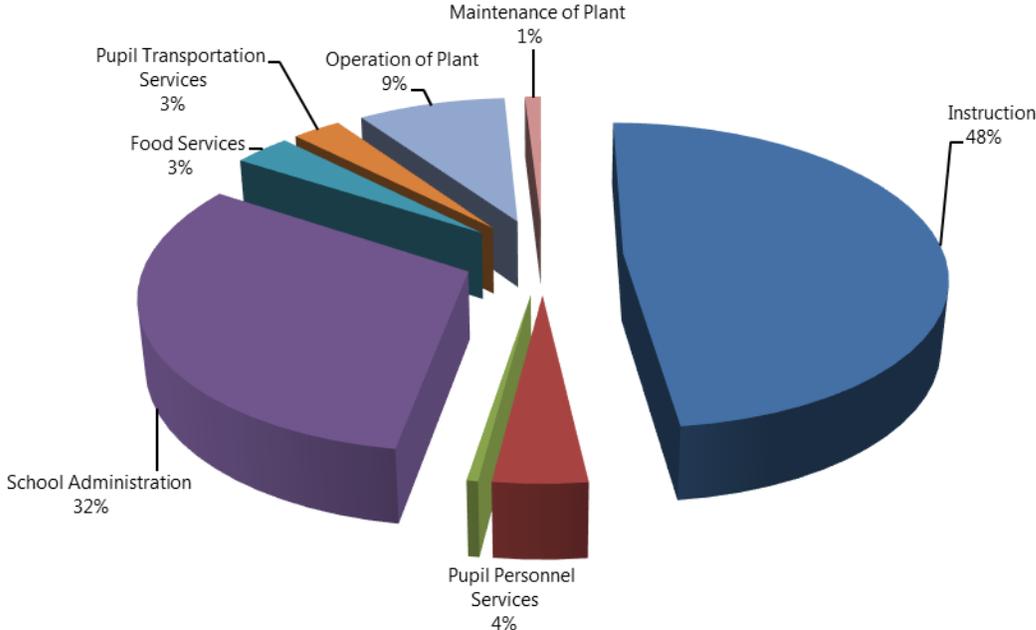
Other State revenues that flow through the school district are primarily for acquisition, construction, leasing and maintenance of educational facilities. These revenues accounted for \$88,953 or 4 percent.

Instructional expenses represent 48 percent of total expenses in the 2016-17 fiscal year. A table of expenses shown by function is provided below:

Revenue by Source - Fiscal Year 2016-17



Expense by Function - Fiscal Year 2016-17



FINANCIAL ANALYSIS OF THE CHARTERS SCHOOL'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the Charter School. At the end of the current fiscal year, unassigned fund balance is \$324,201.

The Lease Revenue Fund is a special revenue fund with a total fund balance of (\$6,825). This fund represents revenues received from the FEFP program, all of which is restricted for the acquisition, construction, leasing and maintenance of capital assets, in accordance with Florida Department of Education regulations. Expenditures for these types of transactions are charged to the fund.

The Grant Revenue Fund accounts for the School's revenues and expenses related to grants received for specific purposes with a total fund balance of \$14.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2016-17 fiscal year, there were budget amendments to the Charter School General Fund budget between budget categories only. Budget revisions are due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance. Actual revenues are \$2,081,480 or 3 percent more than budgeted amount. Actual expenditures are \$1,901,200 or 6 percent less than budgeted amount.

OTHER MATTERS OF SIGNIFICANCE

The economic position of the Charter School is closely tied to the State of Florida. The Charter School is expected to continue to maintain its present level of services. The initial term of the Charter School contract was five (5) years ending on June 30, 2014 and was renewed for fifteen (15) years ending on June 30, 2029. Should the Charter School end its fiscal year in a deficit for two consecutive years, this may constitute grounds for termination of the Charter.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Vice President, Financial Services, Florida SouthWestern State College, 8099 College Pkwy, Fort Myers, FL 33919.

