
INLET GROVE COMMUNITY HIGH SCHOOL, INC.

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2007**

RECEIVED

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AUDITOR GENERAL

**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.
Riviera Beach, Florida

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 component unit of the Palm Beach County School District as of and for the year ended June 30, 2007, 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.

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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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, 2007, 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 September 7, 2007, 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 grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

To The Board of Directors of Inlet Grove Community
High School, Inc.
Riviera Beach, Florida
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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Board. I have applied certain limited procedures, which consisted principally of inquiries of Management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprised the School's basic financial statements. The accompanying Supplementary Schedule of Expenditures, Budget and Actual – Governmental Funds is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mark Cropper, P.A.

Palm Beach Gardens, Florida
September 7, 2007

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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, 2007.

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 2006-2007 was 625 students. The School expects to have 25 more students enrolled for the school year 2007-2008.

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. This Statement includes the governmental and business-type activities.

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, 2007**

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 17-21 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 assets exceeded liabilities by \$1,644,866 at June 30, 2007.

NET ASSETS

	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>
Current and other Assets	\$ 1,529,018	\$1,292,643
Capital Assets	<u>293,531</u>	<u>179,792</u>
Total Assets	<u>\$ 1,822,549</u>	<u>\$1,472,435</u>
Long-term Liabilities	\$ 4,390	\$ 59,234
Other Liabilities	<u>173,293</u>	<u>21,084</u>
Total Liabilities	<u>\$ 177,683</u>	<u>\$ 80,318</u>
Investment in Capital Assets	\$ 293,531	\$ 179,792
Unrestricted Net Assets	<u>1,351,335</u>	<u>1,212,325</u>
Total Net Assets	<u>\$1,644,866</u>	<u>\$1,392,117</u>

Revenues from governmental activities totaled \$4,405,967 for the year ended June 30, 2007. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue amounted to \$4,154,067 and represented approximately 94.2% of total revenue from governmental activities.

<u>Revenue Source</u>	<u>6/30/07</u>	<u>% of Total</u> <u>6/30/07</u>	<u>6/30/06</u>	<u>% of Total</u> <u>6/30/06</u>
State Sources	\$4,154,067	88.3	\$3,848,513	80.2
Local Sources	298,198	6.3	680,415	14.1
Federal Grant	<u>251,900</u>	<u>5.4</u>	<u>268,842</u>	<u>5.7</u>
Total	<u>\$4,704,165</u>	<u>100.0</u>	<u>\$4,797,770</u>	<u>100.0</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

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>6/30/07</u>	<u>% of Total 6/30/07</u>	<u>6/30/06</u>	<u>% of Total 6/30/06</u>
Instruction	2,511,609	58.8	\$2,330,745	55.2
Pupil Personnel	159,476	3.7	152,435	3.6
Instructional Media Services	57,557	1.3	49,423	1.2
Instructional Staff Training	4,179	-	-	-
School Admin.	515,994	12.4	706,876	18.2
General Admin.	162,064	3.8	47,251	-
Fiscal Services	72,888	1.8	-	-
Instruction & Curriculum Development	-	-	5,230	-
Board	6,709	-	9,119	-
General Activities	189,516	4.4	483,448	11.4
Pupil Transportation	25,130	.3	2,562	-
Operation of Plant Maintenance of Plant	528,813	12.4	402,900	9.5
Plant	25,108	.3	16,250	.9
Depreciation	35,049	.8	16,303	-
Total	<u>\$4,294,092</u>	<u>100.00</u>	<u>\$4,222,542</u>	<u>100.00</u>

BUDGETARY HIGHLIGHTS

State Revenue was \$373,708 more than budgeted because the School had more students than budgeted. Local sources of revenue were more than budgeted by \$29,700 because the School received additional grants and had fund raising revenues of approximately \$23,000. Federal sources were \$108,900 more than budget because the second year implementation grant of \$149,700 was received but only \$43,000 was budgeted.

Instruction was \$166,268 more than budget primarily because the School hired additional teachers and this increased related payroll costs, such as retirement and other benefits.

School Administration was \$111,958 more than budget because \$52,000 in retirement benefits paid for Community School Administration staff was not budgeted. The school also has equipment rental of approximately \$40,000.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

BUDGETARY HIGHLIGHTS (Continued)

Pupil Personnel Services were over budgeted by \$39,887 primarily because salaries were \$20,000 more than budget, health care and retirement costs were \$10,000 and \$8,000 respectively more than budget.

