NORTHWEST FLORIDA STATE COLLEGE
COLLEGIATE HIGH SCHOOL

A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Northwest Florida State College Collegiate High School
Niceville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Florida State College Collegiate High School (the "Charter School"), a Charter School and restricted fund of Northwest Florida State College, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charter School as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4, the Charter School implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as of July 1, 2017. This standard significantly changed the accounting for the Charter School's total other post employment benefits (OPEB) liability and the related disclosures. 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 (MD&A) on pages 4 through 13 and Schedule of Changes in the Charter School's Total OPEB Liability and Related Ratios, Schedule of Contributions, and Schedule of Proportionate Share of the Net Pension Liability on pages 36 through 38, 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 January 18, 2019, on our consideration of the Charter 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 Charter School's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the Northwest Florida State College Collegiate High School (the "Charter School") for the years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnote disclosures that follow this section. Responsibility for the completeness and fairness of this information rests with the Charter School's management. The discussion and analysis includes information relating to the financial position and activities of the Charter School as a restricted fund of Northwest Florida State College (the "College").
MDA

FINANCIAL HIGHLIGHTS

The Charter School reported a positive net position balance of $14,152 at June 30, 2018, with assets and deferred outflow of resources of $1,006,686 and liabilities and deferred inflow of resources of $992,534. Net position, which represents the residual interest in the Charter School's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, increased $70,782 during the 2017-2018 fiscal year. Total revenues increased $76,187 and expenses decreased $769. The expense to revenue relationship changed from 100% in the 2016-2017 fiscal year to 97% in the 2017-2018 fiscal year.

The Charter School reported a negative net position balance of $56,630 at June 30, 2017, with assets and deferred outflow of resources of $801,506 and liabilities and deferred inflows of resources of $858,136. Net position, which represents the residual interest in the Charter School's assets and deferred outflow of resources after liabilities and deferred inflow of resources are deducted, increased $80,863 during the 2016-2017 fiscal year. The negative net position reported is due to the requirement of Governmental Accounting Standards that require the recording of Net Pension Liabilities that will be paid over time and financed by future appropriations. Total revenues decreased $58,642 and expenses increased $34,569. The expense to revenue relationship changed from 96% in the 2015-2016 fiscal year to 100% in the 2016-2017 fiscal year.

USING THIS ANNUAL REPORT

This report consists of three basic financial statements: (1) the statements of net position; (2) the statements of revenues, expenses and changes in net position; and (3) the statements of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require financial statements be presented on a nonconsolidated basis to focus on the Charter School as a whole. These statements present a long-term view of the Charter School's finances.

THE STATEMENT OF NET POSITION

The statement of net position presents the financial position of the Charter School at the end of the fiscal year and reflects all assets, deferred outflow of resources, liabilities and deferred inflows of resources of the Charter School. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is one indicator of the current financial condition of the Charter School, while the change in net position is an indicator of whether the overall financial condition has improved or declined during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical costs less an allowance for depreciation.

A summarized comparison of the Charter School's assets, deferred outflows, liabilities, deferred inflows, and net position is presented in the following table:

	June 30, 2018	June 30, 2017	June 30, 2016
Assets			
Total current assets	$ 864,276	697,842	880,207
Total assets	$ 864,276	697,842	880,207
Deferred outflows of resources	$ 142,410	103,664	29,648
Total current liabilities	$ 570,705	542,969	823,374
Total noncurrent liabilities	385,948	297,996	144,877
Total liabilities	$ 956,653	840,965	968,251
Deferred inflows of resources	$ 35,881	17,171	79,097
Net position			
Restricted	$ 56,685	46,549	26,985
Unrestricted	(42,533)	(103,179)	(164,478)
Total net position	$ 14,152	(56,630)	(137,493)

The Charter School has no noncurrent assets. A review of the Charter School's Statement of Net Position at June 30, 2018 and 2017, shows that the Charter School's total assets increased by $166,434 and total liabilities increased by $115,688. Current liabilities increased by $27,736 compared to 2016-2017. The increase in current liability is primarily because of increase in Due to College at the year-end and increase in current portion of net pension liability. The major portion of Due to College amount is consisted of June 2018 Capital Outlay payment to College and the amount owed to the College for Charter School employees payroll who are paid with the College fund and reported as Due to College at the end of the fiscal year. The Charter School reimburses the College by the full amount. Noncurrent liabilities increased by $87,952 because of increase in accrued compensated absences and net pension liability and increase in other post-employment benefits. The increase in assets is because of increase in cash compared to last fiscal year, the increase in Prepaid Expense and the decrease in accounts receivable. The Prepaid Expense is paid to the College for the laptop computers the College purchased for the Charter School. The Charter School is agreed to reimburse the College for 100% of the costs associated with the purchase and proper updating of the computers. The computers will be recorded as a capital asset in the College's books but will be for the sole use by the Collegiate High School students for a term of three years, normal useful life of a computer. The Charter School will adjust the Prepaid Expense amount as of June 30 during this useful life. The accounts receivable amount decreased by $2,960. The receivable needed to be recorded because of the June 2018 Capital outlay payment received after 2017-2018 year-end. There was an increase of $74,204 in total net pension liability that was recorded in accordance with GASB 68. The total net position balance increased by $70,782 in June 30, 2018, compared to June 30, 2017.

