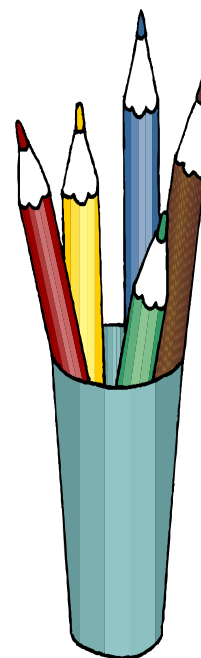
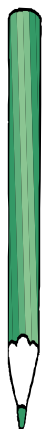
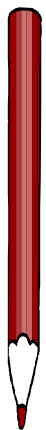
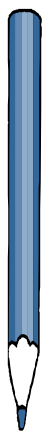


Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

Financial Statements
And
Independent Auditors' Report

June 30, 2015



KATTELL AND COMPANY, P.L.
A professional accounting firm serving the nonprofit community.

**808-B NW 16th Avenue
Gainesville, Florida 32601**

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Financial Statements and Independent Auditors' Reports

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

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Kattell and Company, P.L.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Putnam Academy of Arts and Sciences, Inc.

November 20, 2015

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Putnam Academy of Arts and Sciences, Inc. (the School), a component unit of the Putnam County District School Board, as of and for the year ended June 30, 2015, 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 the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility.

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

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

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

Opinions. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2015, 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.

Change in Accounting Principle. As discussed in Note 2 to the financial statements, the School implemented the provisions of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters - Required Supplementary Information. Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, and certain pension related information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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 and compliance.

Kattell and Company, P.L.

Management's Discussion and Analysis
June 30, 2015
Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the period ended June 30, 2015. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for the year ending June 30, 2015:

- The School's overall net position increased by approximately \$57,000, which is about 29% of the previous deficit.
- Unrestricted net position at June 30, 2015, was \$(228,799).
- The School had total expenses for the year of about \$977,000 compared to revenues of approximately \$1,034,000.
- The School served approximately 162 students in 2015 and 146 students in 2014, serving grades 6-8.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current period revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and deferred outflows and liabilities and deferred inflows – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains two individual governmental funds, the General Fund and Capital Projects Fund. Both are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements, if any.

Management's Discussion and Analysis

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about Net Position and changes in Net Position.

	2015 Governmental Activities	2014 Governmental Activities
Net Position		
Assets:		
Non-capital Assets	\$ 105,653	\$ 113,687
Capital Assets - Net	544,225	--
Total Assets	<u>649,878</u>	<u>113,687</u>
Deferred Outflows	<u>144,216</u>	<u>29,490</u>
Liabilities:		
Current Liabilities	74,328	38,451
Non Current Liabilities	470,754	15,983
Net Pension Liability	237,305	285,815
Total Liabilities	<u>782,387</u>	<u>340,249</u>
Deferred Inflows	<u>151,281</u>	<u>--</u>
Net Position:		
Net Investment in Capital Assets	89,225	--
Unrestricted	(228,799)	(197,072)
Total Net Position	<u>\$ (139,574)</u>	<u>\$ (197,072)</u>

Change in Net Position		
Program Revenues:		
Charges for Services	\$ 11,253	\$ 13,878
General Revenues:		
Implementation Grant	25,114	155,846
Title I	45,196	27,733
Florida Education Finance Program	911,765	800,860
School Recognition Funds	14,573	--
Other State Revenue	3,345	3,831
Unrestricted Grants & Contributions	22,919	18,845
Total Revenues	<u>1,034,165</u>	<u>1,020,993</u>
Program Expenses:		
Instruction	584,575	640,195
Instructional Support Services	5,067	13,371
General Support	350,983	330,825
Community Service	24,498	7,667
Maintenance of Plant	9,624	18,809
Interest on Long-Term Debt	1,920	--
Total Expenses	<u>976,667</u>	<u>1,010,867</u>
Change in Net Position	57,498	10,126
Beginning Net Position		
Previously Reported	(197,072)	49,127
Change in Accounting Principle	--	(256,325)
Restated	(197,072)	(207,198)
Ending Net Position	<u>\$ (139,574)</u>	<u>\$ (197,072)</u>

Management's Discussion and Analysis

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$1,022,912 of general revenues and \$11,253 of program revenues, and incurred \$976,667 of program expenses. This resulted in a \$57,498 increase in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$43,911 from \$75,236 to \$31,325.