Capital Outlay was \$97,759 under budgeted as the School purchased \$148,000 in capital assets, primarily, computers, and audio visual equipment.

Reserves of 3% of the budget or \$209,590 were not used during the year.

General Activities expenses are the business-type activities costs associated with the fee based programs and were not budgeted during the fiscal year.

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2007 was \$293,501 (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, 2007:

Furniture & Equipment	\$ 291,793
Computer Software	25,489
Motor Vehicles	16,590
Audio Visuals	<u>11,491</u>
	345,363
Accumulated Depreciation	<u>(51,832)</u>
	<u>\$293,531</u>

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 receive an "A" 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 2007-2008 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, 2007

Governmental
Funds

ASSETS

Cash	\$1,375,342
Accounts receivable	44,125
Due from other agencies	45,834
Prepaid Expenses	47,911
Inventory	15,806
Total Assets	<u><u>\$1,529,018</u></u>

LIABILITIES

Due to other agencies	\$132,908
Accounts Payable	40,385
Compensated Absences	4,390
Total Liabilities	<u>177,683</u>

FUND BALANCE

Undesignated	<u>1,351,335</u>
Total Liabilities and Fund Balance	<u><u>\$1,529,018</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Proprietary Fund Balance Sheet
June 30, 2007

Proprietary
Fund

ASSETS

Cash	\$29,340
Accounts Receivable	54,422
Due from other Agencies	132,908
Total Assets	<u><u>\$216,670</u></u>

LIABILITIES

Due to other agencies	\$45,834
Payroll deductions	408
Total Liabilities	<u>46,242</u>

FUND BALANCE

Undesignated	<u>170,428</u>
Total Liabilities and Fund Balance	<u><u>\$216,670</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$1,375,342	29,340	\$1,404,682
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	44,125	54,422	98,547
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210			0
Due from Other Agencies	1220	45,834	132,908	
Internal Balances				
Inventory	1150	15,806		15,806
Prepaid Expenses	1230	47,911		47,911
Restricted assets:				
Cash with Fiscal Agent	1114			0
Capital assets:				
Land	1310			0
Land Improvements - Non-depreciable	1315			
Improvements Other Than Buildings	1320			0
Less Accumulated Depreciation	1329			0
Buildings and Fixed Equipment	1330			0
Less Accumulated Depreciation	1339			0
Furniture, Fixtures and Equipment	1340	291,793		291,793
Less Accumulated Depreciation	1349	(38,987)		(38,987)
Motor Vehicles	1350	16,590		16,590
Less Accumulated Depreciation	1359	(2,035)		(2,035)
Construction in Progress	1360			
Property Under Capital Leases	1370			
Less Accumulated Depreciation	1379			
Audio Visual Materials	1381	11,491		11,491
Less Accumulated Depreciation	1388	(2,514)		(2,514)
Computer Software	1382	25,489		25,489
Less Accumulated Amortization	1389	(8,296)		(8,296)
Total assets		\$1,822,549	\$216,670	\$2,039,219
LIABILITIES AND NET ASSETS				
LIABILITIES				
Salaries and Wages Payable	2110			
Payroll Deductions and Withholdings	2170		408	408
Accounts Payable	2120	\$40,385		\$40,385
Construction Contracts Payable	2140			
Due to Fiscal Agent	2240			
Accrued Interest on Sale of Bonds	2210			
Deposits Payable	2220			
Due to Other Agencies	2230	132,908	45,834	178,742
Sales Tax Payable	2260			
Estimated Unpaid Claims	2271			
Estimated Liability for Claims Adjustment	2272			
Estimated Liability for Arbitrage Rebate	2280			
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330	4,390		4,390
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Portion due after one year:				
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Total liabilities		177,683	46,242	223,925
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		293,531		293,531
Restricted for:				
Categorical Carryover Programs	2710			
Debt Service	2750			
Capital Projects				
Other Purposes				
Unrestricted(Deficit)		1,351,335	170,428	1,521,763
Total net assets		1,644,866	170,428	1,815,294
Total liabilities and net assets		\$1,822,549	216,670	\$2,039,219

