
INLET GROVE COMMUNITY HIGH SCHOOL, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2017

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Inlet Grove
Community High School, Inc.
600 W 28th Street
Riviera Beach, Florida 33404

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Inlet Grove Community High School, Inc. ("the School") (a nonprofit organization) as of and for the year ended June 30, 2017, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

To the Board Members of Inlet Grove
Community High School, Inc.
600 W 28th Street
Riviera Beach, Florida 33404
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Opinion

In my opinion, the financial statements referred to above and the Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (GAAP Basis) and Actual-All Governmental Fund Types present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, I have also issued my report dated October 12, 2017, on my consideration of the School's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of my audit.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 3 through 6 and 13 and 14 are presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standard 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. I 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. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Palm Beach Gardens, Florida
October 12, 2017

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of the Inlet Grove Community High School Inc.'s ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2017.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with the School's financial statements which begin on page 7.

For financial statement purposes the School is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting. The School included separate statements for the Governmental Fund Balance Sheet and the statement of Revenue, Expenditures and Changes in Fund Balance. The Statement of Net Assets and the Statement of Activities report provide information on the activities of the School. The Fund Financial Statements reflect financing activities of the School by providing information on inflows and outflows of spendable resources.

NON FINANCIAL HIGHLIGHTS

The School's average daily enrolment in fiscal 2016-2017 was 658 students. The School expects to have, and has budgeted for, a student population of 700 for the school year 2017-2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's financial position. Included in these statements are all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recorded when received.

The Statement of Net Assets presents information on all of the School's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year, including the business-type activities. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements

A *Fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Governmental Funds – All of the School's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's governmental activities and the basic services it provides.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 14-19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's liabilities exceeded assets by \$1,102,045 at June 30, 2017.

NET ASSETS

	<u>JUNE 30 2017</u>	<u>JUNE 30, 2016</u>
Current and Other Assets	\$ 925,936	\$ 852,861
Deferred Outflow of Resources	995,175	-
Capital Assets	42,938	52,163
Total Assets	\$ 1,964,049	\$ 905,024
Current Liabilities	\$ 312,600	\$ 283,784
Non-Current Liabilities	2,885,297	1,761,425
Total Liabilities	\$ 3,197,897	\$ 2,048,209
Investment in Capital Assets	\$ 42,938	\$ 52,163
Unrestricted Net Assets	(1,276,886)	(700,380)
Total Net Position	\$ (1,233,848)	\$ (648,217)

Revenues from governmental activities totaled \$4,745,242 for the year ended June 30, 2017. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue amounted to \$4,135,941 and represented approximately 87.2% of total revenue from governmental activities.

<u>Revenue Source</u>		<u>6/30/17</u>	<u>% of Total 6/30/17</u>		<u>6/30/16</u>	<u>% of Total 6/30/16</u>
State Sources	\$	4,564,159	72.6	\$	4,640,014	73.1
Local Sources		1,548,701	24.5		1,518,131	23.9
Federal Sources		181,083	2.9		186,899	3.0
Total	\$	6,293,943	100.0	\$	6,345,044	100.0

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

Local revenue sources are primarily tuition income from its vocational programs, grants and fund raising.

Expenses for major functions of the School are shown in the following table:

<u>Expense</u>	<u>6/30/17</u>	<u>% of Total 6/30/17</u>	<u>6/30/16</u>	<u>% of Total 6/30/16</u>
Instruction	\$ 3,103,692	49.3	\$ 3,763,031	59.1
Instructional Support Services	143,689	2.3	97,113	1.5
School Administration	1,064,279	16.9	715,295	11.2
General Administration	78,610	1.2	77,658	1.2
Facilities Acquisition	600,000	9.5	600,000	9.4
Fiscal Services	90,959	1.2	56,835	0.9
Board	16,090	0.3	14,825	0.2
General Activities	405,807	6.4	-	-
Central Services	5,720	-	195,322	3.2
Pupil Transportation	117,459	1.2	149,853	2.4
Operation of Plant	649,540	10.3	669,019	10.5
Maintenance of Plant	3,762	-	-	-
Depreciation	19,305	0.4	27,739	0.4
Total	\$ 6,298,912	100.00	\$	100.00

BUDGETARY HIGHLIGHTS

State Revenue was less than budgeted by \$22,000 primarily because of lower student enrollment. Local sources of revenue were more than budgeted by \$115,000 because fees for services were more than anticipated.

