

**PUTNAM EDGE HIGH SCHOOL**

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

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

**June 30, 2017**



**M<sup>C</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

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**PUTNAM EDGE HIGH SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of Putnam Edge High School (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 decreased from prior year.
- ❖ For the fiscal year ended June 30, 2017, the School's expenses exceeded revenues by \$61,553.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are 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 to enhance the readers in understanding of the financial condition of School. This document also includes the 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*, 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 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 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 that the School charges for certain services. 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 or related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

## **Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow and funds available at year-end 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 government 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. A budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules shows 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 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 pages 15 of this report.

This report also includes the 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*, 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 are summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 48,565	\$ 81,824	\$ (33,259)
Capital assets, net	33,134	937,560	(904,426)
Total assets	<u>81,699</u>	<u>1,019,384</u>	<u>(937,685)</u>
Deferred outflow of resources	<u>362,816</u>	<u>248,296</u>	<u>114,520</u>
<b>Liabilities:</b>			
Current liabilities	95,673	179,387	(83,714)
Long-term liabilities	402,001	1,070,394	(668,393)
Total liabilities	<u>497,674</u>	<u>1,249,781</u>	<u>(752,107)</u>
Deferred inflow of resources	<u>44,869</u>	<u>54,374</u>	<u>(9,505)</u>
<b>Net Position:</b>			
Investment in capital assets	33,134	93,397	(60,263)
Unrestricted	<u>(131,162)</u>	<u>(129,872)</u>	<u>(1,290)</u>
Total net position	<u>\$ (98,028)</u>	<u>\$ (36,475)</u>	<u>\$ (61,553)</u>

The change in current assets is due to the decrease in cash due to the current year operating deficit. Capital assets decreased as a result of capital asset disposals. Current liabilities decreased during the year due to the timing of payments. Long-term liabilities decreased due to payoff of the mortgage. The decrease in total net position is due to the current year operating deficit.

## Change in Net Position

The School's total expenses exceeded revenues by approximately \$62,000 in fiscal 2017—see table below.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Revenues:</b>			
Federal sources	\$ 24,908	\$ 48,278	\$ (23,370)
State and local sources	683,268	722,266	(38,998)
Contributions and other revenues	40,592	76,402	(35,810)
Total revenues	<u>748,768</u>	<u>846,946</u>	<u>(98,178)</u>
<b>Expenses:</b>			
Instruction	475,821	318,776	157,045
Instructional staff training	17,751	15,908	1,843
Board	15,021	35,284	(20,263)
General administration	34,095	29,203	4,892
School administration	195,300	269,022	(73,722)
Fiscal services	10,456	19,616	(9,160)
Food services	1,721	1,237	484
Transportation services	10,735	10,088	647
Operation of plant	33,120	62,622	(29,502)
Community services	16,301	15,943	358
Interest	-	42,151	(42,151)
Total expenses	<u>810,321</u>	<u>819,850</u>	<u>(9,529)</u>
Change in net position	<u>\$ (61,553)</u>	<u>\$ 27,096</u>	<u>\$ (88,649)</u>

The decrease in state and local sources is due to a decrease in student enrollment. There was a reclassification of expenditures between the instructional and administrative accounts. The loan was paid off in July 2016, thus there is no interest expense in the current year.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance, compliance and related legal requirements.

### Governmental 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 School's financing requirements. Specifically, unassigned fund balance is 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 fund reported a combined fund deficit of \$(47,108).

### General Fund Budgetary Highlights

During the fiscal year, the School did not amend its budgets. Generally, budget amendments fall into one of the 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; 3) changes in appropriations necessary to maintain services.

In the general fund, actual revenues were less than budgeted amounts by approximately \$16,000 as a result of decrease in student population. Actual expenditures were approximately \$140,000 less than budgeted amounts, exclusive of other financing sources, due to decreased expenses related to the decrease in student population.