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

**Reconciliation of the Governmental Funds
Balance Sheet To The Statement of Net Assets
June 30, 2007**

Fund Balance- Governmental Funds \$1,351,335

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds

Governmental capital assets	\$345,363	
Less accumulated depreciation	<u>(51,832)</u>	
		293,531

Net Assets of Governmental activities \$1,644,866

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
For The Year Ended June 30, 2007

	<u>Governmental Funds</u>
REVENUES:	
State sources	\$4,154,067
Local sources	298,198
Federal sources	251,900
TOTAL REVENUES	4,704,165
EXPENDITURES/EXPENSES	
Instruction	2,511,609
Pupil Personnel Services	159,476
Instructional Media Services	57,557
Instructional Staff Training	4,179
Board	6,709
Pupil Transportation	25,130
General Administration	162,064
School Administration	515,665
Fiscal Services	72,888
Food	329
Operation of Plant	528,813
Maintenance of Plant	25,108
General Activities	189,516
Capital Outlay	148,759
TOTAL EXPENSES	4,407,802
EXCESS OF REVENUES OVER EXPENDITURES	296,363
Other Financing (Uses)	
Transfers	451,551
Change in Fund balance	747,914
Fund Balance, Beginning of Year	603,421
Fund Balance, End of Year	\$1,351,335

The accompanying notes are an integral part of this statement

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	5000	\$ 2,511,609	\$ 162,522	\$ 290,394		\$ (2,058,693)	(350,957)	(2,409,650)
Pupil Personnel Services	6100	189,476		42,724		(116,752)		(116,752)
Instructional Media Services	6200	57,557				(57,557)		(57,557)
Instruction and Curriculum Development Services	6300							
Instructional Staff Training Services	6400	4,179				(4,179)		(4,179)
Board	7100	6,709				(6,709)		(6,709)
General Administration	7200	162,064				(162,064)		(162,064)
School Administration	7300	515,665				(515,665)	(224,369)	(740,034)
Facilities Acquisition and Construction	7400		7,514			7,514		7,514
Fiscal Services	7500	72,888				(72,888)	(40,515)	(113,403)
Food Services	7600	329				(329)		(329)
Central Services	7700							
Pupil Transportation Services	7800	25,130		59,708		34,578		34,578
Operation of Plant	7900	528,813				(528,813)	(42,898)	(571,711)
Maintenance of Plant	8100	25,108				(25,108)		(25,108)
Community Services	9100						-30,999	(30,999)
Interest on Long-term Debt	9200	35,049				(35,049)		(35,049)
Unallocated Depreciation Expense *			170,036			(3,541,714)	(689,748)	(4,231,462)
Total governmental activities:		4,104,576	170,036	392,826		(3,541,714)	(689,748)	(4,231,462)
Business-type activities:								
General Activities	9900	189,516				(189,516)		(189,516)
Total business-type activities		189,516				(189,516)		(189,516)
Totals		4,294,092	170,036	392,826		(3,731,230)	(689,748)	(4,420,978)

General Revenues:

Taxes:

Property taxes, levied for operational purposes		
Property taxes, levied for debt service		
Property taxes, levied for capital projects		
Local sales taxes		
Florida Education Finance program (FEFP)	4,094,358	296,548
Grants and contributions not restricted to specific programs		
Investment earnings	46,974	4318
Miscellaneous		401,956
Special items		
Transfers	451,551	(451,551)
Total general revenues, special items, and transfers	4,592,883	251,271
Change in net assets	861,653	(438,477)
Net assets-beginning	783,213	608,905
Net assets-ending	\$1,644,866	170,428
		\$1,815,294

* This amount excludes the depreciation that is included in direct expenses of the various functions.

