

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, 2018



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2018. 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 increased from prior year by \$37,812.
- ❖ For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses by \$37,812.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the 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.

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, 2018, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a group of related accounts used to maintain control over resources 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, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 116,770	\$ 48,565	\$ 68,135
Capital assets, net	15,156	33,134	(17,978)
Total assets	<u>131,926</u>	<u>81,699</u>	<u>50,227</u>
Deferred outflow of resources	<u>288,056</u>	<u>362,816</u>	<u>(74,760)</u>
Liabilities:			
Current liabilities	84,773	95,673	(10,900)
Long-term liabilities	355,017	402,001	(46,984)
Total liabilities	<u>439,790</u>	<u>497,674</u>	<u>(57,884)</u>
Deferred inflow of resources	<u>40,408</u>	<u>44,869</u>	<u>(4,461)</u>
Net Position:			
Investment in capital assets	15,156	33,134	(17,978)
Unrestricted	<u>(75,372)</u>	<u>(131,162)</u>	<u>55,790</u>
Total net position	<u>\$ (60,216)</u>	<u>\$ (98,028)</u>	<u>\$ 37,812</u>

The change in current assets is due to the increase in cash due to the current year operating surplus. Capital assets decreased because of depreciation. Current liabilities decreased during the year due to the timing of payments. Long-term liabilities decreased due to a reduction in pension liabilities and the forgiveness of a loan. The increase in total net position is due to the current year operating surplus.

Change in Net Position

The School's total revenues exceeded expenses by approximately \$38,000 in fiscal 2018—see table below.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Federal sources	\$ 69,227	\$ 24,908	\$ 44,319
State and local sources	669,241	683,268	(14,027)
Contributions and other revenues	54,144	40,592	13,552
Total revenues	<u>792,612</u>	<u>748,768</u>	<u>43,844</u>
Expenses:			
Instruction	410,731	475,821	(65,090)
Instructional staff training	-	17,751	(17,751)
Board	24,476	15,021	9,455
General administration	32,810	34,095	(1,285)
School administration	190,404	195,300	(4,896)
Fiscal services	19,330	10,456	8,874
Central services	1,317	1,721	(404)
Transportation services	8,858	10,735	1,877)
Operation of plant	43,334	33,120	10,214
Community services	8,044	16,301	(8,257)
Total expenses	<u>754,800</u>	<u>810,321</u>	<u>(55,521)</u>
Change in net position	<u>\$ 37,812</u>	<u>\$ (61,553)</u>	<u>\$ 99,365</u>

The decrease in state and local revenue sources is due to a decrease in student enrollment. This was offset by a specific grant under the Title I program, and the forgiveness of a loan made by a board member which accounted for the overall increase in revenues. The decrease in instructional expense is due to the decrease in student enrolment.

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 funds reported a combined fund balance of \$31,997.

General Fund Budgetary Highlights

During the fiscal year, the School amended its budgets once. 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 greater than budgeted amounts by approximately \$15,000 as a result of unbudgeted contributions revenue of approximately \$22,000 which offset a in decrease in state and local of approximately \$7,000 due to a slight decrease in student population. Actual expenditures were approximately \$28,000 less than budgeted amounts, exclusive of other financing sources, due to decreased expenses related to the decrease in student population.

In the special revenue fund, final budgeted revenues and expenditures were equal to actual amounts. And they exceeded the original budgeted amounts by approximately \$29,000 due to a specific Title I grant that was not included in the budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2018, the School had invested \$47,122 in capital assets.

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Capital assets			
Buildings	\$ -	\$ 7,900	\$ (7,900)
Furniture, fixtures and equipment	<u>47,122</u>	<u>47,122</u>	<u>-</u>
Total capital assets	<u>\$ 47,122</u>	<u>\$ 55,022</u>	<u>\$ (7,900)</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 who forgave the remaining balance of \$32,000 in March 2018. 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, 2019

The budgeted amounts available for appropriation in the general funds are approximately \$673,000.

Budgeted expenditures in the general fund are approximately \$607,000 a decrease of approximately \$5,000 from actual expenditures in fiscal 2017.

If the budgeted amounts are realized, the School's general fund balance is expected to increase by approximately \$66,000 for the fiscal year ending June 30, 2019.