Capital Projects Fund. The fund balance of the Capital Projects Fund was \$0. There was no Capital Outlay funding for the year.

BUDGETARY HIGHLIGHTS

General Fund. The significant differences between the original and final budgets relate to the purchase of the facilities and financing of the purchase. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School purchased new facilities at the end of the year. Please refer to the note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. There was a decrease in the School's liability for compensated absences during the year. Also, the School obtained a long-term mortgage at the end of the year in order to purchase its facilities. Please refer to a note to the accompanying financial statements entitled *Long-Term Liabilities* for more detailed information about the School's long-term debt activity.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Curtis Ellis, Principal/Director, Putnam Academy of Arts and Sciences, Inc., 310 South Palm Avenue, Palatka, FL 32177.

Statement of Net Position

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

	Governmental Activities
Assets:	
Cash	\$ 87,957
Accounts Receivable	4,600
Prepaid Expenses	13,096
Capital Assets:	
Land	192,000
Depreciable Capital Assets, Net	352,225
Total Assets	649,878
Deferred Outflows	144,216
Liabilities:	
Accounts Payable	74,328
Long-Term Liabilities:	
Due Within One Year	27,178
Due in More Than One Year	443,576
Net Pension Liability	237,305
Total Liabilities	782,387
Deferred Inflows	151,281
Net Position:	
Net Investment in Capital Assets	89,225
Unrestricted	(228,799)
Total Net Position	\$ (139,574)

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2015
Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

	Program Revenues			Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs:				
Governmental Activities:				
Instruction	\$ (584,575)	\$ --	\$ --	\$ (584,575)
Instructional Support Services	(5,067)	--	--	(5,067)
General Support	(350,983)	--	--	(350,983)
Community Service	(24,498)	11,253	--	(13,245)
Maintenance of Plant	(9,624)	--	--	(9,624)
Interest on Long-Term Debt	(1,920)	--	--	(1,920)
Total	<u>\$ (976,667)</u>	<u>\$ 11,253</u>	<u>\$ --</u>	<u>(965,414)</u>

General Revenues:

Federal through State:	
Implementation Grant	25,114
Title I	45,196
State Revenue:	
Florida Education Finance Program	911,765
School Recognition Funds	14,573
Other State Revenue	3,345
Unrestricted Grants and Contributions	<u>22,919</u>
Total General Revenues	<u>1,022,912</u>
Change in Net Position	57,498
Net Position – Beginning of Year	
Previously Reported	59,253
Change in Accounting Principle	<u>(256,325)</u>
Restated	<u>(197,072)</u>
Net Position – End of Year	<u>\$ (139,574)</u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2015
Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash	\$ 87,957	\$ --	\$ 87,957
Accounts Receivable	4,600	--	4,600
Prepaid Expenses	13,096	--	13,096
Total Assets	\$ 105,653	\$ --	\$ 105,653
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 74,328	\$ --	\$ 74,328
Total Liabilities	74,328	--	74,328
Fund Balances:			
Non-spendable – Prepaid Expenses	13,096	--	13,096
Unassigned	18,229	--	18,229
Total Fund Balances	31,325	--	31,325
Total Liabilities and Fund Balances	\$ 105,653	\$ --	\$ 105,653

See accompanying notes.

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

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

Fund Balances – Total Governmental Funds	\$ 31,325
Amounts reported for Governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds:	
Capital Assets – Net of Accumulated Depreciation	544,225
Long-term liabilities are not reported in the governmental funds	
Compensated Absences	(15,754)
Note Payable	(455,000)
Accounting for the School’s participation in the Florida Retirement System – the following amounts are reported in the Government-Wide Statements (see Note 7):	
Deferred Outflows	144,216
Deferred Inflows	(151,281)
Net Pension Liability	(237,305)
Net Position of Governmental Activities	<u><u>\$ (139,574)</u></u>

See accompanying notes.