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Funds To The
Statement of Activities
June 30, 2007**

Net Changes in Fund Balances- Governmental Funds \$747,914

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

Expenditures for capital assets	\$148,759	
Less current year depreciation	<u>(35,020)</u>	
		<u>113,739</u>
Change in Net Assets of Governmental Activities		<u><u>\$861,653</u></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
Year Ended June 30, 2007

	Governmental Funds (General Fund)		
	Original and Final Budget	Actual	Variance
REVENUES:			
State sources	\$3,780,359	\$4,154,067	\$373,708
Local sources	268,450	298,198	29,748
Federal Sources	143,000	251,900	108,900
TOTAL REVENUES	4,191,809	4,704,165	512,356
EXPENDITURES:			
Instruction	2,345,341	2,511,609	166,268
Pupil Personnel Services	119,589	159,476	39,887
Instructional Media Services	60,878	57,557	(3,321)
Instructional Staff Training Services	14,850	4,179	(10,671)
Board	33,625	6,709	(26,916)
Pupil Transportation	12,000	25,130	13,130
General Administration	150,717	162,064	11,347
School Administration	404,036	515,994	111,958
Fiscal Services	75,075	72,888	(2,187)
Operation of Plant	511,356	528,813	17,457
Maintenance of Plant	21,700	25,108	3,408
General Activities		189,516	189,516
Capital Outlay	51,000	148,759	97,759
Reserve Fund	209,590		(209,590)
TOTAL EXPENDITURES	4,009,757	4,407,802	398,045
EXCESS OF REVENUES OVER EXPENDITURES	\$182,052	\$296,363	\$114,311
Other Financing Sources Transfers in		451,551	
Change in Fund Balance		747,914	
Fund Balance, Beginning of year		603,421	
Fund Balance, End of year		\$1,351,335	

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
Proprietary Fund
For The Year Ended June 30, 2007

	<u>Business-Type Activities</u>		
	<u>Original and Final</u>		<u>Variance</u>
	<u>Budget</u>	Actual	
OPERATING REVENUES:			
Fees for Services	\$765,516	\$702,822	(\$62,694)
TOTAL REVENUES	<u>765,516</u>	<u>702,822</u>	<u>(62,694)</u>
OPERATING EXPENSES:			
Instruction	442,367	350,967	91,400
School Administration	204,250	224,369	(20,119)
Fiscal Services	44,837	40,515	4,322
Operation of Plant	34,831	42,898	(8,067)
Reserve Fund	30,624		30,624
Community Services		30,999	(30,999)
TOTAL EXPENDITURES	<u>756,909</u>	<u>689,748</u>	<u>67,161</u>
Operating Income	8,607	13,074	<u>\$4,467</u>
Other Financing Sources			
Transfers (out)		(451,551)	
Change in Fund Balance	<u>8,607</u>	<u>(438,477)</u>	
Net Assets, Beginning of year		<u>608,905</u>	
Net Assets, End of year	<u>\$8,607</u>	<u>\$170,428</u>	

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2007

	Business- Type Activities
Increase in Cash	
Receipts from customers	\$708,352
Payments to Suppliers	211,743
Payments to employees	568,822
Net Cash Provided By Operating Activities	(72,213)
Cash Flows From NonCapital Financing Activities:	
Transfers out	(451,581)
Net Cash used in Non Capital Financing Activities	(451,581)
Cash at beginning of year	553,134
Cash at End of Year	\$29,340
 Reconciliation of Operating Income to net Cash Provided by Operating Activities	
Operating Income	\$13,104
 Increase/Decrease in Assets and Liabilities	
Due from other agencies	(132,908)
Accounts Receivable	2,958
Accounts Payable	(1,201)
Due to other agencies	45,834
Net Cash Provided By Operating Activities	(\$72,213)

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, 2007**

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 considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

The Contract is effective through June 30, 2009. The Contract requires the School Board 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 and business-type activities (Proprietary Fund). All the School’s governmental type activities are included in the general fund. All other governmental fund types are not major funds. The business type activities are vocational programs which 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 (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2007

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

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.

The School's basic financial statements include both government-wide and fund financial statements (reporting the major fund) as well as notes to the financial statements. The School's primary activities are classified as governmental activities.

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.

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.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2007

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

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 \$100,000. The School has not experienced any losses on such balances.

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

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.

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 \$163,000 for June 30, 2007.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2007**

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

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

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 were as follows:

	Balance Beginning	Additions	Disposals	Balance Ending
Furniture, Fixtures & Equipment	\$ 173,669	\$ 118,124	\$ -	\$ 291,793
Computer Software	16,412	9,047	-	25,459
Motor Vehicles	-	16,590	-	16,590
Audio Visuals	6,496	4,995	-	11,491
	196,577	148,756	-	345,333
Less Accumulated Depreciation	16,783	35,049	-	51,832
NET CAPITAL ASSETS	\$ 179,794	\$ 113,707	\$ -	\$ 293,501

Unallocated depreciation expense of \$35,049 was charged during the year ended June 30, 2007.