A review of the Charter School's Statement of Net Position at June 30, 2017 and 2016, shows that the Charter School reported a negative net position balance of $56,630. Total assets decreased by $182,365 while total liabilities decreased by $127,286.

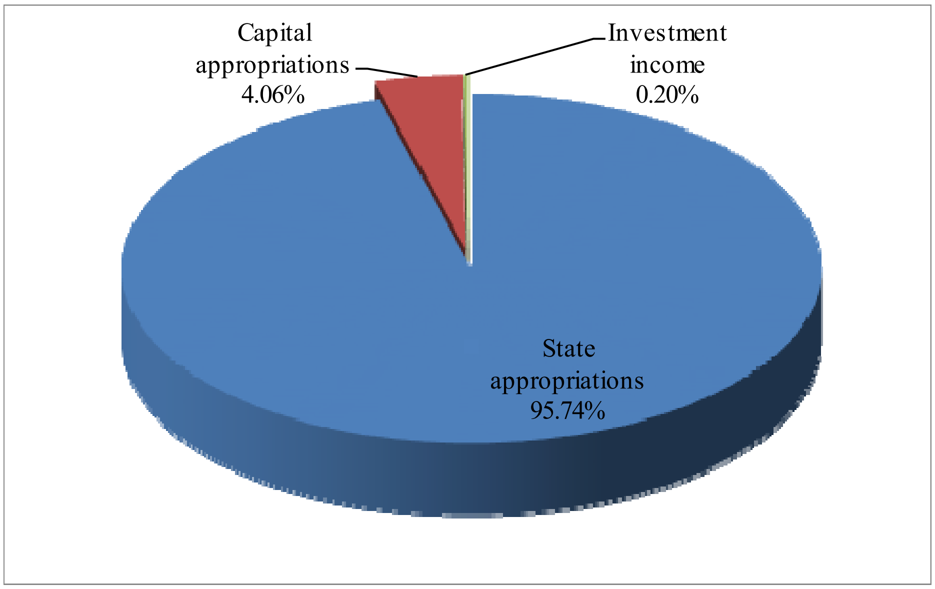
THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position presents the Charter School's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or nonoperating.

A comparison of the Charter School's revenues, expenses and changes in net position for the fiscal years are shown in the following table:

	For the Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
REVENUES			
Operating revenues	$ -	-	-
Total operating revenues	-	-	-
EXPENSES			
Operating expenses			
Salaries	422,249	420,607	375,328
Benefits	158,027	109,422	79,429
Contractual services	699,441	618,290	708,488
Other services and expenses	517,504	625,033	598,491
Materials and supplies	164,151	188,789	165,836
Total operating expenses	1,961,372	1,962,141	1,927,572
Operating loss	(1,961,372)	(1,962,141)	(1,927,572)
NONOPERATING REVENUES			
State appropriations from county school district	1,863,946	1,872,665	1,869,010
Other income	1,000	-	-
Investment income	4,860	3,827	2,052
Net nonoperating revenues	1,869,806	1,876,492	1,871,062
Loss before capital contributions	(91,566)	(85,649)	(56,510)
CAPITAL CONTRIBUTIONS			
Capital appropriations	162,348	79,475	143,547
Change in net position	70,782	(6,174)	87,037
NET POSITION			
Net position, beginning of year	(56,630)	(50,456)	137,493
Net position, end of year	$ 14,152	(56,630)	(50,456)

The following is a graphical presentation of the Charter School's nonoperating revenues for the 2017-2018 fiscal year:



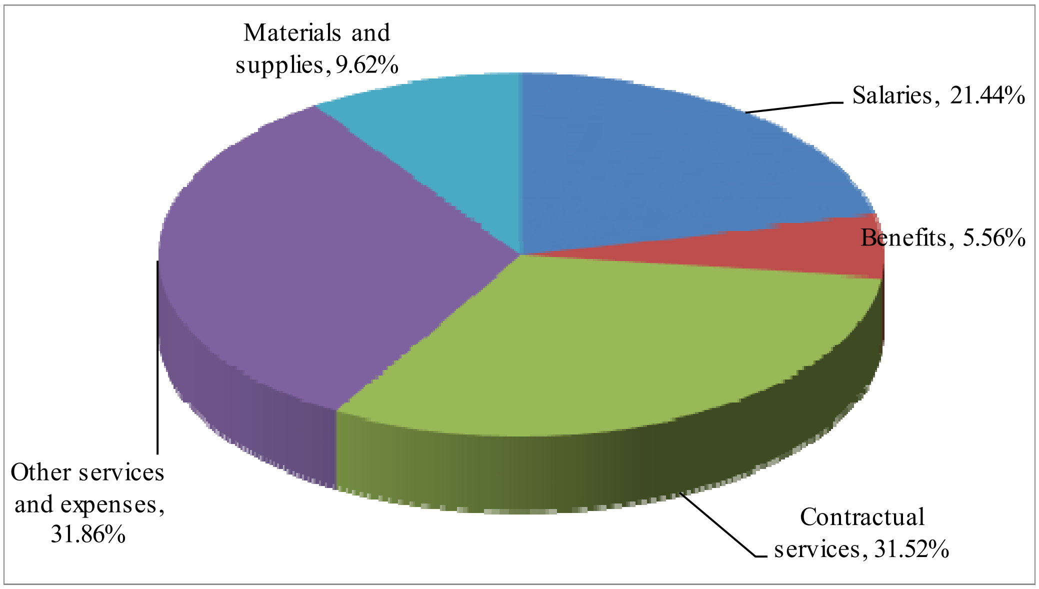
Charter School revenues increased $76,187 or almost 3.90% compared to last fiscal year because of the following factors:

- **State Appropriations decreased $8,719, primarily due to decrease in FTE by 1.77% compared to 2016-2017 even though there was an around 1% increase in the State's Base Student Allocation rate.**
- **Capital Appropriations increased by $82,873.**
- **Investment Income (Bank Interest) increased $1,033..**
- **Other Miscellaneous Income increased by $1,000**

Charter School expenses decreased minimally by 0.04% during 2017-2018. Total personnel expenses, including salaries and benefits, increased $50,247 or 9.48% compared to 2016-2017. The increase in personnel expense is primarily because of paying 2% salary raise for each full time College employee, slight increase in Charter School recognition bonus and paying more to part-time employees compared to 2016-17. Employee benefit expense increased by 44.42%, which includes Other Post-Employment Benefits Expense (OPEB), pension expense and accrued leave expense recorded at June 30 2018. The Charter School's general operating expenses decreased by $51,016 or 3.56%. Payroll expenses accounted for 29.59% and 27% of total expenses in fiscal years 2017-2018 and 2016-2017, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

A chart showing the Charter School expenses by percentage of total expenses for fiscal year 2017-2018 is as follows:



During the year ended June 30, 2017, Charter School revenues decreased $58,642 or almost 3%, as a result of the following factors:

- **State Appropriations increased $3,655, primarily due to a minimal increase in the State's Base Student Allocation rate compared to 2015-2016. FTE increased by less than 1%.**
- **Capital Appropriations decreased significantly by $64,072.**
- **Investment Income (Bank Interest) increased $1,775.**

Charter School expenses increased 1.79% during 2016-2017. Total personnel expenses, including salaries and benefits, increased $75,272 or 16.55% compared to 2015-2016. The increase in personnel expense is primarily because of paying a $1000 nonrecurring bonus for each full time College employee, slight increase in Charter School recognition bonus and hiring increased number of part-time employees (Tutors). The Charter School's general operating expenses decreased by $40,703 or 2.76%. Payroll expenses accounted for 27% and 23.59% of total expenses in fiscal years 2016-2017 and 2015-2016, respectively.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the Charter School's financial results by reporting the major sources and uses of cash. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- **An entity's ability to generate future net cash flows.**
- **Its ability to meet its obligations as they come due.**
- **Its need for external financing.**

A comparative summary of the statement of cash flows for the Charter School for the fiscal years ended June 30 2018 and 2017, is shown in the following table. The Charter School's cash increased during the reporting year.

	June 30, 2018	June 30, 2017	June 30, 2016
Cash provided (used) by			
Operating activities	$ (1,938,820)	(1,964,571)	(2,188,370)
Noncapital financing activities	1,864,946	1,872,665	1,869,010
Capital and related financing activities	165,308	84,852	145,206
Investing activities	4,860	3,827	2,052
Net increase (decrease) in cash	96,294	(3,227)	(172,102)
Cash, beginning of year	690,870	694,097	866,199
Cash, end of year	$ 787,164	690,870	694,097

The following discussion presents an overview of cash flows:

- During the fiscal year ended June 30, 2018, cash increased $96,294. The increase in cash was mainly due to the following reasons:

  - Usage of cash for operating activities decreased by $25,751 primarily because of the timing of payment of the Charter School's end of the year invoices. Some were paid earlier for 2016-2017 compared to 2017-2018. Facilities use payment in lieu of rent increased by $82,873 or more than 100% compared to fiscal year 2016-2017. The Charter School pays for facilities to the College exactly the amount received from the School District for Capital Outlay. In addition, the Charter School administration spent economically for materials/supplies and services over the year. The payments to employees for salary increased by $8,563. This increase in personnel expense is primarily as a result of paying 2% salary raise College-wide, a slight increase in Charter School recognition bonus, and paying more to Part-time employees. The payments for benefits decreased by $4,785 primarily because of the adjustments recorded for deferred inflows of resources, change in net pension labilities, other post-employment benefits and deferred outflows of resources and increase in accrued leave expense for 2017-2018.