Instruction and pupil personnel services were more than budget by \$56,000 primarily because of higher salaries and benefits and professional fees for contracted teachers.

Other expenses were not substantially greater than budgeted.

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2017 was \$42,938 (net of depreciation). The investment includes furniture and equipment, computer software, motor vehicles and audio visuals. The following is a summary of capital assets balances at June 30, 2017:

Furniture, Fixtures and Equipment	\$ 346,167
Less Accumulated Depreciation	(303,229)
	<u>\$ 42,938</u>

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

PROSPECTS FOR THE FUTURE

The School continues to receive funds from State sources in the form of Florida Education Finance Program Fees (FEFP). The fees are evaluated in October and February and are based on student enrollment.

- The School Administration believes that the School can improve its rating from the Department of Education, based on test scores and academic achievement.
- The School Administration believes that higher test scores will continue to be achieved because of investments in reading and tutorial programs.
- The School should surpass its budgeted amount of 700 students for the 2017-2018 School Year.
- The School Administration believes that the School will continue to progress and contribute to the educational needs of Palm Beach County.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Governmental Fund Balance Sheet
June 30, 2017

	<u>General Funds</u>
ASSETS	
Cash	\$394,140
Investments	\$313,584
Accounts receivable	105,890
Due from other agencies	51,266
Prepayments	61,056
Total Assets	<u><u>\$925,936</u></u>
LIABILITIES	
Accrued payroll and benefits	268,200
Accounts Payable	44,400
Total Liabilities	<u>312,600</u>
FUND BALANCE	
Nonspendable	61,056
Assigned	313,112
Unassigned	239,168
Total fund balances	<u><u>613,336</u></u>
Total Liabilities and Fund Balance	<u><u>\$925,936</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
STATEMENT OF NET POSITION
For the Year ended June 30, 2017

ASSETS	Account Number	Primary Government		Total
		Governmental Activities	Business-type Activities	
Cash and Cash Equivalents	1110	\$707,724		\$707,724
Accounts Receivable, Net	1130	105,890		105,890
Due from other agencies	1220	51,266		51,266
Deferred Charges:				
Prepaid Items	1230	61,056		61,056
Capital Assets:				
Land	1310			
Land Improvements	1320			
Less Accumulated Depreciation	1329			
Buildings & Fixed Equipment	1330			
Less Accumulated Depreciation	1339			
Furniture, Fixtures and equipment	1340	346,167		346,167
Less Accumulated Depreciation	1349	(303,229)		(303,229)
Motor Vehicles	1350			
Less Accumulated Depreciation	1359			
Deferred outflow of resources FRS/HIS		995,175		995,175
Total Assets		1,964,049		1,964,049
LIABILITIES				
Salaries and Wages Payable	2110	242,442		242,442
Accrued Expenses	2210	25,758		25,758
Accounts Payable	2120	44,400		44,400
Noncurrent Liabilities:				
Portion Due Within One Year:				
Deferred inflows of resources FRS/HIS	2320	301,555		301,555
Liability for Compensated Absences	2330	231,227		231,227
Net Pension Liability		2,352,515		2,352,515
Total Liabilities		3,197,897		3,197,897
NET POSITION				
Invested in Capital Assets, Net of Related Debt		42,938		42,938
Deficit in accounting for net pension liability	2750	(1,890,122)		
Unrestricted		613,336		613,336
Total Net Position		(1,233,848)		(1,233,848)

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Position
June 30, 2017

Fund Balance- Governmental Funds		\$613,336
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Deferred outflow of resources	\$ 995,175	
Governmental capital assets	346,167	
Less accumulated depreciation	<u>(303,229)</u>	
		1,038,113

Long-Term Liabilities not due and payable in the current period and therefore are not reported in the governmental funds

Net Pension Liability	(2,352,515)	
Compensated absences	(231,227)	
Deferred inflow of resources	<u>(301,555)</u>	
		(2,885,297)

Net Position of Governmental activities		<u><u>(\$1,233,848)</u></u>
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The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance
Year ended June 30, 2017