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 519,091
Accounts Receivable	8,081
Prepaid Items	3,038
TOTAL ASSETS	<u>530,210</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	360,688
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>360,688</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 890,898</u>
LIABILITIES	
Current Liabilities	
Salaries and Benefits Payable	\$ 66,285
Accounts Payable	145,986
Due to Other Agencies	549
TOTAL CURRENT LIABILITIES	<u>212,820</u>
Noncurrent Liabilities	
Compensated Absences	41,589
Net Pension Liability	929,618
TOTAL NONCURRENT LIABILITIES	<u>971,207</u>
TOTAL LIABILITIES	<u>\$ 1,184,027</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Related	15,354
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 15,354</u>
NET POSITION	
UNRESTRICTED NET POSITION	(308,483)
TOTAL NET POSITION	<u>(308,483)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 890,898</u>

FLORIDA SOUTHWESTERN STATE COLLEGE
 COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
 STATEMENT OF ACTIVITIES
 FOR FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	1,057,377				\$ (1,057,377)
Pupil Personnel Services	87,616				(87,616)
Board	10,542				(10,542)
School Administration	693,802				(693,802)
Food Services	74,328	37,152	31,055		(6,121)
Pupil Transportation Services	63,149				(63,149)
Operation of Plant	190,918			88,953	(101,965)
Maintenance of Plant	20,657				(20,657)
Total Governmental Activities	<u>\$ 2,198,389</u>	<u>\$ 37,152</u>	<u>\$ 31,055</u>	<u>\$ 88,953</u>	<u>\$ (2,041,229)</u>
General Revenues:					
School Board of Charlotte County - Operating					2,081,480
Other Income					-
Total General Revenues					<u>2,081,480</u>
Change in Net Position					40,251
Net Position - Beginning					(348,734)
Net Position - Ending					<u>\$ (308,483)</u>

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Lease Revenue Fund	Grant Revenue Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 504,691	\$ -	\$ 14,400	\$ 519,091
Accounts Receivable	-	8,081	-	8,081
Prepaid Items	3,038	-	-	3,038
TOTAL ASSETS	<u>\$ 507,729</u>	<u>\$ 8,081</u>	<u>\$ 14,400</u>	<u>\$ 530,210</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 66,285	-	-	\$ 66,285
Accounts Payable	117,243	14,906	13,837	145,986
Due to Other Agencies	-	-	549	549
Total Liabilities	<u>\$ 183,528</u>	<u>\$ 14,906</u>	<u>\$ 14,386</u>	<u>\$ 212,820</u>
Net Fund Balance				
Nonspendable	3,038	-	-	3,038
Assigned	-	-	14	14
Unassigned	321,163	(6,825)	-	314,338
Total Fund Balances	<u>324,201</u>	<u>(6,825)</u>	<u>14</u>	<u>317,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 507,729</u>	<u>\$ 8,081</u>	<u>\$ 14,400</u>	<u>\$ 530,210</u>

The accompanying notes to financial statements are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total Fund Balances - Governmental Funds \$ 317,390

Amounts reported for governmental activities in the statement of net position are different because:

Deferred outflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting. 360,688

Net pension liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds. (929,618)

Deferred inflows of resources related to pension liability are not recognized in the governmental funds: however, they are recorded in the statement of net position under full accrual accounting. (15,354)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Compensated Absences Payable (41,589)

Total Net Position - Governmental Activities \$ (308,483)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Government Funds
For the fiscal year ended June 30, 2017

	General Fund	Lease Revenue Fund	Grant Revenue Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Through State	\$ -	\$ -	\$ 31,055	\$ 31,055
State	2,081,480	88,953	-	2,170,433
Local:				
Food Service Sales	-	-	37,152	37,152
Total Revenues	2,081,480	88,953	68,207	2,238,640
Expenditures				
Governmental Activities:				
Instruction	1,057,377	-	-	1,057,377
Pupil Personnel Services	87,616	-	-	87,616
Board	10,542	-	-	10,542
School Administration	595,941	-	-	595,941
Food Services	-	-	74,328	74,328
Pupil Transportation Services	63,149	-	-	63,149
Operation of Plant	65,918	125,000	-	190,918
Maintenance of Plant	20,657	-	-	20,657
Total Expenditures	1,901,200	125,000	74,328	2,100,528
Excess (Deficiency) of Revenues over Expenditures	180,280	(36,047)	(6,121)	138,112
Other Financing Sources (Uses)				
Transfers In	-	-	6,121	6,121
Transfers Out	(6,121)	-	-	(6,121)
Total Other Financing Sources (Uses)	(6,121)	-	6,121	-
Net Change in Fund Balances	174,159	(36,047)	-	138,112
Fund Balance, July 1, 2016	\$ 150,042	\$ 29,222	\$ 14	\$ 179,278
Fund Balance, June 30, 2017	\$ 324,201	\$ (6,825)	\$ 14	\$ 317,390

