

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Financial Statements
with Independent Auditor's Reports Thereon**

June 30, 2017



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CERTIFIED PUBLIC ACCOUNTANTS

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**RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Ridgeview Global Studies Academy, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- ❖ The School's net position at June 30, 2017 is approximately \$314,000.
- ❖ For the fiscal year ended June 30, 2017, the School's expenses exceeded revenues by approximately \$49,500.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for, that are not directly related to the School's mission. For the year ended June 30, 2017, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in the governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general and special revenue funds, as required by the Florida Statutes. The budgets are legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules show four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 15 of this report.

Other Reports

This report also includes the Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

The School's combined net position as of June 30, 2017 and 2016 is summarized as follows:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Current and other assets	\$ 1,631,232	\$ 1,883,762	\$ (252,530)
Capital assets, net	1,782,881	1,467,663	315,218
Total assets	<u>3,414,113</u>	<u>3,351,425</u>	<u>62,688</u>
 Deferred outflow of resources	 <u>2,211,162</u>	 <u>1,246,919</u>	 <u>964,243</u>
 Current and other liabilities	 461,636	 516,143	 (54,507)
Long-term liabilities	4,269,790	2,910,719	1,359,071
Total liabilities	<u>4,731,426</u>	<u>3,426,862</u>	<u>1,304,564</u>
 Deferred inflow of resources	 <u>579,880</u>	 <u>807,939</u>	 <u>(228,059)</u>
 Net position:			
Invested in capital assets, net of related debt	1,666,656	1,289,090	377,566
Restricted: Food Services	53,899	28,464	25,435
Unrestricted	<u>(1,406,586)</u>	<u>(954,011)</u>	<u>(452,575)</u>
Total net position	<u>\$ 313,969</u>	<u>\$ 363,543</u>	<u>\$ 49,574</u>

The change in current assets is primarily due to a decrease in cash and cash equivalents balances at year end. The School used cash resources during the current year to purchase capital assets. Capital assets increased due to the current year additions exceeding current depreciation expense. Total liabilities increased due as a result of the School's portion of the pension liability. The decrease in net position is a result of the current year operating deficit.

Change in Net Position

The School's total expenses exceeded total revenues by approximately \$49,500 in fiscal 2017—see table below.

Revenues:	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Federal sources passed through local school district	\$ 564,985	\$ 517,790	\$ 47,195
State and local sources	7,792,070	6,950,028	842,042
Contributions and other revenues	447,494	427,272	20,222
Total revenues	<u>8,804,549</u>	<u>7,895,090</u>	<u>909,459</u>
Expenses:			
Instruction	5,769,677	4,879,066	890,611
Pupil personnel services	282,545	312,165	(29,620)
Instructional media services	136,970	124,178	12,792
Instructional staff training	24,198	33,863	(9,665)
Board	30,877	25,299	5,578
General administration	34,553	41,441	(6,888)
School administration	773,113	498,536	274,577
Facilities construction and acquisition	83,235	9,153	74,082
Fiscal services	54,978	46,295	8,683
Food services	481,141	467,533	13,068
Pupil transportation	340,783	332,467	8,316
Operation of plant	687,964	582,068	105,896
Community services	148,114	141,276	6,838
Interest	5,975	10,767	(4,792)
Total expenses	<u>8,854,123</u>	<u>7,504,107</u>	<u>1,305,016</u>
Change in net position	<u>\$ (49,574)</u>	<u>\$ 390,983</u>	<u>\$ (440,557)</u>

The change in state and local sources is primarily due to the increase in student population due to the addition of 7th grade. The School enrolled 1125 students, which was a 14% increase from 2016. The School's expenses in instruction, media, school administration, food and transportation services increased due to additional employees to accommodate the increase in students. The increase in operation of plant was due to additional facilities and rental expenses.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing the School's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of approximately \$1,590,190. Revenues and expenditures changed overall for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

During the fiscal year, the School amended its budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts, and 3) changes in appropriations that become necessary to maintain services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017, the School had invested approximately \$3.0 million in capital assets.