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 200 South 7th Street, 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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of 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, 2018, 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, 2018, 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 and pension liability on pages 1 - 6 and 32 - 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2018, 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 & Associates, PLLC

Altamonte Springs, Florida
September 6, 2018

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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, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 81,598
Due from other agencies	29,629
Prepaid expenses	5,543
Capital assets:	
Furniture, fixtures and equipment	47,122
Less accumulated depreciation	<u>(31,966)</u>
Total capital assets, net	<u>15,156</u>
Total assets	<u><u>\$ 131,926</u></u>
DEFERRED OUTFLOW OF RESOURCES	
Amount deferred on pension liability	288,056
LIABILITIES	
Accounts payable and accrued expenses	\$ 84,773
Long-term liabilities:	
Portion due or payable after one year:	
Pension liabilities	<u>355,017</u>
Total liabilities	<u>439,790</u>
DEFERRED INFLOW OF RESOURCES	
Amount deferred on pension liability	40,408
NET POSITION	
Invested in capital assets	15,156
Unrestricted	<u>(75,372)</u>
Total net position	<u><u>\$ (60,216)</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, 2018

	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	\$ 410,731	\$ -	\$ 69,227	\$ -	\$ (341,504)	\$ (341,504)
Board	24,476	-	-	-	(24,476)	(24,476)
General administration	32,810	-	-	-	(32,810)	(32,810)
School administration	190,404	-	-	-	(190,404)	(190,404)
Facilities acquisition and construction	15,496	-	-	-	(15,496)	(15,496)
Fiscal services	19,330	-	-	-	(19,330)	(19,330)
Central services	1,317	-	-	-	(1,317)	(1,317)
Transportation services	8,858	-	-	-	(8,858)	(8,858)
Operation of plant	43,334	-	-	-	(43,334)	(43,334)
Community services	8,044	-	-	-	(8,044)	(8,044)
Total primary government	\$ 754,800	\$ -	\$ 69,227	\$ -	(685,573)	(685,573)
General revenues:						
State and local sources					669,241	669,241
Contributions and other revenues					54,144	54,144
Total general revenues					<u>723,385</u>	<u>723,385</u>
Changes in net position					37,812	37,812
Net position at beginning of year					<u>(98,028)</u>	<u>(98,028)</u>
Net position at end of year					<u>\$ (60,216)</u>	<u>\$ (60,216)</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**

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
	<hr/>	<hr/>	<hr/>
ASSETS			
Cash and cash equivalents	\$ 81,598	\$ -	\$ 81,598
Due from other agencies	-	29,629	29,629
Prepaid expenses	5,543	-	5,543
Due from special revenue funds	29,629	-	29,629
	<hr/>	<hr/>	<hr/>
Total assets	\$ 116,770	\$ 29,629	\$ 146,399
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Accounts payable and accrued expenses	\$ 84,773	\$ -	\$ 84,773
Due to general fund	-	29,629	29,629
	<hr/>	<hr/>	<hr/>
Total liabilities	84,773	29,629	114,402
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCE			
Nonspendable:			
Prepaid expenses	5,543	-	5,543
Spendable:			
Unassigned	26,454	-	26,454
	<hr/>	<hr/>	<hr/>
Total fund balance	31,997	-	31,997
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and fund balance	\$ 116,770	\$ 29,629	\$ 146,399
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2018

Total fund balance - governmental fund \$ 31,997

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 \$47,122 and the accumulated depreciation is \$31,966. 15,156

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:
Pension liability (355,017)

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. 247,648

Total net position - governmental activities \$ (60,216)