In the special revenue, budgeted revenues and expenditures exceeded actual amounts by approximately \$8,000 due to a decrease in student population.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2017, the School had invested approximately \$55,022 in capital assets.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Capital assets</b>			
Land	\$ -	\$ 155,400	\$ (155,400)
Buildings	7,900	808,625	(800,725)
Furniture, fixtures and equipment	47,122	45,742	1,381
Total capital assets	<u>\$ 55,022</u>	<u>\$ 1,009,767</u>	<u>\$ (954,744)</u>

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

### Debt Administration

The School decreased its net borrowings in the current year from a board member. The School also paid off its mortgage. Refer to Note 4 in the accompanying financial statements for more detail.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

### **Budget Highlights for the Fiscal Year Ended June 30, 2018**

The budgeted amounts available for appropriation in the general funds are approximately \$736,000.

Budgeted expenditures in the general fund are approximately \$805,000 an increase of approximately \$614,000.

If the budgeted amounts are realized, the School's general fund balance is expected to increase for 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 951 Moseley Avenue, Palatka, FL 32177.



## **Independent Auditor's Report**

To the Board of Directors of Putnam Edge High School,  
A Charter School and Component Unit of the District  
School Board of Putnam County, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Putnam Edge High School, a Charter School and Component Unit of the District School Board of Putnam, Florida, (the "School") 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 opinion.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2017, and the respective changes in financial position, thereof 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 and budgetary comparison information on pages 1 - 6 and 35 - 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 October 13, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*MCCRADY HESS*

Orlando, Florida  
October 13, 2017

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

**PUTNAM EDGE HIGH SCHOOL**

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

**Statement of Net Position**

**June 30, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 34,996
Due from other agencies	2,912
Prepaid expenses	10,657
Capital assets:	
Buildings	7,900
Furniture, fixtures and equipment	47,122
Less accumulated depreciation	<u>(21,888)</u>
Total capital assets, net	<u>33,134</u>
Total assets	<u><u>\$ 81,699</u></u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Amount deferred on pension liability	<u>362,816</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 95,673
Long-term liabilities:	
Portion due or payable within one year:	
Note payable	32,000
Portion due or payable after one year:	
Pension liabilities	<u>370,001</u>
Total liabilities	<u>497,674</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Amount deferred on pension liability	<u>44,869</u>
<b>NET POSITION</b>	
Invested in capital assets	33,134
Unrestricted	<u>(131,162)</u>
Total net position	<u><u>\$ (98,028)</u></u>

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

**PUTNAM EDGE HIGH SCHOOL**

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

**Statement of Activities**

**For the Year Ended June 30, 2017**

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 475,821	\$ -	\$ 24,908	\$ -	\$ (450,913)	\$ (450,913)
Instructional staff training	17,751	-	-	-	(17,751)	(17,751)
Board	15,021	-	-	-	(15,021)	(15,021)
General administration	34,095	-	-	-	(34,095)	(34,095)
School administration	195,300	-	-	-	(195,300)	(195,300)
Fiscal services	10,456	-	-	-	(10,456)	(10,456)
Food services	1,721	-	-	-	(1,721)	(1,721)
Transportation services	10,735	-	-	-	(10,735)	(10,735)
Operation of plant	33,120	-	-	-	(33,120)	(33,120)
Community services	16,301	-	-	-	(16,301)	(16,301)
<b>Total primary government</b>	<b>\$ 810,321</b>	<b>\$ -</b>	<b>\$ 24,908</b>	<b>\$ -</b>	<b>(785,413)</b>	<b>(785,413)</b>
General revenues:						
State and local sources					683,268	683,268
Contributions and other revenues					40,592	40,592
Total general revenues					723,860	723,860
Changes in net position					(61,553)	(61,553)
Net position at beginning of year					(36,475)	(36,475)
Net position at end of year					\$ (98,028)	\$ (98,028)