As of June 30, 2017 and 2016 information regarding the Schools capital assets is as follows:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>
Land	\$ 1,226,512	\$ 1,225,287	\$ 1,225
Furniture, fixtures, and equipment	415,565	395,891	19,674
Vehicles	963,774	963,774	-
Computer software	32,235	32,235	-
Construction in progress	<u>404,698</u>	<u>16,982</u>	<u>387,716</u>
Total capital assets	\$ <u>3,042,784</u>	\$ <u>2,634,169</u>	\$ <u>408,615</u>

This year's major capital asset additions included the following:

- Land improvements - \$1,225
- Computers and smartboards - \$19,000
- Construction in progress - \$387,000

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

Long-Term Liabilities

As of June 30, 2017, the School has \$116,225 in notes payable outstanding. Long-term debt decreased due to current year principal payments. Interest paid during the fiscal year ended June 30, 2017 was approximately \$6,000. For more detailed information about the School's long-term debt, see Note 6 to the financial statements.

Additionally, the School has approximately \$4.1 million in pension liability. For more detailed information, see Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Amounts available for appropriation in the general fund are approximately \$8.7 million, an increase of approximately \$600,000 from 2017 actual amount exclusive of revenues from internal funds. The change is due to an increase in FTE student to 1257, a 12% increase from the current year.

Budgeted expenditures in the general fund are approximately \$8.6 million, an increase of approximately \$300,000 from the 2017 actual amount exclusive of expenditures from internal funds. The increase is primarily due to an increase in salaries and benefits across the board and facilities expenditures to serve the added grade for next year.

If these estimates are realized, the School's general fund balance is expected to increase during the fiscal year ending June 30, 2018.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1000 Dunson Road, Davenport, Florida 33896.



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Independent Auditor's Report

To the Board of Directors of Ridgeview Global Studies Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of Ridgeview Global Studies Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of 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.

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 and pension liability on pages 1-6 and 37-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 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, 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 the School's internal control over financial reporting and compliance.

McCRA DY HESS

Orlando, Florida
September 15, 2017

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Members of American Institute of Certified Public Accountants and Florida Institute of Certified Public Accountants

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Statement of Net Position

June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 757,459
Certificates of deposit	788,276
Due from other agency	71,592
Other current assets	13,905
Capital assets:	
Land	1,226,512
Furniture, fixtures and equipment	415,565
Vehicles	963,774
Computer software	32,235
Construction in progress	404,698
Less accumulated depreciation	<u>(1,259,903)</u>
Total capital assets, net	<u>1,782,881</u>
Total assets	<u>3,414,113</u>
DEFERRED OUTFLOW OF RESOURCES	
Amount deferred on pension liability	<u>2,211,162</u>
LIABILITIES	
Accounts payable and accrued expenses	41,042
Compensated absences payable	420,594
Long-term liabilities:	
Portion due or payable within one year:	
Notes payable	37,957
Portion due or payable after one year:	
Notes payable	78,268
Pension liability	<u>4,153,565</u>
Total liabilities	<u>4,731,426</u>
DEFERRED INFLOW OF RESOURCES	
Amount deferred on pension liability	<u>579,880</u>
NET POSITION	
Invested in capital assets, net of related debt	1,666,656
Restricted:	
Food services	50,615
Unrestricted	<u>(1,403,302)</u>
Total net position	<u>\$ 313,969</u>

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Statement of Activities

For the Year Ended June 30, 2017

	<u>Program Specific Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction	\$ 5,769,677	\$ -	\$ 108,428	\$ -	\$ (5,661,249)	\$ (5,661,249)
Pupil personnel services	282,545	-	46,309	-	(236,236)	(236,236)
Instructional media services	136,970	-	-	-	(136,970)	(136,970)
Instructional staff training	24,198	-	24,198	-	-	-
Board	30,877	-	-	-	(30,877)	(30,877)
General administration	34,553	-	-	-	(34,553)	(34,553)
School administration	773,113	-	1,071	-	(772,042)	(772,042)
Facilities construction and acquisition	83,235	-	-	-	(83,235)	(83,235)
Fiscal services	54,978	-	-	-	(54,978)	(54,978)
Food services	481,141	122,025	384,979	-	25,863	25,863
Pupil transportation	340,783	-	-	-	(340,783)	(340,783)
Operation of plant	687,964	-	-	-	(687,964)	(687,964)
Community services	148,114	180,265	-	-	32,151	32,151
Interest	5,975	-	-	-	(5,975)	(5,975)
Total primary government	\$ 8,854,123	\$ 302,290	\$ 564,985	\$ -	(7,986,848)	(7,986,848)
General revenues:						
State and local sources					7,792,070	7,792,070
Contributions and other revenues					145,204	145,204
Total general revenues					7,937,274	7,937,274
Changes in net position					(49,574)	(49,574)
Net position at beginning of year					363,543	363,543
Net position at end of year					\$ 313,969	\$ 313,969

