

**WALTON ACADEMY**  
**(A division of Walton**  
**Academy, Inc.)**

**Basic Financial Statements and**  
**Supplemental Information**

**For the year ended**  
**June 30, 2007**

**RECEIVED**

OCT 4 2007

**AUDITOR GENERAL**

**BERMAN HOPKINS**  
**WRIGHT & LAHAM**  
**CPAS AND ASSOCIATES, LLP**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay	27
Notes to Required Supplemental Information	28
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenditures - General Fund	30
Schedule of Functional Expenditures - Capital Outlay Fund	31
Schedule of Categorical Expenditures	32
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	33

**TABLE OF CONTENTS (continued)**

	Page
MANAGEMENT LETTER	35
MANAGEMENTS RESPONSE	38

Partners:

John R. Hopkins

James A. Wright, Jr.

James S. LaHam

Ross A. Whitley

W. Ed Moss, Jr.

Phillip J. Hayes

Brian L. Nemeroff

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Walton Academy  
Fort Walton Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2007, which collectively comprise Walton Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Walton Academy's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with auditing standards generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Walton Academy at June 30, 2007, and the respective changes in financial position for the year ended, and is not intended to be a complete presentation of the Charterholder.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2007, on our consideration of Walton Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

### BREVARD OFFICE

8035 Spyglass Hill Rd.

Melbourne, FL 32940

phone 321-757-2020

fax 321-242-4844

### ORLANDO OFFICE

480 N. Orlando Ave.

Suite 218

Winter Park, FL 32789

phone 407-644-5811

fax 407-644-6022

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 our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Walton Academy's basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

September 6, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

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

As management of Walton Academy (the "School"), a division of Walton Academy, Inc. (the "Charterholder") and a component unit the School Board of Walton County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2007 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found on pages 8 - 24.

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$383,082.
- The government's total net assets increased by \$197,917.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$254,510, an increase of \$150,904 in comparison with the prior year.
- At the end of the current fiscal year, the School's total debt increased by \$3,757 due to the additions of capital leases less the principal payments made during the year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **The School as a Whole**

The information in the government-wide financial statements include all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net assets (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, you need to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc. to assess the overall health of the School.

Changes in the School's net assets were as follows:

	2007	2006	Change	%
Current assets	\$ 263,388	\$ 124,585	\$ 138,803	111%
Capital assets—net	137,871	87,101	50,770	58%
Total assets	<u>401,259</u>	<u>211,686</u>	<u>189,573</u>	90%
Current Liabilities	8,878	20,979	(12,101)	-58%
Non-current Liabilities	9,299	5,542	3,757	68%
Total liabilities	<u>18,177</u>	<u>26,521</u>	<u>8,344</u>	31%
Net assets	<u>\$ 383,082</u>	<u>\$ 185,165</u>	<u>\$ 197,917</u>	107%
Net assets consist of:				
Invested in capital assets—net	\$ 128,572	\$ 81,559	\$ 47,013	58%
Restricted net assets	-	2,321	(2,321)	-100%
Unrestricted net assets	<u>254,510</u>	<u>101,285</u>	<u>153,225</u>	151%
Net assets	<u>\$ 383,082</u>	<u>\$ 185,165</u>	<u>\$ 197,917</u>	107%

Capital assets consist primarily of buildings, improvements other than buildings and furniture, fixtures and equipment.

The increase in current assets was due to an increase in cash. The increase in capital assets is due to the addition of new modular buildings. As a result, the unrestricted net assets also increased.