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

**PUTNAM EDGE HIGH SCHOOL**

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

**Balance Sheet - Governmental Funds**

**June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,996	\$ -	\$ 34,996
Due from other agencies	-	2,912	2,912
Prepaid expenses	10,657	-	10,657
Due from special revenue funds	2,912	-	2,912
Total assets	<u>\$ 48,565</u>	<u>\$ 2,912</u>	<u>\$ 51,477</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 95,673	\$ -	\$ 95,673
Due to general fund	-	2,912	2,912
Total liabilities	<u>95,673</u>	<u>2,912</u>	<u>98,585</u>
<b>FUND BALANCE</b>			
Nonspendable:			
Other assets	10,657	-	10,657
Spendable:			
Unassigned	<u>(57,765)</u>	<u>-</u>	<u>(57,765)</u>
Total fund deficit	<u>(47,108)</u>	<u>-</u>	<u>(47,108)</u>
Total liabilities and fund balance	<u>\$ 48,565</u>	<u>\$ 2,912</u>	<u>\$ 51,477</u>

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

**PUTNAM EDGE HIGH SCHOOL**

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

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

**June 30, 2017**

**Total fund deficit - governmental fund** \$ (47,108)

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 fund. The cost of the net assets are \$55,022 and the accumulated depreciation is \$21,888. 33,134

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

Notes payable (32,000)  
Pension liability (370,001)

Deferred amounts are reported in the Statement of Net Position as deferred outflow or deferred inflow of resources, but are not reported in the funds. 317,947

**Total net position - governmental activities** \$ (98,028)

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

**PUTNAM EDGE HIGH SCHOOL**

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

**Statement of Revenues, Expenditures and  
Change in Fund Deficit of Governmental Funds**

**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Federal sources passes through local school district	\$ -	\$ 24,908	\$ 24,908
State and local sources	683,268	-	683,268
Contributions and other revenue	37,687	-	37,687
Total revenues	<u>720,955</u>	<u>24,908</u>	<u>745,863</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	334,620	24,908	359,528
Instructional staff training	17,751	-	17,751
Board	15,021	-	15,021
General administration	34,095	-	34,095
School administration	195,300	-	195,300
Fiscal services	10,456	-	10,456
Food services	1,721	-	1,721
Transportation services	10,735	-	10,735
Operation of plant	33,120	-	33,120
Community services	16,301	-	16,301
Capital outlay	1,380	-	1,380
Total expenditures	<u>670,500</u>	<u>24,908</u>	<u>695,408</u>
Excess of revenues over expenditures	<u>50,455</u>	<u>-</u>	<u>50,455</u>
Fund (deficit) at beginning of year	<u>(97,563)</u>	<u>-</u>	<u>(97,563)</u>
Fund (deficit) at end of year	<u><u>\$ (47,108)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (47,108)</u></u>

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

**PUTNAM EDGE HIGH SCHOOL**

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

**Reconciliation of the Statement of Revenues, Expenditures and  
Change in Fund Deficit of Governmental Funds  
To the Statement of Activities**

**For the Year Ended June 30, 2017**

**Net changes in fund deficit - governmental fund** \$ 50,455

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 depreciation expense (\$10,662) exceeds capital outlay (\$1,380) in the current period. (9,282)

In the Statement of Activities, only the gain on the sale of the building is reported. 2,905

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 inflow and outflow of resources. (105,631)

**Change in net position of governmental activities** \$ (61,553)

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

# **PUTNAM EDGE HIGH SCHOOL**

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

### **Notes to Financial Statements**

**For the Year Ended June 30, 2017**

#### **1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Organization**

Putnam Edge High School (the "School"), is a not-for-profit corporation that operates under a charter approved by the sponsoring district, the District School Board of Putnam County Florida (the "School Board"). The governing body of the School is the Board of Directors of Putnam Edge High School, which is composed of at least three members.