	Governmental Funds	Special Revenue	Total
	<u> </u>	<u> </u>	<u> </u>
EXPENSES			
Instruction	\$2,938,793	\$164,899	\$3,103,692
Instructional Support Services	127,505	16,184	143,689
Board Services	16,090		16,090
General Administration	78,610		78,610
School Administration	1,024,277		1,024,277
Facilities Acquisition	600,000		600,000
Fiscal Services	90,959		90,959
Central Services	5,720		5,720
Pupil Transportation Services	117,459		117,459
Operation of Plant	649,540		649,540
Maintenance of Plant	3,762		3,762
Community Services	405,807		405,807
Capital outlay	10,079		10,079
TOTAL EXPENSES	<u>6,068,601</u>	<u>181,083</u>	<u>6,249,684</u>
 PROGRAM REVENUES			
Florida Education Finance Program (FEFP)	4,135,941		4,135,941
Charges for services	538,607		538,607
Total program revenues	<u>4,674,548</u>		<u>4,674,548</u>
GENERAL REVENUES:			
Other federal sources		181,083	181,083
Other State sources	428,218		428,218
Other local sources	1,010,094		1,010,094
Total general revenues	<u>1,438,312</u>		<u>1,619,395</u>
Excess of Revenues over expenses	44,259		44,259
 Fund balance, beginning of year	<u>569,077</u>		<u>569,077</u>
Fund balance, end of year	<u>\$613,336</u>	<u>\$ -</u>	<u>\$613,336</u>

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction	\$3,103,692	\$ 527,108	\$ 609,301		\$ (1,967,283)	49.3%
Instructional Support Services	143,689				(143,689)	2.3%
Board Services	16,090				(16,090)	0.3%
General Administration	78,610				(78,610)	1.2%
School Administration	1,064,279				(1,064,279)	16.9%
Facilities Acquisition	600,000		600,000		0	9.5%
Fiscal Services	90,959				(90,959)	1.4%
Central Services	5,720				(5,720)	0.1%
Pupil Transportation Services	117,459				(117,459)	1.9%
Operation of Plant	649,540				(649,540)	10.3%
Maintenance of Plant	3,762				(3,762)	0.1%
Community Services	405,807				(405,807)	6.4%
Depreication	19,305				(19,305)	0.3%
Total governmental activities	6,298,912	527,108	1,209,301		(4,562,503)	
		General Revenues				
		State through local school district			4,135,941	
		Miscellaneous revenues			421,593	
		Total General revenues			4,557,534	
		Change in net position			(4,969)	
		Net position , beginning			(1,228,879)	
		Net position, ended			\$ (1,233,848)	

The accompanying notes are an integral part of this statement

ISLAND VILLAGE MONTESSORI CHARTER SCHOOL, INC.
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2017

Net Changes in Fund Balances- Governmental Funds \$44,259

Amounts reported for governmental activities in the statement of net position 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.

Deferred outflow of resources	995,175	
Expenditures for capital assets	10,079	
Less current year depreciation	<u>(19,305)</u>	
		<u>985,949</u>

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 the Governmental Funds.

Net Pension Liability	(784,186)	
Compensated absences	(35,122)	
Deferred inflow of resources	<u>(215,869)</u>	
		<u>(1,035,177)</u>

Change in Net Position of Governmental Activities (\$4,969)

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2017

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
	EXPENDITURES:								
Instruction	\$2,871,264	2,938,793	\$67,529	\$176,146	\$164,899	(\$11,247)	\$3,047,410	\$3,103,692	\$56,282
Instructional Support Services	138,242	127,505	(10,737)	7,139	16,184	9,045	145,381	143,689	(1,692)
Board Services	24,458	16,090	(8,368)				24,458	16,090	(8,368)
General Administration	77,841	78,610	769				77,841	78,610	769
School Administration	1,082,775	1,024,277	(58,498)				1,082,775	1,024,277	(58,498)
Facilities Acquisition	600,000	600,000	0				600,000	600,000	
Fiscal Services	90,521	90,959	438				90,521	90,959	438
Central Services	5,719	5,720	1				5,719	5,720	1
Pupil Transportation Services	127,200	117,459	(9,741)				127,200	117,459	(9,741)
Operation of Plant	634,172	649,540	15,368				634,172	649,540	15,368
Maintenance of Plant	1,091	3,762	2,671				1,091	3,762	2,671
Community Services	356,031	405,807	49,776				356,031	405,807	49,776
Capital outlay		10,079	10,079					10,079	10,079
	<u>6,009,314</u>	<u>6,068,601</u>	<u>49,208</u>	<u>183,285</u>	<u>181,083</u>	<u>(2,202)</u>	<u>6,192,599</u>	<u>6,249,684</u>	<u>57,085</u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types (Cont'd)
For the Fiscal Year Ended June 30, 2017

