

A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame, with some pencils oriented vertically and others horizontally. The colors include yellow, brown, green, red, blue, and dark blue. In the bottom right corner, there is a teal-colored pencil holder containing several sharpened pencils of various colors.

# 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, 2014

## **KATTELL AND COMPANY, P.L.**

*A professional accounting firm serving the nonprofit community.*

**808-B NW 16<sup>th</sup> Avenue  
Gainesville, Florida 32601**

**(352) 395-6565**

# **Financial Statements and Independent Auditors' Reports**

**June 30, 2014**

**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.

*Certified Public Accountants Serving the Nonprofit Community*

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

## INDEPENDENT AUDITORS' REPORT

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

August 14, 2014

### 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, 2014, 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.

#### **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 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, 2014, 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 management's discussion and analysis and the budgetary comparison schedule, 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 August 14, 2014 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, 2014**

## **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, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for the yearended June 30, 2014:

- The School's overall Net Position increased by approximately \$10,000, which is about 21%.
- Unrestricted Net Position at June 30, 2014, was \$59,253.
- The School had total expenses for the year of about \$1,011,000, compared to revenues of approximately \$1,021,000.
- The School served approximately 146 students in grades 6-8 in 2014 and 95 students in grades 6-7 in 2013.

### **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 liabilities 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 liabilities – 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 one individual governmental fund, the General Fund.

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, 2014

## 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.

	2014 Governmental Activities	2013 Governmental Activities
<b>Net Assets</b>		
Assets:		
Non-capital Assets	\$ 113,687	\$ 73,236
Total Assets	113,687	73,236
Liabilities:		
Current Liabilities	38,451	24,109
Non Current Liabilities	15,983	--
Total Liabilities	54,434	24,109
Net Position:		
Unrestricted	59,253	49,127
Total Net Position	\$ 59,253	\$ 49,127
<b>Change in Net Assets</b>		
Program Revenues:		
Charges for Services	\$ 13,878	\$ 3,187
General Revenues:		
Implementation Grant	155,846	175,000
Title I	27,733	30,675
Florida Education Finance Program	800,860	541,157
Other State Revenue	3,831	1,281
Unrestricted Grants & Contributions	18,845	15,966
Total Revenues	1,020,993	767,266
Program Expenses:		
Instruction	640,195	501,793
Instructional Support Services	13,371	9,255
General Support	330,825	201,660
Community Service	7,667	3,306
Maintenance of Plant	18,809	2,125
Total Expenses	1,010,867	718,139
Change in Net Position	10,126	49,127
Beginning Net Position	49,127	--
Ending Net Position	\$ 59,253	\$ 49,127

## **Management's Discussion and Analysis**

**June 30, 2014**

### **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 \$1,007,115 of general revenues and \$13,878 of program revenues, and incurred \$1,010,867 of program expenses. This resulted in a \$10,126 increase in net position.

#### **THE SCHOOL'S INDIVIDUAL FUNDS**

**General Fund.** The fund balance of the General Fund increased by \$26,109 from \$49,127 to 75,236.

#### **BUDGETARY HIGHLIGHTS**

**General Fund.** The School's original budget was based solely on the Florida Education Finance Program. The School amended the original budget to include revenues from the Implementation Grant, Title I Grant, other miscellaneous state revenues, and local revenues as well as the related expenditures for each. There were no differences between the final budget and actual amounts.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The School has no capital assets.

**Debt Administration.** The School had no existing long-term debt at the beginning of the year, and issued no new debt during the year. The School incurred a liability for compensated absences during the year. 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 Carla Aycock, Principal/Director, Putnam Academy of Arts and Sciences, Inc., 113 Putnam County Blvd., East Palatka, FL 32131.

## Statement of Net Position

June 30, 2014

### Putnam Academy of Arts and Sciences, Inc.

*A Component Unit of the Putnam County District School Board*

	Governmental Activities
<b>Assets</b>	
Cash	\$ 105,180
Accounts Receivable	3,026
Prepaid Expenses	<u>5,481</u>
<b>Total Assets</b>	<b><u>113,687</u></b>
Accounts Payable	38,451
Long-Term Liabilities:	
Due Within One Year	1,325
Due in More Than One Year	<u>14,658</u>
<b>Total Liabilities</b>	<b><u>54,434</u></b>
Unrestricted	<u>59,253</u>
<b>Total Net Position</b>	<b><u>\$ 59,253</u></b>

See accompanying notes.