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 671,794	\$ 85,665	\$ 757,459
Certificates of deposit	788,276	-	788,276
Due from other agency	-	71,592	71,592
Other current assets	13,905	-	13,905
Due from special revenue fund	106,642	-	106,642
Total assets	<u>\$ 1,580,617</u>	<u>\$ 157,257</u>	<u>\$ 1,737,874</u>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 41,042	\$ -	\$ 41,042
Due to general fund	-	106,642	106,642
Total liabilities	<u>41,042</u>	<u>106,642</u>	<u>147,684</u>
FUND BALANCES			
Nonspendable:			
Other current assets	13,905	-	13,905
Restricted:			
Food services	-	50,615	50,615
Assigned:			
Designated for School-based student activity organizations	49,464	-	49,464
Spendable:			
Unassigned	1,476,206	-	1,476,206
Total fund balances	<u>1,539,575</u>	<u>50,615</u>	<u>1,590,190</u>
Total liabilities and fund balances	<u>\$ 1,580,617</u>	<u>\$ 157,257</u>	<u>\$ 1,737,874</u>

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2017

Total fund balances - governmental funds \$ 1,590,190

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$3,042,784 and the accumulated depreciation is \$1,259,903. 1,782,881

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (420,594)

Long-term liabilities, including notes payable and obligations under capital leases, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The long-term liabilities at year-end consisted of:

Notes payable	(116,225)
Pension liability	(4,153,565)

Deferred amounts are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds. 1,631,282

Total net position - governmental activities \$ 313,969

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ 564,985	\$ -	\$ 564,985
State and local sources	7,792,070	-	-	7,792,070
Contributions and other revenue	325,469	122,025	-	447,494
Total revenues	8,117,539	687,010	-	8,804,549
EXPENDITURES				
Current:				
Instruction	5,380,694	108,428	-	5,489,122
Pupil personnel services	236,536	46,309	-	282,845
Instructional media services	137,633	-	-	137,633
Instructional staff training	-	24,198	-	24,198
Board	30,877	-	-	30,877
General administration	34,553	-	-	34,553
School administration	781,028	1,071	-	782,099
Facilities construction and acquisition	83,235	-	-	83,235
Fiscal services	54,978	-	-	54,978
Food services	-	481,569	-	481,569
Pupil transportation	257,792	-	-	257,792
Operation of plant	689,826	-	-	689,826
Community services	148,114	-	-	148,114
Debt service:				
Principal	-	-	62,348	62,348
Interest	-	-	5,975	5,975
Capital outlay	405,331	3,284	-	408,615
Total expenditures	8,240,597	664,859	68,323	8,973,779
Excess (deficiency) of revenues over expenditures	(123,058)	22,151	(68,323)	(169,230)
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	68,323	68,323
Operating transfer out	(68,323)	-	-	(68,323)
Total other financing sources (uses)	(68,323)	-	68,323	-
Net changes in fund balances	(191,381)	22,151	-	(169,230)
Fund balances at beginning of year	1,730,956	28,464	-	1,759,420
Fund balances at end of year	\$ 1,539,575	\$ 50,615	\$ -	\$ 1,590,190

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2017

Net changes in fund balances - total governmental funds \$ (169,230)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$408,615) depreciation expense (\$93,397) in the current period. 315,218

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 28,793

Principal payments on long-term liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 62,348

In the Statement of Activities, some revenues and expenses are recognized that do not provide current financial resources and are not recognized in the governmental funds, such as deferred inflows and outflows of resources. (286,703)

Change in net assets of governmental activities \$ (49,574)

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Notes to Financial Statements

For the Year Ended June 30, 2017

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ridgeview Global Studies Academy, Inc. (the School) is a not-for-profit corporation organized pursuant to chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.22, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of five members. Effective July 1, 2001, the School converted from a public school to a charter school.