- Noncapital financing sources decreased by $7,719 due to a 1.77% decrease in FTE compared to 2016-2017. Capital and related financing sources increased by $80,456.
- Interest income increased by $1,033 during 2017-2018.

➢ During the fiscal year ended June 30, 2017, cash decreased $3,227. The decrease in cash was mainly due to the following:

- Usage of cash for operating activities decreased by $223,799 primarily because of the timing of payment of the Charter School's end of the year invoices. Some were paid earlier for 2015-2016 compared to 2016-2017. Other than that, payment for Student's computer lease decreased by $16,034.25 or 21% because of the reduced number of computers rented by the Charter School students and reuse of older computers from last year. Facilities use payment in lieu of rent reduced by $64,072 or 45% compared to fiscal year 2015-2016. The Charter School pays for facilities to the College exactly the amount received from the School District for Capital Outlay. In addition, the Charter School administration spent economically for materials/supplies and services over the year. The payments to employees for salary increased by $41,962. The increase in personnel expense is primarily as a result of paying a $1000 onetime bonus for each full time employee, a slight increase in Charter School recognition bonus and hiring an increased number of part-time employees (Tutors).
- The payments for benefits increased by $4,987 primarily because of the adjustments recorded for deferred inflow of resources, change in net pension labilities, other post-employment benefits and deferred outflow of resources and increase in accrued leave expense for 2016-2017.
- Noncapital financing sources increased by $3,655 due to minimal increased funding from the School District compared to 2015-2016. Capital and related financing sources decreased by $60,354.
- Interest income increased by $1,775 during 2016-2017.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Charter School maintains an inventory of all assets with a value of $1,000 and greater as well as various other items which follows the College policies. Florida colleges have established capitalization guidelines for financial reporting purposes. These guidelines provide that for financial reporting purposes, furniture and equipment with a value less than $5,000; buildings and other structures valued less than $25,000; and all library books and computer software are expensed in the year of purchase. The building used by the Charter School is the property of the College and the Charter School does not have any capital assets greater than the capitalization policy.

Long-term Liabilities

At June 30, 2018, the Charter School had $385,948 in long-term liabilities outstanding versus $297,996 in the previous year, representing around 30% increase. The long-term liabilities consist of $46,682 for accrued compensated absences and $3,530 for other post-employment benefits and $335,736 for net pension liability. The increase was primarily caused as the net pension liability was recorded in accordance with GASB Pronouncement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the Charter School to recognize its proportionate share of the net pension liabilities and operating statement activities related to changes in the collective pension liabilities of cost-sharing multiple-employer Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) defined benefit plans.

At June 30, 2017, the Charter School had $297,996 in long-term liabilities outstanding versus $144,877 in the previous year, representing around 106% increase. The long-term liabilities consist of $30,291 for accrued compensated absences and $3,453 for other post-employment benefits and $264,252 for net pension liability. The increase was primarily caused as the net pension liability was recorded in accordance with GASB Pronouncement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the Charter School to recognize its proportionate share of the net pension liabilities and operating statement activities related to changes in the collective pension liabilities of cost-sharing multiple-employer Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) defined benefit plans.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of Northwest Florida State College Collegiate High School is closely tied to that of the State of Florida and the Okaloosa County School District. The funding for 2017-2018 showed a minimal increase (1%) of State's Base Student Allocation Rate compared to 2016-2017. Projections for the fiscal year ending June 30, 2019, are not indicating any significant increase in state funding. As a result, intensified management and control of expenses are required.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of finances for those who may be interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Vice President of Administrative Services, 100 East College Boulevard, Niceville, Florida 32578.

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

STATEMENTS OF NET POSITION

	June 30, 2018	June 30, 2017
ASSETS		
Cash	$ 787,164	690,870
Accounts receivable	4,012	6,972
Prepaid expenses	73,100	-
Total current assets	864,276	697,842
TOTAL ASSETS	864,276	697,842
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pensions	142,295	103,664
Deferred outflows of resources - other post-employment benefits	115	-
Total deferred outflows of resources	142,410	103,664
CURRENT LIABILITIES		
Accounts payable	407	185
Due to College	561,617	537,158
Net pension liability, current portion	7,728	5,008
Accrued compensated absences, current portion	953	618
Total current liabilities	570,705	542,969
NONCURRENT LIABILITIES		
Accrued compensated absences	46,682	30,291
Net pension liability	335,736	264,252
Other post-employment benefits	3,530	3,453
Total noncurrent liabilities	385,948	297,996
TOTAL LIABILITIES	956,653	840,965
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pensions	35,747	17,171
Deferred inflows of resources - other post-employment benefits	134	-
Total deferred inflows of resources	35,881	17,171
NET POSITION (DEFICIT)		
Restricted	56,685	46,549
Unrestricted	(42,533)	(103,179)
Total net position (deficit)	14,152	(56,630)
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	$ 1,006,686	801,506

The accompanying notes are an integral part of these financial statements.