Changes in the School's expenses were as follows:

	2007	2006	Change	%
Basic instruction	\$ 360,595	\$ 244,520	\$ 116,075	47%
Exceptional instruction	20,008	19,646	362	2%
Staff development	2,572	275	2,297	835%
Board of directors	6,920	13,343	(6,423)	-48%
General administration	-	2,235	(2,235)	-100%
School administration	273,048	203,251	69,797	34%
Facilities	35,181	15,473	19,708	127%
Fiscal services	71,585	79,266	(7,681)	-10%
Food services	11,902	25,739	(13,837)	-54%
Staff services	70,116	67,574	2,542	4%
Transportation	88,343	72,468	15,875	22%
Operation of plant	46,047	37,003	9,044	24%
Maintenance of plant	-	1,858	(1,858)	-100%
Interest on note payable	840	986	(146)	-15%
Total expenses	<u>\$ 987,157</u>	<u>\$ 783,637</u>	<u>\$ 203,520</u>	26%

The increase in basic instruction is in relation to the addition of new teachers and Board approved raises. Other costs are variable depending on circumstances.

Changes in the School's revenues were as follows:

	2007	2006	Change	%
Revenues:				
Program revenues				
Operating grants	\$ 111,909	\$ 48,559	\$ 63,350	130%
Capital grants	68,242	-	68,242	100%
General revenues	1,004,923	798,580	206,343	26%
	<u>\$ 1,185,074</u>	<u>\$ 847,139</u>	<u>\$ 337,935</u>	40%

Generally, monies received from the school board increase when enrollment increases. In addition, the School received capital outlay funding for the first time this year.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School include the overall operations of the School.

The government-wide financial statements include only the School itself, which is a component unit of the School Board of Walton County, Florida. The School Board of Walton County, Florida includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**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. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of Walton Academy are presented in governmental funds only.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which are considered to be a major fund.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the school to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

**Notes to financial statements.** The notes 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 starting on page 14 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$383,082 at the close of the most recent fiscal year.

A portion of the School's net assets is reflected in its investment in capital assets (e.g., land, buildings, improvements other than buildings, and equipment), less any related outstanding debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the end of the current fiscal year, the School is reporting a positive balance of net assets totaling \$383,082.

### **Financial Analysis of the Government's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$254,510.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$205,141.

The fund balance of the School's general fund increased by \$101,535 during the current fiscal year.

### **General Fund Budgetary Highlights**

Actual revenues exceeded budgeted revenues and other financing sources by \$227 while budgeted expenses exceeded actual expenses by \$28,970.

### **Capital asset and debt administration**

**Capital assets.** The School's investment in capital assets for its governmental type activities as of June 30, 2007, amounts to \$137,871 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles.

**Debt.** At the end of the current fiscal year, the School had a capital lease payable of \$9,299 for the modular buildings in which the school operates.

The School's total debt increased by \$3,757 due to the additions of capital leases less the principal payments made during the current fiscal year.

### **Request for Information**

This financial report is designed to provide a general overview of Walton Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 1982 Lewis Turner Boulevard, Suite D, Fort Walton Beach, FL 32547.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**STATEMENT OF NET ASSETS**

**June 30, 2007**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 231,603
Due from related schools	14,279
Due from other agencies	12,964
Prepaid expenses	2,738
Deposits receivable	1,804
Total current assets	263,388
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated:	
Land	13,413
Capital assets, net of accumulated depreciation:	
Buildings	41,543
Improvements other than buildings	41,976
Furniture, fixtures and equipment	38,713
Vehicles	2,226
Total capital assets	137,871
Total assets	401,259
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accrued payroll liabilities	8,878
Noncurrent liabilities:	
Due within one year	6,393
Due in more than one year	2,906
Total liabilities	18,177
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	128,572
Unrestricted	254,510
Total net assets	\$ 383,082