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, the District School Board of Polk County Florida, (the School Board). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board (GASB).

Charter Contract

The current charter expires June 30, 2024 due to high performing school status and may be renewed for a maximum of an additional fifteen years by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered a governmental organization for financial statement reporting purposes.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to that of a private-sector business. The statement of net position and statement of activities are designed to provide financial information about the School as a whole on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

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The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are the individual governmental funds reported in the fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources restricted or committed to expenditures for a specific purpose.
- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

For the purpose of these statements, the general and special revenue funds are considered major funds. The debt service fund is reported as other governmental funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is

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the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Interfund Transfers

The School reports its debt service fund expenditures in the other governmental funds. For the year ended June 30, 2017, the general fund transferred approximately \$68,000 to the other governmental funds for the current year debt service payments.

Interfund Receivables and Payables

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. The general fund has recorded total receivables of approximately \$107,000, which are related to amounts paid by the general fund on behalf of the special revenue fund.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits and certificates of deposit with financial institutions.

As State of Florida Statutes and the School's policy require, all deposits be made into and held by financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds.

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The minimum collateral to be pledged by the institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2017.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and are reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date of donation. The School capitalizes assets with a cost of \$1,000 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Furniture, fixtures and equipment	3 – 5
Vehicles	5
Computer software	3

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as an expenditure in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employee.

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. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The School's retirement plans and related amounts are described in Note 6.

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Net Position and Fund Balance Classifications

Government-wide financial statements

The net position is classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the Special Revenue Fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balance, and unassigned fund balances at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted

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fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as committed fund balance. It is also possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have a negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes exceed the positive fund balance for the non-general fund.

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 school has one item that qualifies for reporting in this category which is the deferred amount of pension reported in the government-wide statement of net position.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category which is the deferred amount of pension reported in the government-wide statement of net position. A deferred amount of pension results from the difference in the expected and actual amounts of experience, earnings and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan. However, earnings are amortized over 5 years.

Revenue Sources

Revenues for operations are received primarily from the District School Board of Polk County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 2% administrative fee from the School, which is withheld from the respective FEFP payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students. The difference between the actual expense and the expense calculated on total FEFP revenue is restricted for capital outlay expenditures.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such

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adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2017, the School reported 1,124.94 unweighted FTE.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

2 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

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The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

The estimated fair value of the School's pension liability and related deferred outflows and inflows determined using Level 3 inputs is based on information provided by the Auditor General. The estimated fair value of the School's pensions and related deferred outflows and inflows using Level 3 inputs is determined by calculating the present value of the future distributions expected to be paid, using published life expectancy tables and discount rates ranging from approximately 2% to 4.3%. There were no changes in valuation techniques during the year.

The carrying values of cash and cash equivalents, cash restricted for long-term purposes, due from other agencies and the note payable do not differ materially from reasonable estimates of fair value, as the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value.

Estimated fair value of certain assets and (liabilities) measured on a recurring basis at June 30, 2017, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Deferred outflows related to pension liability	\$ -	\$ -	\$ 2,211,162	\$ 2,211,162
Pension liability	-	-	(4,153,565)	(4,153,565)
Deferred inflows related to pension liability	-	-	(579,880)	(579,880)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,522,283)</u>	<u>\$ (2,522,283)</u>

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3 DUE FROM OTHER AGENCY

Due from another agency included in the accompanying financial statements includes approximately \$46,000 and \$25,000 in Title II and IDEA reimbursements from the School Board. Based on the source of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