	Governmental Funds			Special Revenue			TOTAL		
	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance	Original and Final Budget	Actual	Variance
PROGRAM REVENUES:									
Florida Education Finance Program	\$4,514,168	4,135,941	(\$378,227)				\$4,514,168	\$4,135,941	(\$378,227)
Charges for services	423,146	538,607	115,461				423,146	538,607	115,461
	<u>4,937,314</u>	<u>4,674,548</u>	<u>(262,766)</u>				<u>4,937,314</u>	<u>4,674,548</u>	<u>(262,766)</u>
GENERAL REVENUES:									
Other federal sources				183,285	181,083	(2,202)	183,285	181,083	(2,202)
Other State sources	72,000	428,218					72,000	428,218	356,218
Other local sources	1,000,000	1,010,094	10,094				1,000,000	1,010,094	10,094
	<u>1,072,000</u>	<u>1,438,312</u>	<u>10,094</u>	<u>183,285</u>	<u>181,083</u>	<u>(2,202)</u>	<u>1,255,285</u>	<u>1,619,395</u>	<u>364,110</u>
Excess of Expenditures over Revenues	\$ -	44,259	(\$301,880)	\$ -	\$ -	\$ -	\$0	44,259	\$44,259
Fund Balance, Beginning of Year		<u>569,077</u>						<u>569,077</u>	
Fund Balance, End of year		<u>\$613,336</u>			<u>\$ -</u>			<u>\$613,336</u>	

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Inlet Grove Community High School, Inc. (“the School”) was established as a nonprofit organization in May 1998 under the laws of the State of Florida and is the reporting entity.

The School District of Palm Beach County granted a contract to the School to operate a Conversion Charter School pursuant to *Florida Statute 1002.33*. Under the Contract the School provides a high school education and community education from Grade 9 through adults to citizens of Palm Beach County. For financial statement purposes, the School is not considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

The Contract was renewed and is effective through June 30, 2019. The Contract requires the School District to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

The School is a tax exempt organization under 501(C)(3) of the Internal Revenue Code.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for school districts through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements

The School’s basic financial statements are the Statements of Net Assets and the Statement of Activities. The activities of the School are classified as governmental type activities. All the School’s governmental type activities are included in the general fund and the special revenue fund. There are no other major or non major funds. The School’s vocational programs charge fees for services at rates set by the State of Florida. In the Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP) Federal and State Grants. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (after school and youth services, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund – is the School’s primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Special Revenue Fund – accounts for specific revenue, such as federal grants that are legally restricted to expenditures for particular purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounting and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

The governmental type activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. When both restricted and unrestricted resources are available for use, it is the policy of the School to use restricted resources first, then unrestricted resources as they are needed.

Measurement Focus

The accounting and financial reporting treatment is determined by applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet and operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financial uses) in net current assets.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash deposits. While the School attempts to limit its financial exposure, its cash balances may at times exceed federally insured limits of \$250,000. The School has not experienced any losses on such balances.

Cash deposits are held at banks qualified as public depositories under Florida Law.

Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements.

The School measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value measurements as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Contributed Services and Facilities:

The School does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of time to the School's program services. The School operates from a school campus of the School District of Palm Beach County, Florida.

Compensated Absences

Vacation is accrued as a liability when benefits are earned by employees which occurs when the employee has performed services that give rise to the vacation liability and it is probable that the benefits will result in compensation in some manner such as cash, termination payments or in time off, prior to retirement. The School permits employees to accumulate vacation leave. A liability is also recorded for accumulating rights to receive sick pay benefits if it is probable that the benefits will result in compensation to employees for absences due to illness or other contingencies.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year expenditures were controlled at the object level (i.e., salaries, purchased services, and capital outlay).

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee and is included in General Administration Expenses. This amounted to approximately \$78,000 for the year ended June 30, 2017.