**Statement of Activities**  
**For the Year Ended June 30, 2014**  
**Putnam Academy of Arts and Sciences, Inc.**  
*A Component Unit of the Putnam County District School Board*

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs:</b>					
Governmental Activities:					
Instruction	\$ (640,195)	\$ 11,831	\$ --	\$ --	\$ (628,364)
Instructional Support Services	(13,371)	--	--	--	(13,371)
General Support	(330,825)	--	--	--	(330,825)
Community Service	(7,667)	2,047	--	--	(5,620)
Maintenance of Plant	(18,809)	--	--	--	(18,809)
<b>Total</b>	<u>\$ (1,010,867)</u>	<u>\$ 13,878</u>	<u>\$ --</u>	<u>\$ --</u>	<u>(996,989)</u>
<b>General Revenues:</b>					
Federal through State:					
Implementation Grant					155,846
Title I					27,733
State Revenue:					
Florida Education Finance Program					800,860
Other State Revenue					3,831
Unrestricted Grants and Contributions					<u>18,845</u>
<b>Total General Revenues</b>					<u><b>1,007,115</b></u>
<b>Change in Net Position</b>					<b>10,126</b>
<b>Net Position – Beginning of Year</b>					<u><b>49,127</b></u>
<b>Net Position – End of Year</b>					<u><u><b>\$ 59,253</b></u></u>

See accompanying notes.



**Balance Sheet – Governmental Funds**  
**June 30, 2014**  
**Putnam Academy of Arts and Sciences, Inc.**  
*A Component Unit of the Putnam County District School Board*

	General Fund
	<u>          </u>
<b>ASSETS</b>	
Cash	\$ 105,180
Accounts Receivable	3,026
Prepaid Expenses	<u>5,481</u>
<b>Total Assets</b>	<b><u>\$ 113,687</u></b>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts Payable	\$ 38,451
Total Liabilities	<u>38,451</u>
Fund Balances:	
Non-spendable – Prepaid Expenses	5,481
Unassigned	<u>69,755</u>
Total Fund Balances	<u>75,236</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 113,687</u></b>

See accompanying notes.

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

**June 30, 2014**

**Putnam Academy of Arts and Sciences, Inc.**

*A Component Unit of the Putnam County District School Board*

<b>Fund Balances – Total Governmental Funds</b>	<b>\$</b>	<b>75,236</b>
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Amounts reported for Governmental activities in the Statement of Net Position are different because:

Long-term liabilities are not reported in the governmental funds

Compensated Absences	(15,983)
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<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>59,253</b>
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See accompanying notes.

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

For the Year Ended June 30, 2014

**Putnam Academy of Arts and Sciences, Inc.**

*A Component Unit of the Putnam County District School Board*

	General Fund
<b>Revenues</b>	
Federal through State Revenue:	
Implementation Grant	\$ 155,846
Title I Grant	27,733
State Revenue:	
Florida Education Finance Program	800,860
Other State Revenue	3,831
Local Revenue:	
Gifts, Grants and Bequests	18,845
Other Local Revenues	13,878
<b>Total Revenues</b>	<b>1,020,993</b>
<b>Expenditures and Changes in Fund Balances</b>	
<b>Expenditures:</b>	
Current:	
Instruction	634,080
Instructional Support Services	13,371
General Support	320,957
Community Service	7,667
Maintenance of Plant	18,809
<b>Total Expenditures</b>	<b>994,884</b>
<b>Excess of Revenues Over Expenditures</b>	<b>26,109</b>
<b>Fund Balances, July 1, 2013</b>	<b>49,127</b>
<b>Fund Balances, June 30, 2014</b>	<b>\$ 75,236</b>

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, 2014**

**Putnam Academy of Arts and Sciences, Inc.**

*A Component Unit of the Putnam County District School Board*

**Excess of Revenues over Expenditures – Total Governmental Funds** \$ 26,109

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

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 (15,983)

**Change in Net Position of Governmental Activities** \$ 10,126

See accompanying notes.

**Notes to the Financial Statements**  
**June 30, 2014**  
**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, 2017, 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, 2014**  
**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 fund is used by the School:

**GOVERNMENTAL FUND**

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.

In the accompanying fund financial statements, the General Fund is considered to be a major fund. 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, 2014**  
**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, 2014 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. The School held no capital assets at June 30, 2014.

Depreciable capital assets, if any, are depreciated using the straight-line method.

**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 full-time equivalent (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 full-time equivalent 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. The School had no long-term liabilities at June 30, 2014.

**Notes to the Financial Statements**  
**June 30, 2014**  
**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 liabilities and is reported in three categories. *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, 2014**  
**Putnam Academy of Arts and Sciences, Inc.**  
*A Component Unit of the Putnam County District School Board*

**NOTE 2 – 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 prior year.

**NOTE 3 – CAPITAL ASSETS AND DEPRECIATION**

The School has acquired no assets that meet the criteria for capitalization.