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 360,595	\$ -	\$ 46,791	\$ 18,808	\$ (294,996)
Exceptional instruction	20,008	-	-	-	(20,008)
Staff development	2,572	-	-	-	(2,572)
Board of directors	6,920	-	-	-	(6,920)
School administration	273,048	-	-	-	(273,048)
Facilities	35,181	-	65,118	48,594	78,531
Fiscal services	71,585	-	-	-	(71,585)
Food services	11,902	-	-	-	(11,902)
Staff services	70,116	-	-	-	(70,116)
Transportation	88,343	-	-	-	(88,343)
Operation of plant	46,047	-	-	-	(46,047)
Interest on capital lease obligations	840	-	-	840	-
<b>Total governmental activities</b>	<b>\$ 987,157</b>	<b>\$ -</b>	<b>\$ 111,909</b>	<b>\$ 68,242</b>	<b>(807,006)</b>
General revenues:					
School Board of Walton County					978,260
Other income					26,663
<b>Total general revenues</b>					<b>1,004,923</b>
Change in net assets					197,917
Net assets at July 1, 2006					185,165
Net assets at June 30, 2007					<b>\$ 383,082</b>

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 231,603	\$ -	\$ -	\$ 231,603
Due from other funds	1,550	37,955	-	39,505
Due from related schools	14,279	-	-	14,279
Due from other agencies	-	11,414	1,550	12,964
Prepaid expenses	2,738	-	-	2,738
Deposits	1,804	-	-	1,804
Total assets	\$ 251,974	\$ 49,369	\$ 1,550	\$ 302,893
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accrued payroll liabilities	\$ 8,878	\$ -	\$ -	\$ 8,878
Due to other funds	37,955	-	1,550	39,505
Total liabilities	46,833	-	1,550	48,383
<b>FUND BALANCES</b>				
Unreserved	205,141	49,369	-	254,510
Total liabilities and fund balances	\$ 251,974	\$ 49,369	\$ 1,550	\$ 302,893

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS**

**June 30, 2007**

Fund balances - total governmental funds	\$ 254,510
The net assets reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Land	\$ 13,413
Buildings, net of \$17,309 accumulated depreciation	41,543
Improvements other than buildings, net of \$28,768 accumulated depreciation	41,976
Furniture, fixtures and equipment, net of \$49,439 accumulated depreciation	38,713
Vehicles, net of \$8,674 accumulated depreciation	<u>2,226</u>
Total capital assets	137,871
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Capital leases	<u>(9,299)</u>
Total net assets of governmental activities	<u>\$ 383,082</u>

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended June 30, 2007**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ -	\$ 65,599	\$ 65,599
State passed through local school district	978,260	114,552	-	1,092,812
Other revenues	26,663	-	-	26,663
Total revenues	<u>1,004,923</u>	<u>114,552</u>	<u>65,599</u>	<u>1,185,074</u>
<b>Expenditures</b>				
<b>Current</b>				
Basic instruction	307,375	-	46,791	354,166
Exceptional instruction	20,008	-	-	20,008
Staff development	2,572	-	-	2,572
Board of directors	6,920	-	-	6,920
School administration	272,815	-	-	272,815
Facilities	515	19,506	-	20,021
Fiscal services	71,585	-	-	71,585
Food services	11,902	-	-	11,902
Staff services	70,116	-	-	70,116
Transportation	86,885	-	-	86,885
Operation of plant	46,047	-	-	46,047
Fixed capital outlay	6,648	48,594	18,808	74,050
<b>Debt service</b>				
Payment of principal	-	4,201	-	4,201
Interest expense	-	840	-	840
Total expenditures	<u>903,388</u>	<u>73,141</u>	<u>65,599</u>	<u>1,042,128</u>
Excess of revenues over expenditures	101,535	41,411	-	142,946
<b>Other financing sources</b>				
Capital lease obligations proceeds	-	7,958	-	7,958
Net change in fund balances	101,535	49,369	-	150,904
Fund balances at July 1, 2006	103,606	-	-	103,606
Fund balances at June 30, 2007	<u>\$ 205,141</u>	<u>\$ 49,369</u>	<u>\$ -</u>	<u>\$ 254,510</u>

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2007**

Net change in fund balances - total government funds \$ 150,904

The change in net assets reported for governmental activities  
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the costs of those assets are allocated  
over their estimated useful lives and reported as depreciation expense.