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA SOUTHWESTERN STATE COLLEGE
 COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS**
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2017

Net Changes in Fund Balances - Governmental Funds	\$	138,112
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Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used (earned) in excess of the amount earned (paid) in the current period.		(10,370)
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Net effect of adjustments to pension-related expenses which decrease net position:		(87,491)
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Change in Net Position - Governmental Activities	\$	40,251
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The accompanying notes to financial statements are an integral part of this statement.

FLORIDA SOUTHWESTERN STATE COLLEGE
COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2017

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 22,610
TOTAL ASSETS	<u>22,610</u>
LIABILITIES	
Deposits Held in Custody	\$ 22,610
Total Liabilities	<u>22,610</u>

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Florida SouthWestern State College Collegiate High School (Charter School) is a division of Florida SouthWestern State College (College). The Charter 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 Charter School operates under a charter with the sponsoring school district, Charlotte County District School Board (Sponsor). The Charter School commenced operations on July 1, 2009 and was effective for a term of five (5) years ending on June 30, 2014 and was renewed for fifteen (15) years ending on June 30, 2029. In the event the Sponsor chooses to not renew the charter under grounds specified in the charter, the Sponsor is required to notify the Charter School in writing ninety (90) calendar days prior to such action. In addition, the charter is subject to annual review by the Sponsor and may not be renewed or may be terminated as specified in the charter. If the Charter School desires not to renew the charter, the Charter School shall notify the Sponsor in writing ninety (90) calendar days of its intent to not renew.

➤ **Basis of Presentation**

Government-wide Financial Statements

Government-wide financial statements include the statement of net position and the statement of activities, present information about the Charter School as a whole. These statements include the nonfiduciary financial activity of the Charter School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the Charter School does not engage in any business type activities.

Government-wide financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

➤ **Fund Financial Statements**

Fund financial statements report detailed information about the Charter School in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The Charter School reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Grant Revenue Fund – special revenue fund used to account for certain Federal grant program resources.
- Lease Revenue Fund – special revenue fund used to account for the financial resources that are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, leasing facilities and debt service payments on capital leases for relocatable school buildings.

Additionally, the Charter School reports the following fiduciary fund type:

- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Charter School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

The Charter School is accounted for as a governmental organization and follows the same accounting model as the Sponsor's governmental activities.

➤ **Cash and Cash Equivalents**

The Charter School's cash and cash equivalents consist of cash on hand and cash in demand deposit accounts. Cash deposits of the Charter School are held by banks qualified as public depositories under Florida Statute Chapter 280. All such deposits are insured by federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

Changes in long-term liabilities for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

Revenues for current operations are received primarily from the Sponsor pursuant to the funding provisions included in the charter. In accordance with the funding provisions of the charter and Section 1002.33(18) (b), Florida Statutes, the Charter School reports its student enrollment to the Sponsor. Under provisions of Section 1011.62, Florida Statutes, the Sponsor reports the number of student enrollments and related data to the Florida Department of Education (DOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Charter School is adjusted during the year to reflect revised calculations of actual student enrollment.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

The Charter School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures are incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

➤ **Fund Balance**

The Charter School follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *"Fund Balance Reporting and Governmental Fund Type Definitions"*. Accordingly, in the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported in five components: non-spendable, restricted, committed, assigned, and unassigned.

Non-spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale, The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Trustees, the Charter School's highest level of decision making authority. Commitments may be changed or lifted only by the Board of Trustees taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance – Includes spendable fund balance amounts established by the administration of the Charter School that are intended to be used for specific purposes that are neither considered restricted or committed.