NOTE 3- DEFINED BENEFIT PENSION PLAN

Plan Description

The School participates in the Florida Retirement System (the "System"), a cost-sharing multi-employer public retirement system ("PERS"), which covers substantially all of the School's full time and part-time employees. All eligible employees, as defined by the State, are covered by the System. Benefits under the Plan vest after six years of service.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2007

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

Plan Description (Cont'd.)

Employees who retire at or after age 62 with six years of credited service are entitled to an annual retirement benefit, payable monthly for life. The System also provides for death and disability benefits. These benefit provisions and all other requirements are established by State Statutes.

The State of Florida issued 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 State of Florida Division of Retirement, Department of Management Services, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy

Under the System, the School was required to contribute, effective July 1, 2006, 9.85% of the salary of all employees. The required contribution by the School to the System for the fiscal year ended June 30, 2007, was \$221,497.

NOTE 4 – USE OF FACILITIES

The School operates out of facilities owned by the School District of Palm Beach County. The School does not pay rent for the use of the property and consequently does not receive Capital Outlay Funds.

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 be material to the financial position of the School. A review of the last two years reveals that settled claims have not exceeded insurance coverage.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Funds
Year Ended June 30, 2007

	Governmental Funds (General Fund)		
	Original and Final Budget	Actual	Variance
Instructional			
Salaries	\$1,841,627	\$1,793,600	(\$48,027)
Benefits	455,939	507,295	51,356
Travel		2,989	2,989
Communication		15,512	15,512
Instructional Materials	46,875	136,441	89,566
Supplies		30,873	30,873
Computer repairs	900	24,899	23,999
Total Instruction	<u>\$2,345,341</u>	<u>\$2,511,609</u>	<u>\$166,268</u>
Pupil Personnel Services			
Salaries	\$90,515	\$108,409	\$17,894
Benefits	26,574	41,730	15,156
Professional Services	2,500	5,492	2,992
Supplies		3,845	3,845
	<u>\$119,589</u>	<u>159,476</u>	<u>\$36,042</u>
Instructional Media Services			
Salaries	\$46,300	46,287	(\$13)
Benefits	11,878	8,126	(3,752)
Library Books	2,700	2,268	(432)
Audio Visual Materials		876	876
	<u>\$60,878</u>	<u>\$57,557</u>	<u>(\$3,321)</u>
Instructional Staff Training Services			
Travel	\$12,500	3,090	(\$9,410)
Professional & technical	2,350	1,089	(1,261)
	<u>\$14,850</u>	<u>\$4,179</u>	<u>(\$10,671)</u>
Board			
Professional Services	\$10,000	\$6,250	(\$3,750)
Insurance	15,625		(15,625)
Travel	8,000	459	(7,541)
	<u>\$33,625</u>	<u>\$6,709</u>	<u>(\$26,916)</u>
Pupil Transportation			
Professional Services	<u>\$12,000</u>	<u>\$25,130</u>	<u>\$13,130</u>

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Funds
Year Ended June 30, 2007

	Governmental Funds		
	Original and Final Budget	Actual	Variance
General Administration			
District Annual Fee	\$150,717	162064	\$11,347
School Administration			
Salaries	\$305,846	\$327,851	\$22,005
Benefits	72,690	106,777	34,087
Travel		5,012	5,012
Equipment Rental	6,000	40,809	34,809
Communication		636	636
Postage	6,250	2,901	(3,349)
Supplies	6,250	14,044	7,794
Purchased services	7,000	17,964	10,964
Total School Administration	\$404,036	\$515,994	\$111,958
Fiscal Services			
Salary	\$34,000	29,178	(\$4,822)
Benefits	9,575	6,614	(2,961)
Professional Services	31,500	33,669	2,169
Purchased Services		3,427	3,427
	\$75,075	\$72,888	(\$2,187)
Operation of Plant			
Salaries	\$148,579	\$181,179	\$32,600
Benefits	22,827	32,058	9,231
Utilities	259,700	223,456	(36,244)
Custodial	14,400		(14,400)
Insurance	47,000	69,360	22,360
Telephone	9,600	1,140	(8,460)
Security	3,000		(3,000)
Other	6,250	21,620	15,370
Total Operation of Plant	\$511,356	\$528,813	\$17,457
Maintenance of Plant			
Building Repairs & Maintenance	\$21,700	\$25,108	\$3,408
Capital Outlay			
Furniture & Equipment	\$51,000	\$148,759	\$97,759
Reserves	\$209,590		(\$209,590)

Mark Escoffery, P.A.