Revenue Sources

Revenues for operations are received primarily from The School Board of Broward County pursuant to the funding provisions included in the School's Charter. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to The School Board of Broward County. Funding for the School is adjusted during the year to reflect the revised calculations by the Florida Department of Education under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facility.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fund Balance Classifications

GASB requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- a) **Nonspendable** fund balance includes amounts that are not in a spendable form such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). There was no nonspendable fund balance at year end.
- b) **Restricted** fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. There was a restricted fund balance at year end.
- c) **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision making authority. There was no committed fund balance at year end.
- d) **Assigned** fund balance includes amounts intended to be used by the School's Management for specific purposes but which does not meet the criteria to be classified as restricted or committed. There was no assigned fund balance at year end.
- e) **Unassigned** fund balance includes amounts that are available for any purpose. These amounts are reported only in the general fund. There was an unassigned fund deficit at year end.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against nonspendable fund balance, followed in order by restricted fund balance, committed fund balance, assigned fund balance, and lastly unassigned fund balance at the end of the fiscal year. The School's Board of Directors can deviate from this policy if it is in the best interest of the School.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture, Fixtures & Equipment	10 Years
Computer Equipment & Software	5-10 Years
Audio Visuals	10 Years

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 were as follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Ending</u>
Furniture, Fixtures & Equipment	\$ 336,088	\$ 10,079	\$ -	\$ 346,167
	336,088	10,079	-	346,167
Less Accumulated Depreciation	(283,924)	(19,305)	-	(303,229)
NET CAPITAL ASSETS	\$ 52,164	\$ (9,226)	\$ -	\$ 42,938

Unallocated depreciation expense of \$19,305 was charged during the year ended June 30, 2017.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions

The Florida Retirement System (FRS) is a cost-sharing multiple-employer qualified defined benefit pension plan with a Deferred 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 the School, county the School, 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.

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 system in paying their health insurance costs. For the Fiscal Year Ended June 30, 2016, 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.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont'd.)

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 participated in two defined benefit plans administered by the Division. Beginning with the fiscal year ended June 30, 2013, 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 plan 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

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont'd.)

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2017, respectively, were as follows: Regular—7.26% and 7.52%; and DROP participants—12.89% and 12.88%.

The School's contributions, including employee contributions, to the Pension Plan totaled \$280,668 for the Fiscal Year Ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$1,337,428 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportionate share of the net pension liability was based on the School's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was .005296727 percent, which was a decrease of .000071103 percent from its proportionate share measured as of June 30, 2015.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

For the Fiscal Year Ended June 30, 2017, the School recognized pension expense of \$200,546. In addition the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,404	\$ 12,452
Change of assumptions	80,910	-
Net difference between projected and actual earnings on Pension Plan investments	615,256	269,557
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	8,976	-
School’s Pension Plan contributions subsequent to the measurement date	-	-
Total	\$ 807,546	\$ 354,455

The 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:

Fiscal Year Ending	Amount
June 30:	
2018	\$ 12,776
2019	12,776
2020	12,776
2021	14,680
2022	10,460
Thereafter	14,680

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below.

Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual	Compound	Standard
		Arithmetic Return	Annual (Geometric) Return	
Cash	1.00%	3.20%	3.10%	1.70%
Fixed Income	18.00%	4.80%	4.70%	4.70%
Global Equity	53.00%	8.50%	7.20%	17.70%
Real Estate (Property)	10.00%	6.80%	6.20%	12.00%
Private Equity	6.00%	11.90%	8.20%	30.00%
Strategic Investments	12.00%	6.70%	6.10%	11.40%
Total	100.00%			
Assumed Inflation - Mean		2.60%		1.90%
(1) As outlined in the Pension Plan's investment policy				

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the School’s proportionate share of the net pension liability calculated using the discount rate of 7.60%, 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 one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	Florida Retirement System		
	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
School’s proportionate share of the net positions liability	\$ 2,462,294	1,337,428	401,124

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 30, 2017, the School reported a payable in the amount of \$-0- for outstanding contributions to the Pension Plan required For the Fiscal Year Ended June 30, 2017.

HIS Plan Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Fiscal Year Ended June 30, 2017, the HIS contribution for the period July 1, 2016 through June 30, 2017 was 1.26%, respectively. The School contributed 100% of its statutorily required contributions for the current and preceding three years.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The School’s contributions to the HIS Plan totaled \$44,643 for the Fiscal Year Ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of \$1,015,087 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School’s proportionate share of the net pension liability was based on the School’s 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was .008709768 percent.