##### **Charter Contract**

The current charter expires June 30, 2031 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 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 presented as 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 those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and liabilities, using an economic resources measurement focus.

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 for goods and services offered by the program, 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 revenue.

**PUTNAM EDGE HIGH SCHOOL**

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

**Notes to Financial Statements  
(continued)**

**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 used to maintain control over resources 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 major individual governmental funds reported in the fund financial statements:

- General Fund – is the School's primary operating fund that accounts for all financial resources of the school, except those require to be accounted for in another fund.
- Special Revenue Fund – to account the proceeds of specific revenue sources that restricted or committed to expenditures for a specific purpose including all federal grant revenues passed through the School District.

For the purpose of these statements, the general and special revenue funds are considered major funds.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reports 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 of the related cash flows take place.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant 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 of the end of the current fiscal year. 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 of general long-term debt and acquisition of capital leases are reported as other financing sources.

**PUTNAM EDGE HIGH SCHOOL**

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

**Notes to Financial Statements  
(continued)**

**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.

**Cash and Cash Equivalents**

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

The School maintains its cash with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant risks.

**Capital Assets and Depreciation**

The School's capital assets with useful lives of more than one year are stated at historical costs and 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 donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful live are not capitalized. Depreciation is computed using the straight-line method.

Estimated useful lives of the assets are as follows:

	<u>Years</u>
Leasehold improvements	5
Furniture, fixtures and equipment	5

## PUTNAM EDGE HIGH SCHOOL

### A Charter School and Component Unit of the District School Board of Putnam County, Florida

#### Notes to Financial Statements (continued)

#### Pensions

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan 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 5.

#### 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 – consist of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There were no restricted balances as of June 30, 2017.
- 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:

- Non-spendable – 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 non-spendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance category includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation. There were no restricted balances as of June 30, 2017.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.

## PUTNAM EDGE HIGH SCHOOL

### A Charter School and Component Unit of the District School Board of Putnam County, Florida

#### Notes to Financial Statements (continued)

- Assigned – fund balance classification includes amounts that are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There were no assigned balances as of June 30, 2017.
- 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 that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental 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 non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts 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 on pension reported in the government-wide statement of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of financial position will sometimes report 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, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category, which is the deferred amount on pension reported in the government-wide statement of net position. A deferred amount on 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 provide with pensions through the pension plan except earnings which are amortized over 5 years.

## **PUTNAM EDGE HIGH SCHOOL**

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

#### **Notes to Financial Statements (continued)**

##### **Revenue Sources**

Revenues for operations are received primarily from the District School Board of Putnam 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 5% 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.

Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of 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 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 110.32 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.

##### **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.

**PUTNAM EDGE HIGH SCHOOL**

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

**Notes to Financial Statements  
(continued)**

**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).

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, and the note payable do not differ materially from reasonable estimates of fair value, as short-term receivables and payables, the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value.

**PUTNAM EDGE HIGH SCHOOL**

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

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	\$ -	\$	-	\$	362,816	\$	362,816
Pension liability	-		-		(370,001)		(370,001)
Deferred inflows related to pension liability	-		-		(44,869)		(44,869)
<b>Total</b>	<u>\$ -</u>	\$	<u>-</u>	\$	<u>(52,054)</u>	\$	<u>(52,054)</u>

**3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
<b>Capital assets:</b>							
Assets not being depreciated:							
Land	\$ 155,400	\$	-	\$	(155,400)	\$	-
Assets being depreciated:					-		
Buildings	808,625		-		(800,725)		7,900
Furniture, fixtures & equipment	45,742		1,380		-		47,122
<b>Total capital assets</b>	<u>1,009,767</u>		<u>1,380</u>		<u>(956,125)</u>		<u>55,022</u>
<b>Accumulated depreciation:</b>							
Buildings	(61,159)		(203)		60,981		(381)
Furniture, fixtures & equipment	(11,048)		(10,459)		-		(11,048)
<b>Total accumulated depreciation</b>	<u>(72,207)</u>		<u>(10,662)</u>		<u>60,981</u>		<u>(21,888)</u>
<b>Capital assets, net</b>	<u>\$ 937,560</u>	\$	<u>(9,282)</u>	\$	<u>(895,144)</u>	\$	<u>33,134</u>
<b>Depreciation expense:</b>							
Instruction					10,662		
Total governmental activities depreciation expense					<u>10,662</u>		