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
REVENUES		
Operating revenues	$ -	-
Total operating revenues	-	-
EXPENSES		
Operating expenses		
Salaries	422,249	420,607
Benefits	158,027	109,422
Contractual services	699,441	618,290
Other services and expenses	517,504	625,033
Materials and supplies	164,151	188,789
Total operating expenses	1,961,372	1,962,141
Operating loss	(1,961,372)	(1,962,141)
NONOPERATING REVENUES		
State appropriations from county school district	1,863,946	1,872,665
Other income	1,000	-
Investment income	4,860	3,827
Net nonoperating revenues	1,869,806	1,876,492
Loss before capital contributions	(91,566)	(85,649)
CAPITAL CONTRIBUTIONS		
Capital appropriations	162,348	79,475
Change in net position (deficit)	70,782	(6,174)
NET POSITION (DEFICIT)		
Net deficit, beginning of year	(56,630)	(50,456)
Net position (deficit), end of year	$ 14,152	(56,630)

The accompanying notes are an integral part of the financial statements.

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2018	For the Year Ended June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers for goods and services	$ (1,429,515)	(1,459,044)
Payments to employees	(422,249)	(413,686)
Payments for benefits	(87,056)	(91,841)
Net cash used in operating activities	(1,938,820)	(1,964,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations from county school district	1,864,946	1,872,665
Net cash provided by noncapital financing activities	1,864,946	1,872,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	165,308	84,852
Net cash provided by capital and related financing activities	165,308	84,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,860	3,827
Net cash provided by investing activities	4,860	3,827
Net increase (decrease) in cash	96,294	(3,227)
Cash, beginning of year	690,870	694,097
Cash, end of year	$ 787,164	690,870
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (1,961,372)	(1,962,141)
Adjustments to reconcile operating loss to net cash used in operating activities		
(Increase) in prepaid expenses	(73,100)	-
(Increase) in deferred outflows of resources	(38,746)	(62,576)
Increase (decrease) in accounts payable	222	(223)
Increase (decrease) in due to College	24,459	(26,709)
Increase in net pension liability	74,204	95,726
Increase in accrued compensated absences	16,726	6,921
Increase (decrease) in other post-employment benefits	77	(2,859)
Increase (decrease) in deferred inflows of resources	18,710	(12,710)
Net cash used in operating activities	$ (1,938,820)	(1,964,571)

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Northwest Florida State College Collegiate High School (the "Charter School") is a restricted fund of Northwest Florida State College ("NWFSC"). The financial statements present only the financial position, changes in financial position and cash flows of only that portion of the business-type activities of NWFSC applicable to the operations of the Charter School. The general operating authority of the Charter School is contained in Section 1002.33, Florida Statutes. The Charter School operates under a charter with the sponsoring school district, the School Board of Okaloosa County, Florida ("Sponsor"). The initial charter, effective until June 30, 2005, was renewed and is effective until June 30, 2027. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter, in which case the Sponsor is required to notify the Charter School, in writing, at least 90 days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown.

Basis of Presentation: The Charter School's accounting policies conform to accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provide NWFSC and the Charter School with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The Charter School has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

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

The Charter School follows the same basis of presentation as NWFSC.

NOTE 1 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Charter School's principal operating activity is instruction. Since student fees are not assessed for instruction, no operating revenue is reported. Operating expenses generally include all transactions directly related to instruction as well as administration, support, student services, and operations. Non-operating revenues include state noncapital appropriations and investment income.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the Charter School's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

Cash and Cash Equivalents: The amount reported as cash consists of cash on hand and cash in demand deposit accounts. Cash deposits of the Charter School are held by banks designated as qualified 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.

Capital Assets: NWFSC and, therefore, the Charter School, have a capitalization threshold of $5,000 for tangible personal property. There were no capital assets reported at June 30, 2018 or 2017.

Net Position: Net position represents the difference between assets, deferred outflows of resources, and liabilities, deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. Net position not reported as restricted net position is reported as unrestricted net position.

Revenue Sources: Revenue for current operations is received primarily from the School Board of Okaloosa County, Florida, pursuant to the funding provisions included in the Charter.

NOTE 1 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from the estimates.

NOTE 2 – CURRENT LIABILITIES

The Due to College includes reimbursement for the Charter School's partial payroll expense processed through NWFSC payroll. This amount for reimbursement to the NWFSC is based on available fund balance at year-end. For 2017-2018, the Charter School paid the full amount to the NWFSC. The Due to College also includes the final facilities capital outlay allocation for the year from the Okaloosa County School District. This capital outlay allocation is usually transferred to NWFSC in lieu of rent for the building occupied by the Charter School.