4 CAPITAL ASSETS

Capital assets as of June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets:				
Land	\$ 1,225,287	\$ 1,225	\$ -	\$ 1,226,512
Furniture, fixtures and equipment	395,891	19,674	-	415,565
Vehicles	963,774	-	-	963,774
Computer software	32,235	-	-	32,235
Construction in progress	16,982	387,716	-	404,698
Total capital assets	<u>2,634,169</u>	<u>408,615</u>	<u>-</u>	<u>3,042,784</u>
Accumulated depreciation:				
Furniture, fixture and equipment	(373,099)	(10,406)	-	(383,505)
Vehicles	(761,172)	(82,991)	-	(844,163)
Computer software	<u>(32,235)</u>	<u>-</u>	<u>-</u>	<u>(32,235)</u>
Total accumulated depreciation	<u>(1,166,506)</u>	<u>(93,397)</u>	<u>-</u>	<u>(1,259,903)</u>
Capital assets, net	<u>\$ 1,467,663</u>	<u>\$ 313,993</u>	<u>\$ -</u>	<u>\$ 1,782,881</u>
Depreciation expense:				
Instruction			\$ 8,784	
School administration			464	
Food services			1,158	
Transportation			<u>82,991</u>	
Total governmental activities depreciation expense			<u>\$ 93,397</u>	

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5 LONG-TERM LIABILITIES

Notes Payable

The School has two notes payable outstanding with financial institutions, secured by the School's vehicles financed under the notes. Terms of the notes include monthly principal and interest payments of approximately \$6,504 through April 2017 and approximately \$3,556 through June 2020. The interest rate charged on the note is 4.5% and 4.6%, respectively. Future debt service related to the notes payable is as follows as of June 30, 2017:

Year ended June 30,	Principal	Interest	Total
2018	\$ 37,957	\$ 4,710	\$ 42,667
2019	39,746	2,921	42,667
2020	38,522	1,047	39,569
	<u>\$ 116,225</u>	<u>\$ 8,678</u>	<u>\$ 124,903</u>

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2015:

	Balance 6/30/16	Additions	Payments	Balance 6/30/16
Notes payable	<u>\$ 178,573</u>	<u>\$ -</u>	<u>\$ (62,348)</u>	<u>\$ 116,225</u>

Total interest paid for the School's long term liabilities during the year ended June 30, 2017 totaled approximately \$6,000.

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6 RETIREMENT PLANS

Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the School 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' website (www.dms.myflorida.com).

FRS Pension Plan

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

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

All employees of the school are members of the regular class. 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 the Plan may include up to 4 years of credit for military service toward creditable service. The

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Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS 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 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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 percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Services</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 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

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer(1)</u>
FRS, Regular	3.00	5.56

The School's contributions, including employee contributions, to the Plan totaled \$235,432 for the fiscal year ended June 30, 2017. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the School reported a liability of \$2,153,566 for its proportionate share of the 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 proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members.

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For the fiscal year ended June 30, 2017, the School recognized pension expense of \$375,507 related to the Plan. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 186,648	\$ 22,697
Change of assumptions	147,473	-
Net difference between projected and actual earnings on FRS pension plan investments	1,121,426	491,314
Changes in proportion and differences between school FRS contributions and proportionate share of contributions	58,779	61,961
School FRS contributions subsequent to the measurement date	235,432	-
Total	\$1,749,758	\$ 575,972

The deferred outflows of resources related to pensions, totaling \$235,432 resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

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 percent
Salary increases	3.25 percent, average, including inflation
Investment of return	7.60 percent, net of pension plan investment Expense, including inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual Geometric Return	Standard Deviation
Cash	1.00%	3.0%	3.0%	1.7%
Fixed income	18.00%	4.7%	4.6%	4.6%
Global Equity	53.00%	8.1%	6.8%	17.2%
Real Estate (Property)	10.00%	6.4%	5.8%	12.0%
Private Equity	6.00%	11.5%	7.8%	30.0%
Strategic investments	12.00%	6.1%	5.6%	11.1%
Total	<u>100.00%</u>			
Assumed Inflation Mean		2.60%		1.9%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following presents the School's proportionate share of the net pension liability using the discount rate of 7.60 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
School's proportionate share of the net pension liability	\$ 4,487,946	\$ 2,437,687	\$ 731,116

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

Payables to the Pension Plan: At June 30, 2017, the School had no outstanding amounts owed to the Plan for the fiscal year ended June 30, 2017.

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HIS Pension Plan

Plan Description: The HIS Pension Plan (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 Division of Retirement within the Florida Department of Management Services.