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, 2018

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal sources passes through local school district	\$ -	\$ 69,227	\$ -	\$ 69,227
State and local sources	669,241	-	-	669,241
Contributions and other revenue	22,144	-	32,000	54,144
Total revenues	<u>691,385</u>	<u>69,227</u>	<u>32,000</u>	<u>792,612</u>
EXPENDITURES				
Current:				
Instruction	268,211	69,227	-	337,438
Board	24,476	-	-	24,476
General administration	32,810	-	-	32,810
School administration	190,404	-	-	190,404
Facilities acquisition and construction	15,496	-	-	15,496
Fiscal services	19,330	-	-	19,330
Central services	1,317	-	-	1,317
Transportation services	8,858	-	-	8,858
Operation of plant	43,334	-	-	43,334
Community services	8,044	-	-	8,044
Debt service:				
Forgiveness of Principal due	-	-	32,000	32,000
Total expenditures	<u>612,280</u>	<u>69,227</u>	<u>32,000</u>	<u>713,507</u>
Excess of revenues over expenditures	<u>79,105</u>	<u>-</u>	<u>-</u>	<u>79,105</u>
Other Financing Sources (uses)				
Operating transfer in	-	-	-	-
Operating transfer out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	79,105	-	-	79,105
Fund (deficit) at beginning of year	(47,108)	-	-	(47,108)
Fund balance at end of year	<u>\$ 31,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,997</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 Balance of Governmental Funds
To the Statement of Activities**

For the Year Ended June 30, 2018

Net changes in fund balance - governmental fund \$ 79,105

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 (\$17,978) exceeded capital outlay expenditure. (17,978)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 32,000

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. (55,315)

Change in net position of governmental activities \$ 37,812

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, 2018

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 shorter of	5 or life of lease
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, 2018.
- 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, 2018.
- 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, 2018.
- 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, 2018, the School reported 103.98 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, 2018, are as follows:

	<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Deferred outflows related to pension liability	\$ -	\$	\$ -	\$	288,056	\$	288,056
Pension liability	-		-		(355,017)		(355,017)
Deferred inflows related to pension liability	-		-		(40,408)		(40,408)
Total	\$ -	\$	\$ -	\$	(107,369)	\$	(107,369)

3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balance</u>
Capital assets:							
Assets being depreciated:							
Buildings	\$ 7,900	\$	\$ -	\$	(7,900)	\$	\$ -
Furniture, fixtures & equipment	47,122		-		-		47,122
Total capital assets	55,022		-		(7,900)		47,122
Accumulated depreciation:							
Buildings	(381)		(7,519)		7,900		\$ -
Furniture, fixtures & equipment	(11,048)		(10,459)		-		(31,966)
Total accumulated depreciation	(21,888)		(17,978)		7,900		(31,966)
Capital assets, net	\$ 33,134	\$	(17,978)	\$	-	\$	15,156
Depreciation expense:							
Instruction					\$ 17,978		
Total governmental activities depreciation expense					\$ 17,978		

PUTNAM EDGE HIGH SCHOOL

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

**Notes to Financial Statements
(continued)**

4 LONG-TERM DEBT

Related Party Note: The School entered into a note payable with a member of its board. Proceeds from the note were used to support the operations of the School. The loan matured in December 2017, bore no interest, and was extendable at the officer's discretion with board approval. On March 30, 2018, the board member forgave the remaining balance on the note in its entirety. The amount forgiven, \$32,000, is reflected in the Statement of Activities as contributions and other revenues, and in the Statement of Revenues, Expenditures, and Change in Fund Balance as contributions and other revenues and forgiveness of principal.

The following schedule provides a summary of changes in the related party note for the year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance 6/30/18</u>
Loan from Board Member	\$ 32,000	\$ -	\$ (32,000)	\$ -
	<u>\$ 32,000</u>	<u>\$ -</u>	<u>\$ (32,000)</u>	<u>\$ -</u>

5 RETIREMENT PLANS

The Florida Department of Management Services, Division of Retirement ("Division"), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems ("System"). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly available, audited comprehensive annual financial report (CAFR) on behalf of the system that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR, which is available online, or by contacting the Division.

Cost-Sharing Defined Benefit Plans

- The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools

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**Notes to Financial Statements
(continued)**

and metropolitan planning organizations is optional.

- The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Employer Contributions

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements and in the pension allocation schedules for the cost-sharing defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer
Regular class	3%	5.8%
Senior management	3%	20.11%
Drop	N/A	11.33%

Actuarial Methods and Assumptions

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan’s GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because

PUTNAM EDGE HIGH SCHOOL

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

the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.10%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – see Note 5).

The following changes in actuarial assumptions occurred in 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2017.