➤ **Pensions**

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources reported in the School's statement of net position represent changes in actuarial assumptions, the net difference between projected and actual earnings on Health Insurance Subsidy Program investments, changes in the proportion and differences between the School's contributions and proportionate share of contributions, and the School's contributions subsequent to the

measurement date, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as increases in pension expense in future years.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the School's statement of net position represent the difference between expected and actual economic experience and the net difference between projected and actual earnings on Florida Retirement System Pension investments, relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

2. RECEIVABLES

The Charter School's receivables consist of amounts due from other agencies and program receivables at June 30, 2017 totaling \$8,081. After reviewing the individual account balances management has determined that the receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

3. INTERFUND TRANSFERS

The Charter School's interfund transfers totaled \$6,121 for the fiscal year 2016-2017. This consisted of a transfer from the General Fund to the Grant Revenue Fund to cover cost of food services.

4. COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

Description	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Compensated Absences Payable	31,219	10,370	-	41,589	-

For governmental activities, compensated absences are generally liquidated with resources of the General Fund.

The College provides an IRS approved Code Section 401(a) pre-tax program for terminating employees with accrued, unused sick and vacation pay benefits in excess of \$5,000. The program permits the College to disburse these benefits in a tax-advantaged manner for both the College and the employee. Contributions are limited by IRS regulation. All employees in designated employee classes with at least 10 years of service at the time of separation are mandated to participate in this program.

5. ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year’s appropriations are likewise encumbered.

Fund balances are restricted, committed, or assigned at fiscal year-end to report an amount likely to be expended from the 2017-18 fiscal year budget as a result of purchase orders outstanding at June 30, 2017.

Because revenues of grants accounted for in the Special Revenue Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, encumbrances are reported for grant funds. There were no purchase orders outstanding for grants accounted for in the Special Revenue Funds at June 30, 2017.

6. SCHEDULE OF FEDERAL AND STATE REVENUE SOURCES

As stated in a prior note, the Charter School receives revenue for current operations primarily from the State of Florida through the Sponsor. The following is a schedule of the revenue for the 2016-17 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 1,728,545
Categorical Education Programs:	
Class Size Reduction	292,713
School Recognition Funds	52,059
Teacher's Lead Program	2,855
Gross Receipts Tax (Public Education Capital Outlay)	94,261
Total	<u>\$ 2,170,433</u>

7. RETIREMENT PROGRAMS

➤ **Background**

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Most employees working in regularly established positions of the College, including the Charter Schools 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 the 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 School's pension expense totaled \$124,507 for both the FRS Pension Plan and HIS Plan for the fiscal year ended June 30, 2017.

➤ **Florida Retirement System Pension Plan**

Plan Description

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

- Regular Class – Members of the FRS who do not qualify for membership in the other classes.
- Elected County Officers Class – Members who hold specified elective offices in local government.
- Senior Management Service Class (SMSC) – Members in senior management level positions.
- Special Risk Class – Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS 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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS 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 FRS 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 FRS 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, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS 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 the retirement 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 FRS Retirement Contribution Rates:

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. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

<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
Special Risk Regular	
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during 2016-2017 fiscal year were:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (1)
Florida Retirement System, Regular	3.00%	7.52%
Florida Retirement System, Senior Management Service	3.00%	21.77%
Florida Retirement System, Special Risk	3.00%	22.57%
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00%	12.99%
Florida Retirement System, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

Pension Costs

At June 30, 2016, the School reported a liability of \$548,788 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportion of the net pension liability was based on the School's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2016, the School's proportion was 0.0022%, which was a decrease of 0.0001% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$89,372 for its proportionate share of FRS's pension expense. In addition, the School reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 42,019	\$ 5,110
Changes in Actuarial Assumptions	33,200	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	141,855	-
Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions	28,380	9,377
Entity Contributions Subsequent to the Measurement Date	23,363	-
Total	<u>268,817</u>	<u>\$ 14,487</u>

The deferred outflows of resources related to pensions totaling \$23,363 reported as deferred outflows of resources related to pensions resulting from School contributions to the FRS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as an increase (decrease) in pension expense as follows:

FRS Future Pension Expense

Year Ended June 30	Amount
2018	\$ 34,891
2019	34,891
2020	90,194
2021	61,027
2022	7,928
Thereafter	2,036

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25%, Average, Including Inflation
	7.60%, Net of Pension Plan Investment Expense,
Investment Rate of Return	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.