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, 2017, 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 three 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 totaled \$75,464 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the School reported a net pension liability of \$1,715,878 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 proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members.

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$164,505 related to the HIS Plan. In addition, the School reported deferred outflows of resources related to pensions from the following sources:

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,908
Change of assumptions	269,265	-
Net difference between projected and actual earnings on HIS pension plan investments	868	-
Changes in proportion and differences between School HIS contributions and proportionate share of HIS contributions	115,807	-
School HIS contributions subsequent to the measurement date	75,464	-
Total	<u>\$ 461,404</u>	<u>\$ 3,908</u>

The deferred outflows of resources related to pensions, totaling \$75,464, resulting from School contributions to the HIS Plan subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

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:

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate: The discount rate used to measure the total pension liability was 2.85 percent. 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.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
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**Notes to Financial Statements
(continued)**

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate:

	<u>Decrease (1.85%)</u>	<u>Discount Rate (2.85%)</u>	<u>Increase (3.85%)</u>
School's proportionate share of the net pension liability	\$1,968,502	\$1,715,878	\$1,506,214

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

Payables to the Pension Plan: At June 30, 2017, the School had no outstanding contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

FRS – Defined Contribution Pension Plan

The Public Employee Optional Retirement Program (PEORP) is administered by FRS as an option to the defined benefit plan. It is self-directed by the employee. The Employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of the investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, Etc.). The School had no PEORP participants during fiscal year 2017.

The School contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	5.15

For all membership classes, employees are immediately vested in their own contributions and are vested after one 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. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. 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.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources:

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 4,877,167
Class size reduction	1,325,858
Transportation	317,294
ESE guaranteed allocation	286,612
Discretionary millage funds	264,716
Supplemental academic instruction	253,129
Discretionary local efforts	252,245
Instructional materials	88,496
Reading allocation	48,069
Digital classroom allocation	23,209
Other FEFP allocation	21,643
Discretionary lottery funds	18,358
Lead teachers	17,952
Proration of funding	<u>(2,678)</u>
Total	<u>\$ 7,792,070</u>

The administrative fee paid to the School Board during the year ended June 30, 2017 totaled approximately \$34,600, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds.

8 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

9 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as year end may be impaired.

In the opinion of the School, there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. Management believes the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

10 CAMPUS FACILITIES

The title of the school building and facilities and other capital assets acquired prior to July 1, 2001 remain with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the School are significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion schools could have a material effect on the School's operations.

11 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the years 2015, 2014, and 2013 are subject to examination by tax authorities, and may change upon examination.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**Notes to Financial Statements
(continued)**

12 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 15, 2017, which is the date the financial statements were available to be issued.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 7,777,218	\$ 7,792,070	\$ 7,792,070	\$ -
Contributions and other revenue	1,000	325,469	325,469	-
Total revenues	7,778,218	8,117,539	8,117,539	-
EXPENDITURES				
Current:				
Instruction	5,285,742	5,380,694	5,380,694	-
Pupil personnel services	170,258	236,536	236,536	-
Instructional media services	130,147	137,633	137,633	-
Instructional staff training	10,000	-	-	-
Board	38,365	30,877	30,877	-
General administration	34,553	34,553	34,553	-
School administration	728,681	781,028	781,028	-
Fiscal services	55,000	54,978	54,978	-
Pupil transportation	252,327	257,792	257,792	-
Operation of plant	689,322	689,826	689,826	-
Community services	-	148,114	148,114	-
Total expenditures	7,394,395	7,752,031	7,752,031	-
Excess (deficiency) of revenues over expenditures	383,823	365,508	365,508	-
OTHER FINANCING SOURCES (USES)				
Operating transfer out	(147,705)	(68,323)	(68,323)	-
Total other financing sources	(147,705)	(68,323)	(68,323)	-
Net changes in fund balances	236,118	297,185	297,185	-
Fund balances at beginning of year	1,730,956	1,730,956	1,730,956	-
Fund balances at end of year	\$ 1,967,074	\$ 2,028,141	\$ 2,028,141	\$ -