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$ 405,437	\$ 224,006	\$ 73,376	\$ 149,501	\$ 131,011	\$ 115,610

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

The Pension Plan's Fiduciary Net Position

The components of the collective net position liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2017 are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 183,632,592	\$ 10,870,772
Plan fiduciary net position	(154,053,263)	(178,311)
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>

Plan fiduciary net position as a percentage

Of the total pension liability	83.89%	1.64%
---------------------------------------	---------------	--------------

The total pension liability for the FRS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2016, and update procedures were used to determine liabilities as of June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the School reported a liability of \$355,017 for its proportionate share of the 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 proportionate share of the net pension liability was based on the School's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members.

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

The School's proportions are as follows:

	<u>FRS</u>	<u>HIS</u>
June 30, 2018	.000757%	.001225%
June 30, 2017	<u>.000835%</u>	<u>.001363%</u>
Change	<u>(.000078%)</u>	<u>(.000138%)</u>

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School's employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2017, was 6.4 years for FRS and 7.2 years for HIS.

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

At June 30, 2018, the School reported deferred outflows of resources and deferred inflow of resources related to the pensions from the following sources:

<u>Description</u>	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,558	\$ 1,241
Change of assumptions	75,282	-
Net difference between projected and actual earnings on FRS pension plan investments	-	5,551
Employer specific amounts due to change in employer proportion	70,596	10,282
School FRS contributions subsequent to the measurement date	19,834	-
Total	\$ 186,270	\$ 17,074

<u>Description</u>	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 273
Change of assumptions	18,416	11,329
Net difference between projected and actual earnings on HIS pension plan investments	73	-
Employer specific amounts due to change in employer proportion	177,418	11,732
School HIS contributions subsequent to the measurement date	5,879	-
Total	\$ 101,786	\$ 23,334

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

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Measurement period ending June 30,	FRS Expense	HIS Expense
2018	\$ 19,495	\$ 22,622
2019	51,818	22,480
2020	36,231	22,410
2021	7,403	16,801
2022	25,038	6,626
Thereafter	<u>9,377</u>	<u>(18,366)</u>
Total	<u>\$ 149,362</u>	<u>\$ 72,573</u>

6 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	\$ 421,066
Class size reduction	90,195
Sparsity supplement	26,797
Supplemental academic instruction	26,251
Discretionary local	24,942
Discretionary millage funds	24,717
ESE guaranteed allocation	18,645
School recognition funds	11,032
Instructional materials	7,859
Digital classroom allocation	6,438
Reading allocation	5,003
Safe school	2,859
Other miscellaneous	2,000
Special millage	1,234
Discretionary lottery funds	166
Additional allocation	112
Proration to funds available	<u>(75)</u>
Total	<u><u>\$ 669,241</u></u>

The administrative fee paid to the School Board during the year ended June 30, 2018 totaled approximately \$33,000, 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

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

7 EDUCATION CONTRACT

The School entered into a contractual agreement with New Tech Network (“NTN”) for coaching services. The agreement commenced February 23, 2013 for an initial four-year term, which was not renewed. The School was charged fees not to exceed \$294,180 over the term of the contract. As of June 30, 2018, \$63,030 is due and payable to NTN in connection with services previously rendered under the contract.

8 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.

9 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. 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.

Loan consulting agreement

The School has an agreement with an outside consultant to assist in obtaining financing through the United States Department of Agriculture (“USDA”). As compensation for providing these services, should the consultant be able to secure appropriate financing, the School will be obligated to compensate the outside consultant with a fee equal to 2% of the loan amount.

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**Notes to Financial Statements
(continued)**

10 RELATED PARTY TRANSACTIONS

The School had a note payable from a member of its board that was forgiven during the year ended June 30, 2018 (Note 4).

11 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the tax years 2016, 2015, and 2014 are subject to examination by tax authorities, and may change upon examination.

12 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 6, 2018 which is the date the financial statements were available be issued.

On July 19, 2018, the School purchased a new facility to conduct its instructional and administrative functions. The purchase price amounted to \$450,000. Of this total, \$385,000 was financed by a mortgage note held by the seller. Under the terms of the financing, the note bears interest of 5%, and requires ten annual payments, consisting of principal and interest of \$49,859, the first of which comes due on or before July 19, 2019.