Fixed capital outlay additions	\$ 74,050	
Depreciation	<u>(23,280)</u>	
		50,770

The issuance of long-term liabilities provides current financial  
resources to governmental funds, while the repayment of the  
principal of long-term liabilities consumes the current financial  
resources of governmental funds. Neither transaction, however,  
has any effect on net assets. The net effect of these differences  
in the treatment of long-term debt and related items increase net assets.

Capital lease obligation proceeds	(7,958)	
Principal payments on capital lease obligations	<u>4,201</u>	
		<u>(3,757)</u>

Change in net assets of governmental activities \$ 197,917

The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Walton Academy (the "School") is a division of Walton Academy, Inc. (the "Charterholder"), which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors, which is composed of four members. The financial information presented is that of Walton Academy only.

The general operating authority of Walton Academy is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the School Board of Walton County, Florida (the "District"). The current charter is effective through June 30, 2010. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Walton Academy is considered a component unit of the School Board of Walton County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets, and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund - the general operating fund of the School. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Outlay Fund - in accordance with guidelines established by the School Board of Walton County, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital grants.

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

4. Cash

Cash is made up of cash on hand at the School and a checking account held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of amounts due from other agencies and related schools at June 30, 2007. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital assets (continued)

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	9
Improvements other than buildings	7 - 15
Furniture, fixtures, and equipment	5 - 9
Vehicles	3

7. Revenue sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (DOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the DOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have eligibility requirements whereby the issuance of grant funds is withheld until such eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Reserves of fund balances

The School has a portion of their general fund balance reserved for local categoricals. Categoricals are funds the legislature may appropriate for specified programs, activities, or purposes.

10. Interfund receivables and payables

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

**NOTE B - CASH**

*Custodial credit risk* - The carrying amount of the School's deposits were \$274,081 at June 30, 2007. The deposits are insured by the FDIC up to \$100,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Capital assets not being depreciated:				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Capital assets depreciated:				
Buildings	43,914	\$ 14,938	\$ -	58,852
Improvements other than buildings	38,588	32,156	-	70,744
Furniture, fixtures and equipment	62,696	25,456	-	88,152
Vehicles	9,400	1,500	-	10,900
Total assets depreciated	<u>154,598</u>	<u>\$ 74,050</u>	<u>\$ -</u>	<u>228,648</u>
Less accumulated depreciation:				
Buildings	11,808	\$ 5,501	\$ -	17,309
Improvements other than buildings	22,549	6,219	-	28,768
Furniture, fixtures and equipment	39,337	10,102	-	49,439
Vehicles	7,216	1,458	-	8,674
Total accumulated depreciation	<u>80,910</u>	<u>\$ 23,280</u>	<u>\$ -</u>	<u>104,190</u>
Total governmental activities capital assets, net	<u>\$ 87,101</u>			<u>\$ 137,871</u>

Depreciation expense for the year ended June 30, 2007 was charged to functions of the School as follows:

Basic instruction	\$ 6,429
Facilities	15,160
School administration	233
Transportation	<u>1,458</u>
Total depreciation	<u>\$ 23,280</u>

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE D - NONCURRENT LIABILITIES**

1. Changes in noncurrent liabilities

A summary of noncurrent liabilities follows:

	Balance at July 1, 2006	Additions	Reductions	Balance at June 30, 2007	Due within one year
Capital leases	\$ 5,542	\$ 7,958	\$ 4,201	\$ 9,299	\$ 6,393

2. Capital leases

The School entered into lease agreements on November 13, 2004 and January 27, 2007 as a lessee for financing the acquisition of modular buildings. The lease agreements qualify as capital leases for accounting purposes and, therefore, are recorded at the present value of the future minimum lease payments at the inception date.