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

For the Year Ended June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Federal through State Revenue:			
Implementation Grant	\$ 25,114	\$ --	\$ 25,114
Title I Grant	45,196	--	45,196
State Revenue:			
Florida Education Finance Program	911,765	--	911,765
School Recognition Funds	14,573	--	14,573
Other State Revenue	3,345	--	3,345
Local Revenue:			
Gifts, Grants and Bequests	22,919	--	22,919
Other Local Revenues	11,253	--	11,253
Total Revenues	<u>1,034,165</u>	<u>--</u>	<u>1,034,165</u>
Expenditures			
Expenditures:			
Current:			
Instruction	584,804	--	584,804
Instructional Support Services	5,067	--	5,067
General Support	907,163	--	907,163
Community Service	24,498	--	24,498
Maintenance of Plant	9,624	--	9,624
Debt Service:			
Principal	--	--	--
Interest	1,920	--	1,920
Total Expenditures	<u>1,533,076</u>	<u>--</u>	<u>1,533,076</u>
Excess of Revenues over/(under) Expenditures	<u>(498,911)</u>	<u>--</u>	<u>(498,911)</u>
Other Financing Sources			
Debt Issuance	<u>455,000</u>	<u>--</u>	<u>455,000</u>
Changes in Fund Balances			
Net Change in Fund Balance	<u>(43,911)</u>	<u>--</u>	<u>(43,911)</u>
Fund Balances, July 1, 2014	<u>75,236</u>	<u>--</u>	<u>75,236</u>
Fund Balances, June 30, 2015	<u><u>\$ 31,325</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 31,325</u></u>

See accompanying notes.

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

For the Year Ended June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

Net Change in Fund Balance – Total Governmental Funds	\$	(43,911)
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 depreciated over their estimated useful lives.		
Current Period Expenditures for Capital Assets		544,225
Current Period Depreciation Expense		--
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in Compensated Absences		229
Issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the Statement of Net Position.		
Current Period Issuance of Long-Term Debt		(455,000)
Current Period Principal Payments		--
Accounting for the School’s participation in the Florida Retirement System:		
Adjustment of required contribution to net pension expense		11,955
Change in Net Position of Governmental Activities	\$	57,498

See accompanying notes.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Putnam Academy of Arts and Sciences, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Putnam Academy of Arts and Sciences, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as Putnam Academy of Arts and Sciences (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Putnam County District School Board (the “District”). The current charter is effective until June 30, 2032, and may be renewed for an additional 15 years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal inter-fund activity has been eliminated from the government-wide financial statements.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

The Statement of Net Position reports the School's financial position as of the end of the fiscal period. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses, if any.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund and Capital Projects Fund are both considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2015, there were no amounts exceeding FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets are reported as “non-spendable” in the funds financial statements to indicate that prepaids do not represent available expendable resources.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$2,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	39 - 40

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted full-time equivalent students reported by the School during the designated FTE student survey periods.

The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay employees for unused sick/personal time when their employment is terminated. However, it can be carried over to the next year. An accrual for unused personal time is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements.

Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows, and is reported in three categories as hereafter described. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The balance of the net position is reported as *unrestricted*.

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

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Pensions

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), and additions to/deductions from FRSs' fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – RESTATEMENT

The restatement of Net Position resulted from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required the School to report deferred outflows of \$29,490 and net pension liability of \$285,815 for a total decrease of \$256,325 at June 30, 2014.

NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets not Being Depreciated:				
Land	\$ --	\$ 192,000	\$ --	\$ 192,000
Capital Assets Being Depreciated:				
Buildings and Improvements	--	352,225	--	352,225
Total Capital Assets	--	544,225	--	544,225
Accumulated Depreciation:				
Buildings and Improvements	--	--	--	--
Total Accumulated Depreciation	--	--	--	--
Net Capital Assets	\$ --	\$ 544,225	\$ --	\$ 544,225

Additions include the purchase price for the new facility plus costs of renovations. There was no depreciation for the year ended June 30, 2015, since the building was not placed in service until after year end.