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, as outlined in the FRS Plan's investment policy 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%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	<u>12%</u>	6.7%	6.1%	11.4%
Total	<u>100%</u>			
Assumed inflation - Mean		2.6%		1.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.60% for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

FRS Pension Liability Sensitivity

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.60%	7.60%	8.60%
Entity's Proportionate Share of the FRS Plan Net Pension Liability (Asset)	\$ 1,010,355	\$ 548,788	\$ 164,594

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

➤ Retiree Health Insurance Subsidy Program

Plan Description

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

Benefits Provided

For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The School's contributions to the HIS Plan were \$13,652 for the year ended June 30, 2017.

Pension Costs

At June 30, 2017, the School reported a liability of \$380,830 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportion of the net pension liability was based on the School's contributions received during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all participating employers. At June 30, 2016, the School's proportion was 0.0033%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$35,136 for its proportionate share of HIS's pension expense. In addition, the School reported its proportionate share of HIS's deferred outflows of resources from the following sources:

HIS Deferred Inflows/Outflows - 2017

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 867
Changes in Actuarial Assumptions	59,762	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	193	
Changes in Proportion and Differences Between Entity Contributions and Proportionate Share of Contributions	18,264	-
Entity Contributions Subsequent to the Measurement Date	13,652	-
Total	<u>91,871</u>	<u>\$ 867</u>

The deferred outflows of resources related to pensions totaling \$13,652 reported as deferred outflows of resources related to pensions resulting from School contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

HIS Future Pension Expense

Year Ended June 30	Amount
2018	\$ 14,074
2019	14,074
2020	14,038
2021	14,149
2022	11,952
Thereafter	9,065

Actuarial Assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60% per year
Salary Increases	3.25% Average, Including Inflation
Municipal Bond Rate	2.85%

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate

The discount rate used to measure the total pension liability was 2.85% for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20- Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability stayed the same from the prior measurement date.

Pension Liability Sensitivity

The following presents the School's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

HIS Pension Liability Sensitivity

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	1.85%	2.85%	3.85%
Entity's Proportionate Share of the HIS Plan Net Pension Liability (Asset)	\$ 436,899	\$ 380,830	\$ 334,297

Pension Plan Fiduciary Net Position

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website at <http://www.dms.myflorida.com>.

➤ **Defined Contribution Plan**

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. School employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

These allocations include a required employee contribution of 3% of gross compensation for each member class.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's Investment Plan pension expense totaled \$24,644 for the fiscal year ended June 30, 2017.

8. SAVINGS INCENTIVE PLAN

Effective January 1, 1994, the Board approved the adoption of a Savings Incentive Plan as provided by Section 403(b) of the Internal Revenue Code of 1986. Under the Plan, all full-time employees can elect to defer a portion of their salary within Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2016-17 fiscal year, the College matched one dollar for every dollar up to the first 3 percent of employee compensation. Each employee is fully vested upon enrollment in the Plan, and is allowed to direct the investment of his or her account to any one of the various fund groups and insurance companies approved for investment by the College. During the 2016-17 fiscal year, the College contributed \$16,330 as matching funds under the Plan.

9. COMMITMENTS TO THE COLLEGE

The Charter School entered into a lease agreement with Florida SouthWestern State College Financing Corporation whereby the College Financing Corporation leases to the Charter School a portion of the Charlotte Campus facilities consisting of approximately of 19,102 sq. ft. for purposes of operating the high school. The lease agreement was for a period of one year ending on June 30, 2016 and is renewable annually. The amount paid for the leased premises for the year ended June 30, 2017 was \$125,000.

The services that the College provides to the Charter School are utilities, ground maintenance, indirect costs, and printing. The expenses incurred by the Charter School for those services that is owed by the Charter School to the College as of June 30, 2017 was \$49,865.

10. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to tort loss; federal liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provides for insurance coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium). The Consortium is authorized under Section 1004.725, Florida Statutes, to contract with the College System Institution's boards of trustees to provide self-insurance services, including, but not limited to, the evaluation, settlement, and payment of self-insurance claims on behalf of the board of trustees.

The Consortium is self-sustaining through member assessments (premiums) and reinsures a portion of its program through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess liability insurance with the limits of \$5 million and excess property insurance coverage of up to \$200 million through March 1, 2018.

Insurance coverage obtained through the Consortium also includes health and hospitalization, dental, life, fire and general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from all such risks have not exceeded coverage in any of the past three fiscal years. The Charter Schools are afforded this insurance coverage through the College's participation in the Consortium.

Florida SouthWestern State College
Collegiate High School - Charlotte Campus
 Budgetary Comparison Schedule
 For the fiscal year ended June 30, 2017

	<u>General Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental:				
State	\$ 1,971,425	\$ 2,026,344	\$ 2,081,480	\$ 55,136
Total Revenues	1,971,425	2,026,344	2,081,480	55,136
Expenditures				
Governmental Activities:				
Instruction:	1,016,450	1,042,453	1,057,377	(14,924)
Instructional Support Services:				
Pupil Personnel Services	80,558	82,673	87,616	(4,943)
Instructional Staff Training Services	15,139	15,139	-	15,139
General Support:				
Board	12,500	12,500	10,542	1,958
School Administration	680,596	707,397	595,941	111,456
Pupil Transportation Services	73,000	73,000	63,149	9,851
Operation of Plant	66,536	66,536	65,918	618
Maintenance of Plant	26,646	26,646	20,657	5,989
Total Expenditures	1,971,425	2,026,344	1,901,200	125,144
Other Financing Sources (Uses)				
Transfers Out			(6,121)	(6,121)
Total Other Financing Sources (Uses)	-	-	(6,121)	(6,121)
Net Change in Fund Balances	\$ -	\$ -	\$ 174,159	\$ 174,159

Florida SouthWestern State College
Collegiate High School - Charlotte Campus
 Budgetary Comparison Schedule
 For the fiscal year ended June 30, 2017

		Lease Revenue Fund			
		Original Budget	Final Budget	Actual	Variance
Revenues					
Intergovernmental:					
State		\$ 125,000	\$ 125,000	\$ 88,953	\$ (36,047)
Total Revenues		<u>125,000</u>	<u>125,000</u>	<u>88,953</u>	<u>(36,047)</u>
Expenditures					
Operation of Plant		<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Expenditures		<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net Change in Fund Balances		<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,047)</u>	<u>\$ (36,047)</u>

Florida SouthWestern State College
Collegiate High School - Charlotte Campus
 Budgetary Comparison Schedule
 For the fiscal year ended June 30, 2017

	Grant Revenue Fund			
	Original Budget	Final Budget	Actual	Variance
Revenues				
Intergovernmental:				
Federal Through State	\$ 40,000	\$ 31,055	\$ 31,055	\$ -
Local:				
Food Service Sales	60,000	37,151	37,152	(1)
Total Revenues	100,000	68,206	68,207	(1)
Expenditures				
General Support:				
Food Services	100,000	74,328	74,328	-
Total Expenditures	100,000	74,328	74,328	-
Other Financing Sources (Uses)				
Transfers In	-	6,122	6,121	(1)
Total Other Financing Sources (Uses)	-	6,122	6,121	(1)
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -

NOTES TO BUDGETARY COMPARISON SCHEDULES

1. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

➤ **Budgetary Information**

The Charter School uses the policies of the College for budgetary compliance. The College follows procedures established by State statutes and State Board of Education rules in establishing budgets as described below:

Budgets are prepared and original budgets are approved annually by the Board of Trustees for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

Budgets are controlled at the account level (e.g., salaries, purchased services, and capital outlay) within each program (e.g., instruction, instructional support, and school administration) and may be amended throughout the fiscal year.