**PUTNAM EDGE HIGH SCHOOL**

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

**4 LONG-TERM DEBT**

Long-term debt consists of the following as of June 30, 2017:

The School has entered in a note payable with an officer. Proceeds from the note payable were used to support the operations of the School. The loan matures December 2017. The loan bears no interest and may be extended at the officer’s discretion with board approval. .

	<u>\$ 32,000</u>
Total long-term debt	<u><u>\$ 32,000</u></u>

The following schedule provides a summary of changes in long-term debt for the year ended June 30, 2017:

	<u>Balance 6/30/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/17</u>
Mortgage payable	\$ 844,163	\$ -	\$ (844,163)	\$ -
Loan from Officer	37,000	-	(5,000)	32,000
	<u>\$ 881,163</u>	<u>\$ -</u>	<u>\$ (849,163)</u>	<u>\$ 32,000</u>

**5. DEED IN LIEU OF FORECLOSURE**

The school turned over the deed of the building to the bank in lieu of foreclosure. The building was valued at \$800,000, and the book value was approximately \$895,000. The related mortgage and outstanding payments due to the bank were forgiven. The School incurred closing costs relating to this transaction of approximately \$25,000. The School had a net gain on sale of the building of approximately \$2,900, and is reflected as “other revenue” on the statement of activities.

**PUTNAM EDGE HIGH SCHOOL**

**A Charter School and Component Unit of the  
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**Notes to Financial Statements  
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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' Web site ([www.dms.myflorida.com](http://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.

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**Notes to Financial Statements  
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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 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

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-

**PUTNAM EDGE HIGH SCHOOL**

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**Notes to Financial Statements  
(continued)**

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</u>
FRS, Regular	3.00	5.56
DROP-Applicable to Members from All of the Above Classes	0.00	11.02
Senior Management Service	3.00	19.73

The School's contributions, including employee contributions, to the Plan totaled \$19,715 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 \$211,075 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.

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$52,468 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:

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**Notes to Financial Statements  
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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,161	\$ 1,965
Change of assumptions	12,769	-
Net difference between projected and actual earnings on FRS pension plan investments	97,102	42,542
Changes in proportion and differences between school FRS contributions and proportionate share of contributions	90,880	-
School FRS contributions subsequent to the measurement date	19,715	-
<b>Total</b>	<b>\$ 236,627</b>	<b>\$ 44,507</b>

The deferred outflows of resources related to pensions, totaling \$19,715 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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**Notes to Financial Statements  
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Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual Geometric Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed Inflation Mean		2.6%		1.9%

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	\$ 183,302	\$ 211,075	\$ 238,848

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 reported a payable of \$-0- for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

**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.

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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 \$6,484 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 \$158,926 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 \$30,472 related to the HIS Plan. In addition, the School reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 362
Change of assumptions	24,940	-
Net difference between projected and actual earnings on HIS pension plan investments	80	-
Changes in proportion and differences between School HIS contributions and proportionate share of HIS contributions	94,685	-
School contributions subsequent to the measurement date	6,484	-
Total	<u>\$ 126,189</u>	<u>\$ 362</u>

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The deferred outflows of resources related to pensions, totaling \$6,484, resulting from School contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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
Municipal bond rate	2.85 percent

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.

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	\$103,162	\$ 158,926	\$214,690

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 reported a payable of \$-0- for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

**PUTNAM EDGE HIGH SCHOOL**

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

**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 accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member's accounts during the 2016 -17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	5.15
FRS, Senior Management Service	6.27

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

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**Notes to Financial Statements  
(continued)**

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.