The assets acquired through the capital leases are recorded in the government-wide statements as follows:

	Governmental Activities:
Asset	
Building	\$ 21,284
Less: accumulated depreciation	(2,545)
	\$ 18,739

The future minimum lease obligations and the net present value of the minimum lease payments are as follows:

Fiscal year ending June 30,	
2008	\$ 7,229
2009	3,062
Total minimum lease payments	10,291
Less: amount representing interest	(992)
Present value of future minimum lease payments	\$ 9,299

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE E - COMMITMENTS AND CONTINGENCIES**

1. Operating leases

The School leases office equipment under month-to-month operating leases. Current year operating lease expenses totaled \$7,901.

2. Management service contract

The School has entered into a cancelable service agreement with a third party for management services, commencing on July 1, 2005. The contract is for management services through June 2010. The management fee is calculated as \$78 times the October and February FTE student counts, payable in twelve monthly installments. Current year management fees charged to operations totaled \$122,616.

3. Consulting Agreement

The School has a consulting agreement for exceptional student education consulting, training and support. The contract requires monthly payments of \$1,200 and expires June 30, 2009 and may be terminated by either party with sixty days notice.

Current year exceptional student education consulting fees paid to outside consultants totaled \$13,200.

**NOTE F - RELATED PARTY**

1. Management service contract

The management company provides oversight and management services based on a contractual arrangement with the school. The management company manages the finances and operations and makes recommendations to the school's independent board of directors, which makes the final determinations regarding policies and contracts. Total management fees charged to operations for the year ended June 30, 2007 are \$122,616 (see Note E-2).

The School's executive director also serves as a board member for another charter schools managed by the same management company.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE F - RELATED PARTY (continued)**

2. Payroll

During the year, the School processes certain payroll transactions with two related charter schools. One school is under the same Charterholder and both are managed by the same management company. All of the payroll transactions are reimbursed by the related schools. At June 30, 2007, the amount due from the related schools consists of:

Walton Academy Learning Center	\$ 7,443
The Learning Academy of Santa Rosa	<u>6,836</u>
Total	<u><u>\$ 14,279</u></u>

**NOTE G - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the plan for property insurance, the School's liability is \$1,000 per occurrence. Settled claims resulting from the risks described above have not exceeded the insurance coverage since inception.

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE H - CONCENTRATIONS**

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Walton County:	
Base funding	\$ 507,620
ESE guaranteed allocation	27,763
Supplemental academic instruction	26,043
Class size reduction	92,583
Safe schools	5,129
Discretionary millage	166,574
Additional millage	151,682
Discretionary lottery	4,686
Instructional materials allocation	12,353
Student transportation	33,114
Lead teacher program	2,200
Administration fee withheld (5%)	(51,487)
Subtotal	978,260
Capital outlay funds	114,552
Title 1	65,599
Total from School Board of Walton County	1,158,411
Other revenues:	
Tri Community Council	25,236
Other	1,427
	\$ 1,185,074

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**NOTE I - RETIREMENT PLAN**

Participation - Employees of the School participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2006, the School contributed an average of 9.85% of each qualified regular employee's gross salary. The School's contribution for the years ended June 30, 2007, 2006, and 2005 were \$37,252, \$22,903, and \$24,970, respectively, equal to the total required contributions for each year. Contributions for the year ending June 30, 2007, represented 8.46% of covered payroll.

Benefit Provisions - The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 10 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings. For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

Financial Report of the Plan - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Walton Academy**  
(A division of Walton Academy, Inc.)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND**