NOTE 3 – LONG-TERM LIABILITIES

The Charter School's long-term liability activity for the year ended June 30, 2018 and 2017, is as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	$ 30,909	17,344	618	47,635	953
Other post-employment benefits	3,453	77	-	3,530	-
Net pension liability	269,260	115,507	41,303	343,464	7,728
	$ 303,622	132,928	41,921	394,629	8,681

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated absences	$ 23,988	7,596	675	30,909	618
Other post-employment benefits	6,312	4,734	7,593	3,453	-
Net pension liability	173,534	126,770	31,044	269,260	5,008
	$ 203,834	139,100	39,312	303,622	5,626

NOTE 3 – LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences: NWFSC employees accrue annual and sick leave based upon length of service. Limitations exist regarding the amount that will be paid upon termination. The Charter School reported a liability for the accrued leave in the amount of $47,635 and $30,909 at June 30, 2018 and 2017, respectively. This includes the Charter School's share of FICA contributions.

NOTE 4 – OTHER POST−EMPLOYMENT BENEFITS

Plan Administration and Benefits: NWFSC, including the Charter School, administers a single-employer defined benefit OPEB plan administered by the Consortium (the "Plan"). Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from NWFSC, including the Charter School, are eligible to participate in NWFSC's healthcare plan. The NWFSC subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. NWFSC does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Neither NWFSC, including the Charter School, nor the Consortium, issues a stand-alone report, and the Plan is not included in the annual report of a public employee retirement system or another entity. The Board of Trustees has established and can amend plan benefits and contribution rates. NWFSC has not advance-funded or established a funding methodology for the annual other post-employment benefit ("OPEB") costs or the total OPEB liability, and the plan is financed on a pay-as-you-go basis.

Plan Membership: Membership of the Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active participants	12
Retirees and beneficiaries currently receiving benefits	1
Total	13

Contributions: Required contributions are based on a projected pay-as-you-go basis. The Charter School provided required contributions of $176 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses and reinsurance premiums. Retiree contributions totaled $111,451.

NOTE 4 – OTHER POST−EMPLOYMENT BENEFITS (CONTINUED)

Total OPEB Liability of the Charter School: Effective July 1, 2017, the Charter School implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the Charter School's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The Charter School's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial assumptions. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Real wage growth	0.65%
Wage inflation	3.25%
Salary increases, including wage inflation	
Regular employees	4.00%-7.80%
Senior management	4.70%-7.10%
Special risk	5.10%-7.80%
Municipal bond index rate	
Prior measurement date	3.01%
Measurement date	3.56%
Health care cost trends	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013, adopted by FRS.

NOTE 4 – OTHER POST−EMPLOYMENT BENEFITS (CONTINUED)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Discount rate: The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability of the Charter School: The changes in the total OPEB liability of the Charter School for the year ended June 30, 2018, were as follows:

	Total OPEB Liability
Balance at June 30, 2017	$ 3,453
Changes for the year	
Service cost	282
Interest	102
Benefit payments	(176)
Other changes	(131)
Net changes	77
Balance at June 30, 2018	$ 3,530

The required schedule of changes in the Charter School's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Charter School, as well as what the Charter Schools total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current Discount rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	$ 3,813	3,530	3,284

NOTE 4 – OTHER POST−EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Charter School, as well as what the Charter School's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5% decreasing to 4%) or 1-percentage-point higher (8.5% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Initial Trend	6.50%	7.50%	8.50%
Ultimate Trend	4.00%	5.00%	6.00%
Net OPEB Liability	$ 3,106	3,530	4,051

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2018, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2018, the Charter School recognized OPEB expense of $96. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	-
Changes in assumptions	115	(134)
Total	$ 115	(134)

NOTE 4 – OTHER POST−EMPLOYMENT BENEFITS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	$ (22)
2020	(22)
2021	(22)
2022	(22)
2023	(22)
2024	(23)
Total	$ (134)

NOTE 5 – STATE RETIREMENT PROGRAMS

State Community College System Optional Retirement Program

Pursuant to Section 1012.875, Florida Statutes, the Florida Legislature created an Optional Retirement Program (Program) for eligible community college instructors and administrators. The Program is designed to aid community colleges in recruiting employees by offering more portability to employees not expected to vest in the Florida Retirement System.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing Community College contributes on behalf of the participant 5.15% of the participant's salary, less a small amount used to cover administrative costs. Employees are required to contribute 3% of the employee’s salary.

Additionally, the participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There was one charter high school participant during the 2016-2017 and 2017-2018 fiscal years. Required employer contributions made to the program totaled $3,148 and $3,111 for the years ended June 30, 2018 and 2017, respectively.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

Florida Retirement System Defined Benefit Pension Plans

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.

Essentially all regular employees of the Charter 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).

The Charter School's pension expense totaled $42,641 and $30,728 for both the FRS Pension Plan and HIS Plan for the fiscal years ended June 30, 2018 and 2017, respectively.