**7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources

**District School Board of Putnam County, Florida:**

Florida Education Finance Program	\$	442,285
Class size reduction		96,049
Sparsity supplement		27,846
Supplemental academic instruction		27,823
Special Millage		25,136
Discretionary millage funds		24,299
ESE guaranteed allocation		13,538
Instructional materials		8,418
Digital classroom allocation		6,777
Reading Allocation		5,347
Safe school		2,962
Discretionary lottery funds		1,665
Teacher lead funds		1,381
Proration to funds available		(258)
Total	\$	<u>683,268</u>

The administrative fee paid to the School Board during the year ended June 30, 2017 totaled approximately \$34,000, 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 – governmental funds.

**PUTNAM EDGE HIGH SCHOOL**

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**Notes to Financial Statements  
(continued)**

**8 EDUCATION CONTRACTS**

The School has entered into a contractual agreement with New Tech Network for coaching services. The agreement commenced February 23, 2013 for an initial four year term. The School is charged fees not to exceed \$294,180 over the course of the term of the lease. The contract may be terminated by the School, and any deficit is immediately due. As of June 30, 2017, \$90,030 is due and payable.

**9 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general 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.

**10 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. Cost 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 at year end may be impaired.

Management believes there are no significant contingent liabilities relating 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. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**11 RELATED PARTY TRANSACTIONS**

The School has a note payable from a member of its board with an amount due of \$32,000 at June 30, 2017. For additional information regarding the note, please see Note 4.

**PUTNAM EDGE HIGH SCHOOL**

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

**12 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 tax years 2015, 2014, and 2013 are subject to examination by tax authorities, and may change upon examination.

**13 SUBSEQUENT EVENTS**

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 13, 2017 which is the date the financial statements were available to be issued.

**PUTNAM EDGE HIGH SCHOOL**

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

**Required Supplementary Information**

**Budgetary Comparison Schedule - General Fund**

**For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State and local sources	\$ 736,735	\$ 736,735	\$ 683,268	\$ (53,467)
Contributions and other revenue	-	-	37,687	37,687
<b>Total revenues</b>	<b>736,735</b>	<b>736,735</b>	<b>720,955</b>	<b>(15,780)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	420,705	420,705	334,620	86,085
Instructional staff training	3,000	3,000	17,751	(14,751)
Board	-	-	15,021	(15,021)
General administration	35,083	35,083	34,095	988
School administration	220,487	220,487	195,300	25,187
Facilities acquisition and construction	55,933	55,933	-	55,933
Fiscal services	21,850	21,850	10,456	11,394
Food services	-	-	1,721	(1,721)
Transportation services	28,000	28,000	10,735	17,265
Operation of plant	20,053	20,053	33,120	(13,067)
Community services	-	-	16,301	(16,301)
Capital outlay	-	-	1,380	(1,380)
<b>Total expenditures</b>	<b>805,111</b>	<b>805,111</b>	<b>670,500</b>	<b>134,611</b>
Excess (deficiency) of revenues over expenditures	(68,376)	(68,376)	50,455	118,831
<b>Other Financing Sources (uses)</b>				
Operating transfer out	(5,000)	(5,000)	-	(10,000)
<b>Total other financing sources</b>	<b>(5,000)</b>	<b>(5,000)</b>	<b>-</b>	<b>(10,000)</b>
<b>Net changes in fund balances</b>	<b>(73,376)</b>	<b>(73,376)</b>	<b>50,455</b>	<b>108,831</b>
Fund deficit at beginning of year	(97,563)	(97,563)	(97,563)	-
<b>Fund balance (deficit) at end of year</b>	<b>\$(170,939)</b>	<b>\$ (170,939)</b>	<b>\$ (47,108)</b>	<b>\$ 108,831</b>

See report of independent auditors.