**NOTE 4 – SCHOOL FACILITIES**

The District donated the facilities used by the School for the year ended June 30, 2014.

**NOTE 5 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amount Due In 1 Year
Compensated Absences	\$ --	\$ 15,983	\$ --	\$ 15,983	\$ 1,325

**NOTE 6 – EMPLOYEE RETIREMENT PLAN**

*Plan Description* – The School contributes to the Florida Retirement System (the “System” or “FRS”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability, or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850) 488-5706.

*Funding Policy* – The FRS required a contribution of 3% of covered pay from employees. The School is required to contribute at an actuarially determined rate. The employer contribution rate (including the employees’ contribution of 3%) at June 30, 2014 and 2013 was 9.95% and 8.18%, respectively. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. The School’s contribution to the FRS for the year ended June 30, 2014 and 2013, was \$38,285 and \$22,624, respectively, which was equal to the required contribution for that year.

**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2014**  
**Putnam Academy of Arts and Sciences, Inc.**  
*A Component Unit of the Putnam County District School Board*

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Federal through State:				
Implementation Grant	\$ --	\$ 155,846	\$ 155,846	\$ --
Title I Grant	--	27,733	27,733	--
State Revenue:				
Florida Education Finance Program	792,693	800,860	800,860	--
Other State Revenue	--	3,831	3,831	--
Local Revenue:				
Gifts, Grants, and Bequests	--	18,845	18,845	--
Other Local Revenues	--	13,878	13,878	--
<b>Total Revenues</b>	<b>792,693</b>	<b>1,020,993</b>	<b>1,020,993</b>	<b>--</b>
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instruction	485,155	634,080	634,080	--
Instructional Support Services	6,200	13,371	13,371	--
General Support	239,284	320,957	320,957	--
Community Service	--	7,667	7,667	--
Maintenance of Plant	1,667	18,809	18,809	--
<b>Total Expenditures</b>	<b>732,306</b>	<b>994,884</b>	<b>994,884</b>	<b>--</b>
<b>Excess of Revenues Over     (Under)Expenditures</b>	<b>60,386</b>	<b>26,109</b>	<b>26,109</b>	<b>--</b>
<b>Fund Balances, July 1, 2013</b>	<b>49,127</b>	<b>49,127</b>	<b>49,127</b>	<b>--</b>
<b>Fund Balances, June 30, 2014</b>	<b>\$ 109,513</b>	<b>\$ 75,236</b>	<b>\$ 75,236</b>	<b>\$ --</b>

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.

# Kattell and Company, P.L.

*A Certified Public Accounting Firm Serving the Nonprofit Community*

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## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 14, 2014

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, 2014, and have issued our report thereon dated August 14, 2014. 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 June 5, 2014. 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. There are no uncorrected misstatements.

### 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.

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## MANAGEMENT LETTER

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

August 14, 2014

### 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, 2014, and have issued our report thereon dated August 14, 2014.

### Auditor's 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.

### Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Schedule of Findings. Disclosures in that report, dated August 14, 2014, and the Schedule of Findings, 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. In that regard, Finding 2014-01 is similar to Finding 13-02 in the prior year.

### Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

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

**Transparency.** Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine 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. We did not have any such recommendations.

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

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.

**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, and 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.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

### Independent Auditors' Report

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, 2014, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 14, 2014.

### 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, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as 2014-01 and 2014-02, that we consider to be significant deficiencies.

### 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 finding 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 August 14, 2014.

*Kattell and Company, P.L.*

August 14, 2014

**Schedule of Findings**  
**June 30, 2014**  
**Putnam Academy of Arts and Sciences, Inc.**  
*A Component Unit of the Putnam County District School Board*

**Significant Deficiencies in Internal Control**

**2014-01      Controls over Cash Receipts**

***Findings*** – We noted a weakness in the collection of cash and a lack of separation of incompatible duties related to the deposit of cash receipts. Specifically, parents are in charge of collecting cash at School events, but there do not appear to be controls to deter skimming. Also, the Executive Secretary has access to cash and checks before they are deposited into the bank, but there is no process to ensure that amounts deposited include all cash and checks collected.

***Recommendation*** – The School should review processes for the collection and deposit of its receipts and consider what adjustments may reduce the risks of skimming.

**2014-02      Recording of Certain Disbursements/Deductions - Health Insurance**

***Findings*** – We were unable to determine if amounts deducted from employees' paychecks for health insurance were equal to the amount necessary to be deducted in order to pay the employees' portion of the premiums. It should be noted that the amounts withheld appeared to be in excess of the amounts of insurance premiums paid.

***Recommendation*** – School should review its processes for matching employee deductions to premiums paid.