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FTE revenue	\$ 838,914	\$ 978,260	\$ 978,260	\$ -
Yearbook sales	-	-	1,343	1,343
Miscellaneous	1,450	1,200	84	(1,116)
Referral Billing	15,000	-	-	-
Tri-County Community Council	-	25,236	25,236	-
Total revenues	<u>855,364</u>	<u>1,004,696</u>	<u>1,004,923</u>	<u>227</u>
<b>Expenditures</b>				
Salaries	440,488	470,000	464,122	5,878
Retirement	34,953	49,000	39,131	9,869
Social security	31,428	37,000	36,262	738
Group insurance	46,086	40,000	40,536	(536)
Worker's compensation	14,819	9,000	8,589	411
Unemployment compensation	5,500	5,600	5,379	221
Other benefits	1,200	-	-	-
Management services	102,960	122,616	122,616	-
ESE services	14,400	13,200	13,200	-
Computer services	4,000	4,500	4,452	48
Auditing services	12,860	10,120	10,120	-
School resource officer	20,000	20,000	19,500	500
Staff development	-	2,000	1,638	362
Contracted services-transport	3,000	5,500	3,864	1,636
Miscellaneous contract services	500	-	-	-
Insurance	18,000	18,500	16,118	2,382
In-county travel	500	500	1,846	(1,346)
Out-of-county travel	3,000	3,000	934	2,066
Repairs and maintenance	2,500	250	211	39
Vehicle maintenance	13,000	12,000	9,805	2,195
Fire alarm inspections	150	200	178	22
Copier lease	4,000	4,200	3,950	250
Radios lease	4,200	4,000	3,951	49
Facilities lease	9,500	-	-	-
Miscellaneous rental	250	-	-	-
Postage	1,500	1,500	1,341	159
Telephone	5,800	5,500	5,051	449
Internet	635	1,139	1,139	-
Telephone maintenance	1,000	-	-	-
Water and sewer	2,000	1,078	1,078	-
Garbage	250	1,000	933	67
Advertising	750	1,500	1,188	312
Printing	1,000	-	-	-
Pest control	660	660	660	-
Alarm monitoring	240	285	345	(60)
Non-professional service	1,200	650	650	-
Electricity	15,000	14,000	13,985	15
Vehicle gasoline	20,000	16,350	16,643	(293)
Supplies	10,000	17,000	13,562	3,438
Textbooks	11,856	13,000	12,883	117
Periodicals	-	-	108	(108)
Oil & grease	100	10	41	(31)
Food	200	100	-	100
Furniture, equipment under \$750	1,500	1,000	1,491	(491)
Computer hardware over \$750	1,000	6,700	6,648	52
Computer software under \$750	-	-	626	(626)
Buses	2,400	-	-	-
Software	2,000	1,200	516	684
Dues and fees	1,200	1,500	1,393	107
Other personal services	5,000	17,000	16,690	310
Auto tag & fees	-	-	15	(15)
Total expenditures	<u>872,385</u>	<u>932,358</u>	<u>903,388</u>	<u>28,970</u>
Excess (deficiency) of revenues over (under) expenditures	(17,021)	72,338	101,535	29,197
Fund balance at July 1, 2006	<u>103,606</u>	<u>103,606</u>	<u>103,606</u>	<u>-</u>
Fund balance at June 30, 2007	<u>\$ 86,585</u>	<u>\$ 175,944</u>	<u>\$ 205,141</u>	<u>\$ 29,197</u>

See notes to required supplemental information

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CAPITAL OUTLAY**

**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay	\$ 76,463	\$ 114,549	\$ 114,552	\$ 3
Expenditures				
Repairs and maintenance	10,000	20,000	18,851	1,149
Facilities lease	9,500	10,200	655	9,545
Buildings	-	2,520	14,938	(12,418)
Buses	-	1,500	1,500	-
Improvements	-	35,000	24,226	10,774
Remodeling/renovations	25,000	10,000	7,930	2,070
Payment of principal	-	-	4,201	(4,201)
Interest expense	-	-	840	(840)
Total expenditures	44,500	79,220	73,141	6,079
Excess of revenues over expenditures	31,963	35,329	41,411	6,082
Other financing sources				
Capital lease obligation proceeds	-	-	7,958	7,958
Net change in fund balance	31,963	35,329	49,369	14,040
Fund balance at July 1, 2006	-	-	-	-
Fund balance at June 30, 2007	\$ 31,963	\$ 35,329	\$ 49,369	\$ 14,040

See notes to required supplemental information

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2007**

**NOTE A - BUDGETARY INFORMATION**

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with account principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2007, have been amended according to Board procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the object level.