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**Schedule of the School's Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Measurement Periods***

	<u>2014</u>	<u>2015</u>	<u>2016</u>
School's Proportion of the Net Pension Liability	0.002096366%	0.002252305%	0.002173409%
School's Proportionate Share of the Net Pension Liability	\$ 127,909	\$ 290,915	\$ 548,788
School's Covered-Employee Payroll	\$ 433,057	\$ 431,171	\$ 482,497
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	29.54%	67.47%	113.74%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.09%	92.00%	84.88%

*The Amounts Presented for Each Measurement Period were Determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

**Schedule of School Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 45,919	\$ 54,913	\$ 53,002	\$ 23,363
Contributions in Relation to the Contractually Required Contribution	(45,919)	(54,913)	(53,002)	(23,363)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 433,057	\$ 431,171	\$ 482,497	\$ 503,730
Contributions as a Percentage of Covered Employee Payroll	10.60%	12.74%	10.98%	4.64%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

**Schedule of the School's Proportionate Share of the Net Pension Liability
Retiree Health Insurance Subsidy Program
Last Ten Measurement Periods***

	<u>2014</u>	<u>2015</u>	<u>2016</u>
School's Proportion of the Net Pension Liability	0.003042764%	0.003210572%	0.003267645%
School's Proportionate Share of the Net Pension Liability	\$ 284,506	\$ 327,428	\$ 380,830
School's Covered-Employee Payroll	\$ 926,231	\$ 945,480	\$ 837,565
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	30.72%	34.63%	45.47%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.99%	0.50%	0.97%

*The Amounts Presented for Each Measurement Period were Determined as of June 30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

**Schedule of School Contributions
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 10,424	\$ 12,273	\$ 16,749	\$ 13,652
Contributions in Relation to the Contractually Required Contribution	(10,424)	(12,273)	(16,749)	(13,652)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 926,231	\$ 945,480	\$ 837,565	\$ 831,448
Contributions as a Percentage of Covered Employee Payroll	1.13%	1.30%	2.00%	1.64%

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

FLORIDA SOUTHWESTERN STATE COLLEGE
 COLLEGIATE HIGH SCHOOL - CHARLOTTE CAMPUS
 SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2017

OLO	FEIN	DUNS Number	CFDA #	ARRA	Federal Awarding Agency	CFDA Program Title	Research & Development	Source of Funding (D, I, or T)	Pass-Through Grantor or State of Florida Entity Name (Required for Sources of Funding I and T)	Award Number (Required for Indirect Grants, CFDA No. XX.UNK, Research & Development and ARRA awards)	Total Expenditures
051800	591211051	081947434	10.555	No	USDA	National School Lunch Program	No	T	Florida Department of Agriculture and Consumer Services	01-0561	31,055



**INDEPENDENT AUDITORS' 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**

Board of Trustees
Florida SouthWestern State College Collegiate High School
Charlotte Campus
Fort Myers, Florida

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 the governmental activities, each major fund and the aggregate remaining fund information of the Charlotte Campus of the Florida SouthWestern State College Collegiate High School (the School), a division of Florida SouthWestern State College, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result 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.



CliftonLarsonAllen LLP

Fort Myers, Florida
November 6, 2017

MANAGEMENT LETTER

Board of Trustees
Florida SouthWestern State College Collegiate High School
Charlotte Campus
Fort Myers, Florida

Report on the Financial Statements

We have audited the financial statements of the Florida SouthWestern State College Collegiate High School – Charlotte Campus (the School) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 6, 2017.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated November 6, 2017, 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. Corrective actions have been taken to address the finding and recommendation made in the preceding annual financial audit report. See Appendix A – Status of Prior Year Findings and Recommendations.

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 Florida SouthWestern State College Collegiate High School – Charlotte Campus.

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires 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.

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, applicable management, and Lee County District School Board (Sponsor) and is not intended and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
November 6, 2017

Appendix A – Status of Prior Year’s Findings and Recommendations

Prior Year Findings and Recommendations		Current Year Status		
		Cleared	Partially Cleared	Not Cleared
2016-001 – Compliance with Agency Fund Disbursement Policy	Recommendation in Management Letter	X		