**PUTNAM EDGE HIGH SCHOOL**

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

**Required Supplementary Information**

**Budgetary Comparison Schedule - Special Revenue Fund**

**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources passes through local school district	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 24,908</u>	<u>\$ (8,092)</u>
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>24,908</u>	<u>(8,092)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	<u>33,000</u>	<u>33,000</u>	<u>24,908</u>	<u>8,092</u>
Total expenditures	<u>33,000</u>	<u>33,000</u>	<u>24,908</u>	<u>8,092</u>
Net changes in fund balances	-	-	-	-
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See report of independent auditors.

**PUTNAM EDGE HIGH SCHOOL**

**A Charter School and Component Unit of the  
District School Board of Putnam 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>
School's proportion of the FRS net pension liability (asset)	0.00084%	0.00068%
School's proportionate share of the FRS net pension liability (asset)	\$ 211,075	\$ 88,451
School's covered-employee payroll	\$ 469,179	\$ 420,971
School's proportionate share if the FRS net pension liability (asset) as a percentage of its covered-employee payroll	44.99%	21.01%
FRS Plan fiduciary net position as a percentage of the total pension liability	67.68%	46.74%

Schedule of School Contributions  
Florida Retirement System Pension Plan

	<u>2017</u>	<u>2016</u>
Contractually required FRS contribution	\$ 20,386	\$ 16,696
FRS contribution in relation to the contractually required FRS contribution	\$ (20,386)	\$ (16,696)
FRS contribution deficiency (excess)	\$ -	\$ -
School's covered employee payroll	\$ 469,179	\$ 420,971
FRS contribution as a percentage of covered employee payroll	4.35%	3.97%

**PUTNAM EDGE HIGH SCHOOL**

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

**Required Supplementary Information  
(continued)**

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

	<u>2017</u>		<u>2016</u>
School's proportion of the HIS net pension liability (asset)	0.00136%		0.00099%
School's proportionate share of the HIS net pension liability (asset)	\$ 158,926	\$	100,780
School's covered-employee payroll	\$ 469,179	\$	420,971
School's proportionate share if the HIS net pension liability (asset) as a percentage of its covered-employee payroll	33.87%		23.94%
HIS Plan fiduciary net position as a percentage of the total pension liability	42.95%		53.26%

Schedule of School Contributions  
Health Insurance Subsidy Pension Plan

	<u>2017</u>		<u>2016</u>
Contractually required HIS contribution	\$ 6,990	\$	3,777
HIS contribution in relation to the contractually required HIS contribution	\$ (6,990)	\$	(3,777)
HIS contribution deficiency (excess)	\$ -	\$	-
School's covered-employee payroll	\$ 469,179	\$	420,971
HIS contribution as a percentage of covered employee payroll	1.49%		0.90%



**M<sup>C</sup>CRADY | HESS**  
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Putnam Edge High School, Inc.,  
A Charter School and Component Unit of the District School Board of Putnam County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund information of Putnam Edge High School, a Charter School and Component Unit of the District School Board of Putnam 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, and have issued our report thereon dated October 13, 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 is 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 Putnam 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.

*MAC CRADY HESS*

Orlando, Florida  
October 13, 2017

1000 Legion Place, Suite 701 | Orlando, FL 32801

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



**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 Putnam Edge High School, Inc., a Charter School and Component Unit of the District School Board of Putnam County, Florida

**Report on the Financial Statements**

We have audited the financial statements of Putnam Edge High School (the “School”) as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 13, 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 Reporting Required by Government Auditing Standards**

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing 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. Corrective actions have been taken to address Finding 2016-01 made in the preceding annual financial 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 Putnam Edge High School, 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. Based on our procedures, it appears that the School does not have a deteriorating financial condition.

### **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 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 Putnam County School Board and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, Florida  
October 13, 2017

**1000 Legion Place, Suite 701 | Orlando, FL 32801**

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