NOTE 5 – SCHOOL FACILITIES

The District donated the facilities used by the School for the year ended June 30, 2015. The School will occupy its new facility in the new year.

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 6 – LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2015, follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Compensated Absences	\$ 15,983	\$ --	\$ 229	\$ 15,754	\$ 4,627
Note Payable - Facilities	--	455,000	-	455,000	22,551
Totals	\$ 15,983	\$ 455,000	\$ 229	\$ 470,754	\$ 27,178

The General Fund is used to liquidate compensated absences liabilities.

On June 3, 2015, the School purchased a new facility. The purchase price of \$480,000 was financed in part through a seller financed loan, in the amount of \$455,000. The loan is collateralized by the School's land and building; is amortized over thirteen years; and has a fixed interest rate of 5.5 percent. The payments are \$4,089 per month. The scheduled debt service requirements are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 22,551	\$ 26,517	\$ 49,068
2017	25,931	23,137	49,068
2018	27,393	21,675	49,068
2019	28,938	20,130	49,068
2020	30,571	18,497	49,068
2021-2025	180,749	64,591	245,340
2026-2029	138,867	8,337	147,204
Total	\$ 455,000	\$ 182,884	\$ 637,884

NOTE 7 – EMPLOYEE RETIREMENT PLAN

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. Beginning with the fiscal year ended June 30, 2014, 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 on line at:

http://www.dms.myflorida.com/workforce_operations/retirement/publications

The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P. O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 7 – EMPLOYEE RETIREMENT PLAN (continued)

Plan Descriptions

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, is administered, and may be amended in accordance with Chapter 121, Florida Statutes. 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 non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

Benefits under the FRS Pension 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 plan and/or class to which the member belonged when the service credit was earned. The percentage value for each year of service credit earned ranges from 1.60% to 1.68%. Benefits received are increased by an annual cost-of-living adjustment, ranging from 0% to 3% depending on effective dates of enrollment and retirement.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established, administered, and subject to amendment in accordance with section 112.363, Florida Statutes. 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, 2014, 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 can include Medicare.

Contributions

Contribution requirements of active employees and participating employers are established and may be amended only through an act of the Florida Legislature. The FRS requires a contribution of 3% of covered pay from employees. The School is required to contribute at an actuarially determined rate. Contribution rates and amounts are listed in the table below. Amounts contributed were equal to the required contribution for those years.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contribution Rates – %			
Retirement – Employer	4.04	5.72	6.07
HIS – Employer	1.11	1.20	1.26
Administrative – Employer	.03	.03	.04
Employee	3.00	3.00	3.00
Total	8.18	9.95	10.37
Contribution Amounts			
Employer	\$ 18,622	\$ 29,490	\$ 37,739
Employee	10,785	12,729	15,362
Totals	\$ 29,407	\$ 42,219	\$ 53,101

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 7 – EMPLOYEE RETIREMENT PLAN (continued)

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

At June 30, 2015, the School reported a liability of \$237,305 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following displays the School's proportionate shares for the two programs:

	Share at June 30, 2013	Share at June 30, 2014	Change
Florida Retirement System	0.001127612%	0.001057277%	(0.000070335)%
Health Insurance Subsidy	0.001053290%	0.001848033%	(0.000794743)%

For the year ended June 30, 2015, the School recognized pension expense of \$31,294. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	\$ --	\$ 3,992
Changes of assumptions.	17,321	--
Net difference between projected and actual earnings on pension plan investments.	83	107,613
Changes in proportion and differences between School contributions and proportionate share of contributions.	59,583	10,186
School contributions subsequent to the measurement date.	67,229	29,490
Total	\$ 144,216	\$ 151,281

The School reported \$37,739 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following years:

<u>Year Ending June 30,</u>	
2016	\$ (16,848)
2017	(16,848)
2018	(16,848)
2019	(16,848)
2020	10,035
2021	10,432
2022	2,121
Total	\$ (44,804)

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 7 – EMPLOYEE RETIREMENT PLAN (continued)

Actuarial Assumptions and Discount Rate

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth 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 7.65%. 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 4.29% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2014:

- FRS: As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%
- HIS: The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