Florida Retirement System Defined Benefit 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.
- Senior Management Service Class (SMSC) – Members in senior management level positions.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

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 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:

Class, Initial Enrollment, and Retirement Age/Years of Service:	% value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Regular	
Service on and after October 1, 1974	3.00

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

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

Contributions
The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3% employee contributions on a pretax basis. The contribution rates attributable to the Charter School, effective July 1, 2017, were applied to employee salaries as follows: regular employees 7.92%, county elected officials 45.50%, senior management 22.71%, and DROP participants 13.26%. The Charter School's contributions to the FRS Plan were $21,023 and $16,978 for the years ended June 30, 2018 and 2017, respectively.

Pension Costs
At June 30, 2018, the Charter School reported a liability of $233,803 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The School's proportion of the net pension liability was based on the Charter School's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of FRS's participating employers. At the June 30, 2017, measurement date, the Charter School's proportion was 0.000007904%.

At June 30, 2017, the Charter School reported a liability of $167,135 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 Charter School's proportion of the net pension liability was based on the Charter 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 the June 30, 2016, measurement date, the Charter School's proportion was 0.000006619%.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

For the year ended June 30, 2018, the Charter School recognized pension expense of $36,227 for its proportionate share of FRS' pension expense. In addition, the Charter School reported its proportionate share of FRS' 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	$ 21,458	1,295
Changes in actuarial assumptions	78,574	-
Net difference between projected and actual earnings on pension plan investments	-	5,794
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	-	10,288
Charter School contributions subsequent to the measurement date	21,023	-
Total	$ 121,055	17,377

The deferred outflow totaling $21,023 was related to pensions resulting from Charter 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ended June 30	Amount
2019	$ 32,980
2020	23,060
2021	4,712
2022	15,936
2023	5,967
	$ 82,655

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

Actuarial Assumptions

The total pension liability in the July 1, 2017, 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
Investment rate of return	7.10%, 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, 2017, 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:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate (property)	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%

Discount Rate

The discount rate used to measure the total pension liability was 7.10% 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.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

Pension Liability Sensitivity
The following presents the Charter 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 Charter 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:

Description	1% Decrease (6.10%)	Current Discount rate (7.10%)	1% Increase (8.10%)
Collegiate School's proportionate share of the FRS plan net pension liability	$ 423,170	233,803	76,586

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, 2018, 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.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

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, 2018, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. The Charter School contributed 100% 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 Charter School's contributions to the HIS Plan were $5,765 and $4,497 for the years ended June 30, 2018 and 2017, respectively.

Pension Costs
At June 30, 2018, the Charter School reported a liability of $109,661 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Charter School's proportion of the net pension liability was based on the Charter School's contributions received during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all participating employers. At June 30, 2017, the Charter School's proportion was 0.000010256%.

At June 30, 2017, the Charter School reported a liability of $102,125 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 Charter School's proportion of the net pension liability was based on the Charter 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 Charter School's proportion was 0.000008763%.

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

For the year ended June 30, 2017, the Charter School recognized pension expense of $7,281 for its proportionate share of HIS's pension expense. In addition, the Charter School reported its proportionate share of HIS'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	$ -	228
Change of assumptions	15,415	9,482
Net difference between projected and actual earnings on pension plan investments	61	-
Change in proportion and differences between Charter School contributions and proportionate share of contributions	-	8,660
Charter School contributions subsequent to the measurement date	5,765	-
Total	$ 21,241	18,370

The $5,765 reported as a deferred outflow of resources related to pensions resulting from Charter 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as a decrease in pension expense as follows:

Year End June 30	Amount
2019	$ (1,302)
2020	(1,298)
2021	(973)
2022	(384)
2023	1,064
	$ (2,893)

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

Actuarial Assumptions
The total pension liability in the July 1, 2017, 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	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, 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 3.58% 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 increased from 2.85% from the prior measurement date.

Pension Liability Sensitivity
The following presents the Charter 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 Charter 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:

Description	1% Decrease (2.58%)	Current Discount rate (3.58%)	1% Increase (4.58%)
Collegiate School's proportionate share of the HIS net pension liability	$ 125,137	109,661	96,770

NOTE 5 – STATE RETIREMENT PROGRAMS (CONTINUED)

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.

NOTE 6 – LEASES

The Charter School has previously leased laptop computers for the students. The leases have been with the NWFSC and were rented for between $29 to $35 per month, per laptop. The lease expense for the year ended June 30, 2017, was $74,915. For the year ended June 30, 2018, the Charter School used fully depreciated laptops from the NWFSC. The NWFSC did not charge the Charter School rent for the use of these computers.

On January 1, 2018, a new agreement for laptops was signed between the Charter School and the NWFSC. Under the terms of the new agreement, the laptops are for the exclusive use of the Charter School for three years; however, they remain property of NWFSC and are included in NWFSC's inventory. The Charter School is required to reimburse NWFSC for the full-value of the laptops at time of purchase by NWFSC. During June 2018, laptops were purchased by NWFSC. The amount reimbursed to the NWFSC by the Charter School was $73,100, and is classified as a prepaid expense as of June 30, 2018.