Certified Public Accountant

4241-A Northlake Boulevard
Palm Beach Gardens, FL 33410

Tel (561) 627-1404
Fax (561) 627-3844

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.
Riviera Beach, Florida

I have audited the financial statements of Inlet Grove Community High School, Inc. (“the School”) as of and for the year ended June 30, 2007, and have issued my report thereon dated September 7, 2007. 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 of America.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the School’s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matter involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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 law, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

To the Board Members of Inlet Grove Community
High School, Inc.
Riviera Beach, Florida
Page 2

However, I noted an Observation from the prior year involving the internal control over financial reporting that had not been implemented and which I have again reported to Management of the School in a separate letter dated September 7, 2007.

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.

Wendy EscOFFER, P.A.

Palm Beach Gardens, Florida
September 7, 2007

Mark Escoffery, P.A.

Certified Public Accountant

4241-A Northlake Boulevard
Palm Beach Gardens, FL 33410

Tel (561) 627-1404
Fax (561) 627-3844

MANAGEMENT LETTER

To the Board Members of Inlet Grove Community
High School, Inc.
Riviera Beach, Florida

I have audited the financial statements of Inlet Grove Community High School, Inc., as of and for the year ended June 30, 2007, and have issued my report thereon dated September 7, 2007.

I have issued my Independent Auditor's Report on compliance and on internal control over financial reporting dated September 7, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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 of America. Additionally, my audit was conducted in accordance with the Provisions of Chapter 10.850, **Rules of the Auditor General**, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

The **Rules of the Auditor General** Section 10.854(1)(d)1 require that I comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the prior year have been implemented, except for the Observation listed on Page 27 under Budget.

The **Rules of the Auditor General** Section 10.854(1)(d)2 require that I comment on whether the School has met any of the conditions described in Section 218.503 (1), Florida Statutes. The School has not met any of the conditions described in Section 218.503(1), Florida Statutes.

The **Rules of the Auditor General** Section 10.854 (1) (d) 5 require that I state whether there were any findings or recommendations made for the current year. There are no findings or recommendations made for the current year.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
PRIOR YEAR MANAGEMENT LETTER COMMENTS
(That Continue To Apply)

Corrective actions have been taken to address some of the findings made in the preceding annual financial audit report, however this finding remains for which no corrective action was taken.

1 – BUDGET

Observation

It was observed during the audit that allocations for certain expenses were not done. In addition, there was no line item budget for General Activities.

RECOMMENDATION

Budgetary line items for internal funds - General Activities should be prepared as a way to control expenditures. This will facilitate Management's comparative analysis of budget to actual expenses and increase internal accounting control over the budget process.

The report is intended solely for the information and use of the School's Board Members, Management, pass-through entities and the State of Florida Office of the Auditor General and is not intended and should not be used by anyone other than these specified parties.

Mark EscOFFey, P.A.

Palm Beach Gardens, Florida
September 7, 2007



Emma T. Bank, Ed.S.
Principal

Deokee Balliram, Ed.D.
Assistant Principal

Jon Myszkowski, M.Ed.
Community School Director

Gary Ricciardi
Community School Coordinator

October 19, 2007

RECOMMENDATION:

Budgetary line items for internal funds- General Activities should be prepared as a way to control expenditures. This will facilitate Management's comparative analysis of budget to actual expenses and increase internal accounting control over the budget process.

CORRECTION:

The above recommendation has been put into place.

Authorized Training
Center for

Microsoft Authorized
Training Program

Microsoft Office User
Specialist

CISCO
Networking Academy

Florida State Board
of Nursing

AutoDESK Certification

International Society
of Certified
Electronics Technicians

DICSI
Premise Level Cabling

Emma Banks, Ed.D.
Principal
Inlet Grove Community High School