Florida Retirement System			
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
School's proportionate share of the net pensions liability	\$ 275,915	\$ 64,509	\$ (111,340)

Health Insurance Subsidy			
	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
School's proportionate share of the net pensions liability	\$ 196,541	\$ 172,796	\$ 152,975

Notes to the Financial Statements

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

NOTE 7 – EMPLOYEE RETIREMENT PLAN (concluded)

Actuarial Assumptions and Discount Rate (concluded)

Long-term expected rate of return. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in September 2014 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Hewitt EnnisKnupp, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.11%	3.10	1.65
Intermediate-Term Bonds	18.05%	4.18%	4.05	5.15
High Yield Bonds	3%	6.79%	6.25	10.95
Broad US Equities	26.5%	8.51%	6.95	18.90
Developed Foreign Equities	21.2%	8.66%	6.85	20.40
Emerging Market Equities	5.3%	11.58%	7.60	31.15
Private Equity	6.0%	11.80%	8.11	30.00
Hedge Funds/Absolute Return	7.0%	5.81%	5.35	10.00
Real Estate (Property)	12.0%	7.11%	6.35	13.00

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

NOTE 8 – CONSTRUCTION COMMITMENT AND RELATED PARTY TRANSACTION

The School entered into a contract for renovations of its facility with an entity owned by the father-in-law of a board member of the School. The contractor subcontracted a portion of the work to the board member. The total contract price was \$96,250, of which \$51,084 was recorded as expenditure for the year ended June 30, 2015, leaving a commitment of \$45,166.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2015
Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
Implementation Grant	\$ --	\$ 25,114	\$ 25,114	\$ --
Title I Grant	--	45,196	45,196	--
State Revenue:				
Florida Education Finance Program	968,607	911,765	911,765	--
School Recognition Funds	--	14,573	14,573	--
Other State Revenue	--	3,345	3,345	--
Local Revenue:				
Gifts, Grants, and Bequests	--	22,919	22,919	--
Other Local Revenues	--	11,253	11,253	--
Total Revenues	968,607	1,034,165	1,034,165	--
Expenditures				
Expenditures:				
Current:				
Instruction	596,258	584,804	584,804	--
Instructional Support Services	6,200	5,067	5,067	--
General Support	288,430	907,163	907,163	--
Community Service	--	24,498	24,498	--
Maintenance of Plant	1,667	9,624	9,624	--
Debt Service Interest	--	1,920	1,920	--
Total Expenditures	892,555	1,533,076	1,533,076	--
Excess of Revenues Over/(Under) Expenditures	76,052	(498,911)	(498,911)	--
Other Financing Sources				
Debt Issuance	--	455,000	455,000	--
Changes in Fund Balances				
Net Change in Fund Balance	76,052	(43,911)	(43,911)	--
Fund Balances, July 1, 2014	--	75,236	75,236	--
Fund Balances, June 30, 2015	\$ 76,052	\$ 31,325	\$ 31,325	\$ --

Note to Schedule:

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

Schedules of School's Proportionate Share of the Net Pension Liability – Last 10 Fiscal Years

For the Year Ended June 30, 2015

Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

Florida Retirement System

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Proportion of the net pension liability (asset)	0.001057 277%									
Proportionate share of the net pension liability (asset)	\$64,509									
Covered-employee payroll	\$523,912									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.31%									
Plan fiduciary net position as a percentage of the total pension liability	96.09%									

Health Insurance Subsidy Program

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Proportion of the net pension liability (asset)	0.001848 033%									
Proportionate share of the net pension liability (asset)	\$172,796									
Covered-employee payroll	\$523,912									
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.98%									
Plan fiduciary net position as a percentage of the total pension liability	0.99%									

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no factors that have had a significant effect on amounts reported.