NOTE 7 – RISK MANAGEMENT PROGRAMS

NWFSC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NWFSC provided coverage for these risks primarily through the Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the Boards of Trustees for Florida public colleges for the purpose of joining a cooperative effort to develop, implement and participate in a coordinated statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Insurance coverage obtained through the Consortium included health, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 8 – NET POSITION

Net position is restricted for the following purposes as of June 30:

	2018	2017
A+ School Recognition	$ 55,422	44,153
Teacher Lead	1,263	2,396
	$ 56,685	46,549

NOTE 9 – SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events through January 18, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S
TOTAL OPEB LIABILITY AND RELATED RATIOS

Total OPEB liability	2018	2017
Service cost	$ 282	307
Interest on total OPEB liability	102	126
Changes of assumptions and other inputs	(131)	-
Benefit payments	(176)	(3,292)
Net change in total OPEB liability	77	(2,859)
Total OPEB liability - beginning	3,453	6,312
Total OPEB liability - ending	$ 3,530	3,453
Covered-employee payroll	$ 158,940	157,003
Total OPEB liability as a percentage of covered-employee payroll	2.2%	2.2%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The Charter School is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

SCHEDULE OF CONTRIBUTIONS

	2018	2017	2016	2015
Florida Retirement System Pension Plan (FRS)				
Contractually required contribution (actuarially determined)	$ 21,023	16,978	15,095	16,378
Contributions in relation to the actuarially determined contributions	21,023	16,978	15,095	16,378
Contribution deficiency (excess)	$ -	-	-	-
Covered payroll	$ 357,615	292,026	269,524	257,305
Contributions as a percentage of covered payroll	5.88 %	5.81 %	5.60 %	6.37 %
Retiree Health Insurance Subsidy Program (HIS)				
Contractually required contribution (actuarially determined)	5,765	4,497	4,201	3,252
Contributions in relation to the actuarially determined contributions	5,765	4,497	4,201	3,252
Contribution deficiency (excess)	$ -	-	-	-
Covered payroll	357,615	292,026	257,305	257,305
Contributions as a percentage of covered payroll	1.61 %	1.54 %	1.50 %	1.26 %

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

NORTHWEST FLORIDA STATE COLLEGE COLLEGIATE HIGH SCHOOL
A CHARTER SCHOOL AND RESTRICTED FUND OF
NORTHWEST FLORIDA STATE COLLEGE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

		2018	2017	2016	2015
Florida Retirement System Pension Plan (FRS)					
Proportion of the net pension liability		0.000007904 %	0.000000910 %	0.000006718 %	0.000006759 %
Proportionate share of the net pension liability	$	233,803	167,135	86,767	41,240
Covered payroll	$	357,615	292,026	269,524	257,305
Proportionate share of the net pension liability as percentage of covered payroll		65.38 %	57.23 %	32.19 %	16.03 %
Plan's fiduciary net position as a percentage of the total pension liability		84.00 %	85.00 %	92.00 %	96.09 %
Retiree Health Insurance Subsidy Program (HIS)					
Proportion of the net pension liability		0.000010256 %	0.000009394 %	0.000008508 %	0.000008528 %
Proportionate share of the net pension liability	$	109,661	102,125	86,767	79,738
Covered payroll	$	357,615	292,026	269,524	257,305
Proportionate share of the net pension liability as percentage of covered payroll		30.66 %	34.97 %	32.19 %	30.99 %
Plan's fiduciary net position as a percentage of the total pension liability		1.64 %	0.97 %	0.50 %	0.99 %

Notes to the Schedule:
The schedule will present 10 years of information once it is accumulated.

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

Board of Trustees
Northwest Florida State College Collegiate High School
Niceville, 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 Northwest Florida State College Collegiate High School (the "Charter School"), a Charter School and restricted fund of Northwest Florida State College, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated January 18, 2019. The Charter School implemented Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Charter 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 18, 2019

MAULDIN & JENKINS

MANAGEMENT LETTER

Board of Trustees
Northwest Florida State College Collegiate High School
Niceville, Florida

Report on the Financial Statements
We have audited the financial statements of Northwest Florida State College Collegiate High School (the "Charter School"), a Charter School and restricted fund of Northwest Florida State College, as of and for the fiscal years ended June 30, 2018 and 2017, and have issued our report thereon dated January 18, 2019.

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

Other Reporting Requirements
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, dated January 18, 2019, 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. No findings or audit recommendations were made in the preceding annual financial audit report.

Official Title
Section 10.854(1)(e)5., *Rules of the Auditor General*, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Northwest Florida State College Collegiate High School.

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 Northwest Florida State College Collegiate High 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 Northwest Florida State College Collegiate High 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 Northwest Florida State College Collegiate High School. It is management's responsibility to monitor the Northwest Florida State College Collegiate High School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., *Rules of the Auditor General*, requires that we communicate 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 us to apply appropriate procedures and communicate the results of our determination as to whether the Northwest Florida State College Collegiate High School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Charter School maintained on its website 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 us to communicate 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 note 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 the School District of Okaloosa County, Florida, and is not intended to be and should not be used by anyone other than these specific parties.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 18, 2019