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Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 654,576	\$ 676,293	\$ 669,241	\$ (7,052)
Contributions and other revenue	-	-	22,144	22,144
Total revenues	654,576	676,293	691,385	15,092
EXPENDITURES				
Current:				
Instruction	296,134	300,134	268,211	31,923
Instructional staff training	600	-	-	-
Board	500	25,500	24,476	1,024
General administration	-	33,000	32,810	190
School administration	226,736	193,836	190,404	3,432
Facilities acquisition and construction	6,601	16,000	15,496	504
Fiscal services	22,650	20,000	19,330	670
Central services	-	1,500	1,317	183
Transportation services	10,000	10,000	8,858	1,142
Operation of plant	21,296	40,000	43,334	(3,334)
Community services	-	-	8,044	(8,044)
Total expenditures	584,517	639,970	612,280	27,690
Excess (deficiency) of revenues over expenditures	70,059	36,323	79,105	42,782
Other Financing Sources (uses)				
Operating transfer out	-	-	-	-
Total other financing sources	-	-	-	-
Net changes in fund balances	70,059	36,323	79,105	42,782
Fund deficit at beginning of year	(47,108)	(47,108)	(47,108)	-
Fund balance (deficit) at end of year	\$ 22,951	\$ (10,785)	\$ 31,997	\$ 42,782

See report of independent auditors.

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Required Supplementary Information

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources passes through local school district	\$ 29,018	\$ 69,227	\$ 69,227	\$ -
Total revenues	<u>29,018</u>	<u>69,227</u>	<u>69,227</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	29,018	64,725	69,227	(4,502)
School administration	-	4,502	-	4,502
Total expenditures	<u>29,018</u>	<u>69,227</u>	<u>69,227</u>	<u>(4,502)</u>
Net changes in fund balances	-	-	-	(4,502)
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,502)</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>2018</u>	<u>2017</u>
School's proportion of the FRS net pension liability (asset)	0.00076%	0.00084%
School's proportionate share of the FRS net pension liability (asset)	\$ 224,006	\$ 211,075
School's covered-employee payroll	\$ 409,452	\$ 469,179
School's proportionate share if the FRS net pension liability (asset) as a percentage of its covered-employee payroll	54.71%	44.99%
FRS Plan fiduciary net position as a percentage of the total pension liability	58.50%	100.00%

Schedule of School Contributions
Florida Retirement System Pension Plan

	<u>2018</u>	<u>2017</u>
Contractually required FRS contribution	\$ 19,834	\$ 20,386
FRS contribution in relation to the contractually required FRS contribution	\$ (19,834)	\$ (20,386)
FRS contribution deficiency (excess)	\$ -	\$ -
School's covered employee payroll	\$ 409,452	\$ 469,179
FRS contribution as a percentage of covered employee payroll	4.84%	4.35%

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>2018</u>		<u>2017</u>
School's proportion of the HIS net pension liability (asset)	0.00123%		0.00136%
School's proportionate share of the HIS net pension liability (asset)	\$ 131,011	\$	158,926
School's covered-employee payroll	\$ 409,452	\$	469,179
School's proportionate share if the HIS net pension liability (asset) as a percentage of its covered-employee payroll	32.00%		33.87%
HIS Plan fiduciary net position as a percentage of the total pension liability	36.90%		42.95%

Schedule of School Contributions
Health Insurance Subsidy Pension Plan

	<u>2018</u>		<u>2017</u>
Contractually required HIS contribution	\$ 5,879	\$	6,990
HIS contribution in relation to the contractually required HIS contribution	\$ (5,879)	\$	(6,990)
HIS contribution deficiency (excess)	\$ -	\$	-
School's covered-employee payroll	\$ 409,452	\$	469,179
HIS contribution as a percentage of covered employee payroll	1.44%		1.49%



McCRAZY & ASSOCIATES
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, and each major fund 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, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 6, 2018.

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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
September 6, 2018

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



McCRAZY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of 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, 2018, and have issued our report thereon dated September 6, 2018.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, if applicable, which is dated, September 6, 2018, 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. There were no findings or recommendations in the prior year audit report.

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Putnam Edge High School, Inc.

Financial Condition and Management

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

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we 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 School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

McCrady & Associates, PLLC

Altamonte Springs, Florida
September 6, 2018

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