Schedules of School's Contributions – Last 10 Fiscal Years

For Year Ended June 30, 2015

Putnam Academy of Arts and Sciences, Inc.
A Component Unit of the Putnam County District School Board

Florida Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Required contribution	\$ 30,357	\$23,159								
Contributions in relation to the required contribution	(30,357)	\$(23,159)								
Contribution deficiency (excess)	--	--								
Covered-employee payroll	\$598,002	523,912								
Contributions as a percentage of covered-employee payroll	5.08%	4.42%								

Health Insurance Subsidy Program

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Required contribution	\$7,382	\$ 6,331								
Contributions in relation to the required contribution	(7,382)	(6,331)								
Contribution deficiency (excess)	--	--								
Covered-employee payroll	\$598,002	523,912								
Contributions as a percentage of covered-employee payroll	1.23%	1.21%								

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no significant trends in the amounts reported.

Kattell and Company, P.L.

A Certified Public Accounting Firm Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 20, 2015

To the Board of Directors
Putnam Academy of Arts and Sciences, Inc.

We have audited the financial statements of Putnam Academy of Arts and Sciences, Inc. (the School) for the year ended June 30, 2015, and have issued our report thereon dated November 20, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 21, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have communicated all known and likely adjustments to management and, except as noted in the next sentence, all adjustments have been reflected in the financial statements. Beginning of year Fund Balance and Net Position should have been reduced by \$7,411 and current year payroll expenditure and expense should have been reduced by the same amount. Management did not make this adjustments because it has an immaterial effect on the financial statements, and we do not disagree.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management and the Board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Kattell and Company, P.L.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16th Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

MANAGEMENT LETTER

To the Board of Directors,
Putnam Academy of Arts and Sciences, Inc.

November 20, 2015

Report on the Financial Statements. We have audited the financial statements of Putnam Academy of Arts and Sciences, Inc. (the School), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 20, 2015.

Auditors' Responsibility. 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; and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Schedule of Findings. Disclosures in that report and schedule, which are dated November 20, 2015, 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 are no uncorrected findings to 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 Academy of Arts and Sciences, 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. See Finding 2015-002 in the Schedule of Findings.

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

Other Matters

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

Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. See Finding 2015-001.

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, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Kattell and Company, P.L.

Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Putnam Academy of Arts and Sciences, Inc.

We have audited, 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, the financial statements of the governmental activities and each major fund of Putnam Academy of Arts and Sciences, Inc. (the "School") as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 20, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 were not identified.

Compliance and Other Matters

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

School's Response to Findings

The School's response to the findings identified in our audit are described in the accompanying letter from the School. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in the management letter dated November 20, 2015.

Kattell and Company, P.L.

November 20, 2015

Schedule of Findings

June 30, 2015

Putnam Academy of Arts and Sciences, Inc.

A Component Unit of the Putnam County District School Board

IMMATERIAL NONCOMPLIANCE

2015-001 Payroll Tax Compliance

Findings – We noted that an error in an employee's payroll deductions for health insurance in the prior year was corrected by paying the employee for the amount of excess deductions. The deductions were made pre-tax; however, the payments in the current year were not taxed as they should have been.

Recommendation – The School should review its processes for correcting payroll errors to insure that proper taxes are paid.

DETERIORATING FINANCIAL CONDITION

2015-002 Decrease in Fund Balance

Finding – The School's fund balance decreased during the year. The School does not have sufficient fund balance at June 30, 2015, to sustain another similar decrease.

Perspective – The School purchased a facility during the year. This purchase and related costs contributed to the decrease in fund balance.

Recommendation – We have no recommendation since we believe the School is aware of its financial condition and is taking steps to remain solvent. We report this finding only to comply with Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General.



Putnam Academy of Arts and Sciences

*310 S. Palm Ave Palatka, FL 32177
386-326-4212 phone 386-326-6235 fax*

November 20, 2015

Steve Kattell
Kattell and Company, P.L.
808-B NW 16th Avenue
Gainesville, Florida 32601

Dear Mr. Kattell,

We have received and reviewed the audit findings for the year ending June 30, 2015. We concur with the findings and address each corrective action below:

Immaterial Noncompliance 2015-001 Payroll Tax Compliance
Management will review the design and implementation of internal control procedures and update as necessary to ensure adequate controls over payroll deductions.

Deteriorating Financial Condition 2015-002 Decrease in Fund Balance
Management is working diligently to restore the fund balance.

If you need additional information or explanations, please contact me or Nancy McClellan at 386.326.4212.

Respectfully,

Curtis D. Ellis, Principal