For the Fiscal Year Ended June 30, 2017, the School recognized pension expense of \$43,343. In addition the School reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,312
Change of assumptions	159,293	-
Net difference between projected and actual earnings on HIS Plan investments	513	-
Changes in proportion and differences between School HIS Plan contributions and proportionate share of contributions	27,823	36,285
School’s HIS Plan contributions subsequent to the measurement date	-	-
Total	<u>\$ 187,629</u>	<u>\$ 38,597</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending		
June 30:		Amount
2018		\$ (2,752)
2019		(2,752)
2020		(2,752)
2021		(2,752)
2022		2,546

Actuarial Assumptions – The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont’d.)

Sensitivity of the School’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the School’s proportionate share of the net pension liability calculated using the discount rate of 2.85%, 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 one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	Health Insurance Subsidy		
	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
School’s proportionate share of the net positions liability	\$ 1,164,536	1,015,087	891,053

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan

At June 30, 2017, the School reported a payable in the amount of \$-0- for outstanding contributions to the HIS Plan required For the Fiscal Year Ended June 30, 2017.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. The School employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 3 – DEFINED BENEFIT PENSION PLAN (Cont'd.)

Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected School Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and The School Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the Fiscal Year Ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

NOTE 4 – Consolidated Absences

At June 30, 2017, the balance in long term consolidated absences was \$231,227.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Risk Management

The School is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all material risks of loss to which the School is exposed, including general liability, property, auto, and workers compensation.

The School receives funding from the State of Florida based on the number of full time equivalent (FTE) students who attend the Charter School. The data is compiled by the School and is subject to audit by the State and if errors are found this could result in amounts having to be repaid to the State or decrease in future allocations. Management believes that the amounts that would have to be remitted back to the State due to errors in their FTE count would not material to the financial position of the School. A review of the last four years reveals that settled claims have not exceeded insurance coverage.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated events that occurred subsequent to the year end for potential recognition or disclosure in the financial statements, through the date on which the financial statements were available to be issued. The date when the financial statements were available to be issued was October 12, 2017.

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

To the Board Members of Inlet Grove
Community High School, Inc.
600 W 28th Street
Riviera Beach, Florida 33404

I have audited the financial statements of Inlet Grove Community High School, Inc. (“the School”) (a non-profit organization) as of and for the year ended June 30, 2017, and have issued my report thereon dated October 12, 2017. I conducted my 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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the School’s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Cont'd.)

To the Board Members of Inlet Grove
Community High School, Inc.
600 W 28th Street
Riviera Beach, Florida 33404

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board Members, Management, others within the School and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Palm Beach Gardens, Florida
October 12, 2017

MANAGEMENT LETTER

To the Board Members of Inlet Grove
Community High School, Inc.
600 W 28th Street
Riviera Beach, Florida 33404

Report on the Financial Statements

I have audited the financial statements of Panacea Prep Charter School, Inc. Florida, (“the School”) as of and for the fiscal year ended June 30, 2017, and have issued my report thereon dated October 12, 2017.

Auditor’s Responsibility

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

Other Reports and Schedules

I have issued my Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit 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 Inlet Grove Community High School, Inc.

MANAGEMENT LETTER (Continued)

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, require that I report the results of my determination as to whether or not the Inlet Grove Community High School, Inc. 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 my audit, I determined that the Inlet Grove Community High School, Inc. 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, I applied financial condition assessment procedures for the Inlet Grove Community High School, Inc. It is management's responsibility to monitor the Inlet Grove Community High School, Inc.'s financial condition, and my financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Financial assessments made did not indicate that the Inlet Grove Community High School, Inc.'s financial condition is deteriorating.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that I report the results of my determination as to whether the Inlet Grove Community High School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with my audit, I determined that the Panacea Prep Charter School, Inc. 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 I address in the management letter any recommendations to improve financial management. In connection with my audit, I did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that I 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 my audit, I did not have any such findings.

Purpose of this Letter

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and Palm Beach County School District and is not intended to be and should not be used by anyone other than these specified parties.

Mark Escoffery, P.A.
October 12, 2017