See report of independent auditors.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Federal sources	\$ 564,985	\$ 564,985	\$ 564,985	\$ -
Contributions and other revenue	122,025	122,025	122,025	-
Total revenues	687,010	687,010	687,010	-
EXPENDITURES				
Current:				
Instruction	108,428	108,428	108,428	-
Pupil personnel services	46,309	46,309	46,309	-
Instructional staff training	-	24,198	24,198	-
Food services	481,569	481,569	481,569	-
Total expenditures	636,306	660,504	660,504	-
Excess (deficiency) of revenues over expenditures	50,704	26,506	26,506	-
Fund balances at beginning of year	28,464	28,464	28,464	-
Fund balances at end of year	\$ 79,168	\$ 54,970	\$ 54,970	\$ -

See report of independent auditors.

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida
Required Supplementary Information
(continued)**

Schedule of the School's Proportionate Share of the Net Pension Liability-
Florida Retirement System Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the FRS net pension liability (asset)	0.0097%	0.0102%	0.0098%	0.0096%
School's proportionate share of the FRS net pension liability (asset)	\$ 2,437,687	\$ 1,314,304	\$ 600,315	\$ 1,649,927
School's covered-employee payroll	\$ 5,184,255	\$ 4,545,017	\$ 4,227,518	\$ 4,066,518
School's proportionate share if the FRS net pension liability (asset) as a percentage of its covered-employee payroll	47.02%	28.92%	14.20%	40.57%
FRS Plan fiduciary net position as a percentage of the total pension liability	58.69%	48.11%	31.88%	59.35%

Schedule of School Contributions
Florida Retirement System Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 235,432	\$ 235,432	\$ 248,089	\$ 173,742
FRS contribution in relation to the contractually required FRS contribution	(235,432)	(235,432)	(248,089)	(173,742)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered employee payroll	\$ 5,184,255	\$ 4,545,017	\$ 4,227,518	\$ 4,066,518
FRS contribution as a percentage of covered-employee payroll	4.54%	5.18%	5.87%	4.27%

See Independent Auditor's Report

RIDGEVIEW GLOBAL STUDIES ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

Schedule of the School's Proportionate Share of the Net Pension Liability-
Health Insurance Subsidy Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the HIS net pension liability (asset)	0.0127%	0.0139%	0.0139%	0.0150%
School's proportionate share of the HIS net pension liability (asset)	\$ 1,715,878	\$ 1,417,842	\$ 1,282,936	\$ 1,130,029
School's covered-employee payroll	\$ 5,184,255	\$ 4,545,017	\$ 4,227,518	\$ 4,066,518
School's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	33.10%	31.20%	30.35%	27.79%
HIS Plan fiduciary net position as a percentage of the total pension liability	41.31%	51.89%	68.12%	40.65%

Schedule of School Contributions
Health Insurance Subsidy Pension Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 75,464	\$ 75,464	\$ 53,144	\$ 43,664
HIS contribution in relation to the contractually required HIS contribution	(75,464)	(75,464)	(53,144)	(43,664)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 5,184,255	\$ 4,545,017	\$ 4,227,518	\$ 4,066,518
HIS contribution as a percentage of covered employee payroll	1.456%	1.66%	1.11%	1.07%

See Independent Auditor's Report



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CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditor's on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of Ridgeview Global Studies Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of Ridgeview Global Studies Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2017, 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 September 15, 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 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 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.

This report is intended solely for the information and use of management of the School, the District School Board of Polk County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McCRA DY HESS

Orlando, Florida
September 15, 2017

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**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



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CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General, Chapter 10.850,
Florida Statutes, *Charter School Audits***

To the Board of Directors of Ridgeview Global Studies Academy, Inc.,
a Charter School and Component Unit of the District School Board of
the District School Board of Polk County, Florida

Report on the Financial Statements

We have audited the financial statements of Ridgeview Global Studies Academy, Inc., (the “School”) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 15, 2017.

Auditor’s Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

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 Ridgeview Global Studies Academy, Inc.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report 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.

Other Matters

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

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

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 Directors, applicable management, and Polk County School Board and is not intended to be and should not be used by anyone other than these specified parties.

McCRA DY HESS

Orlando, Florida
September 15, 2017

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