**SUPPLEMENTAL INFORMATION**

Walton Academy  
(A division of Walton Academy, Inc.)

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2007

	Basic Instruction	Exceptional Instruction	Staff Development	Board of Directors	School Administration	Facilities
Dues and fees	\$ (56)	\$ -	\$ -	\$ 61	\$ 728	\$ -
Electricity	-	-	-	-	-	-
Garbage	-	-	-	-	-	-
Gasoline	-	-	-	-	-	-
Group insurance	13,872	-	-	-	16,393	-
In county travel	154	-	-	-	1,692	-
Insurance	-	-	-	6,708	-	-
Miscellaneous	-	-	1,638	-	-	-
Non-professional services	-	-	-	-	-	-
Oil & grease	-	-	-	-	-	-
Other personal services	12,580	-	-	-	60	-
Out-of-county travel	-	-	934	-	-	-
Periodicals	108	-	-	-	-	-
Postage	-	-	-	-	1,341	-
Printing	-	-	-	151	1,037	-
Professional services	19,500	13,200	-	-	-	-
Rental	-	-	-	-	3,950	-
Repairs and maintenance	4,452	-	-	-	-	-
Retirement	19,143	-	-	-	14,876	-
Salaries	200,634	6,093	-	-	207,210	-
Social security	16,178	466	-	-	15,469	-
Supplies	3,579	-	-	-	8,115	-
Telephone	-	-	-	-	-	-
Textbooks	12,883	-	-	-	-	-
Unemployment compensation	3,039	249	-	-	1,335	-
Water and sewer	-	-	-	-	-	-
Worker's compensation	-	-	-	-	-	-
Furniture and fixtures	167	-	-	-	609	515
Computer software	1,142	-	-	-	-	-
	<u>\$ 307,375</u>	<u>\$ 20,008</u>	<u>\$ 2,572</u>	<u>\$ 6,920</u>	<u>\$ 272,815</u>	<u>\$ 515</u>

Fiscal Services	Food Services	Staff Services	Transportation	Operation of Plant	Fixed Capital Outlay	Total
\$ 157	\$ -	\$ -	\$ 132	\$ 386	\$ -	\$ 1,408
-	-	-	-	13,985	-	13,985
-	-	-	-	933	-	933
-	-	-	16,643	-	-	16,643
-	2,545	-	6,517	1,209	-	40,536
-	-	-	-	-	-	1,846
-	-	-	3,124	6,286	-	16,118
-	-	-	-	-	-	1,638
-	-	-	-	1,655	-	1,655
-	-	-	41	-	-	41
-	-	-	4,050	-	-	16,690
-	-	-	-	-	-	934
-	-	-	-	-	-	108
-	-	-	-	-	-	1,341
-	-	-	-	-	-	1,188
71,428	-	61,308	3,864	-	-	169,300
-	-	-	3,951	-	-	7,901
-	-	-	9,805	389	-	14,646
-	774	-	3,233	1,105	-	39,131
-	7,854	-	32,316	10,015	-	464,122
-	601	-	2,782	766	-	36,262
-	-	219	-	1,649	-	13,562
-	-	-	-	6,190	-	6,190
-	-	-	-	-	-	12,883
-	128	-	427	201	-	5,379
-	-	-	-	1,078	-	1,078
-	-	8,589	-	-	-	8,589
-	-	-	-	200	6,648	8,139
-	-	-	-	-	-	1,142
<u>\$ 71,585</u>	<u>\$ 11,902</u>	<u>\$ 70,116</u>	<u>\$ 86,885</u>	<u>\$ 46,047</u>	<u>\$ 6,648</u>	<u>\$ 903,388</u>

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**SCHEDULE OF FUNCTIONAL EXPENDITURES - CAPITAL OUTLAY FUND**

**For the year ended June 30, 2007**

	Facilities	Fixed Capital Outlay	Debt Service	Total
Rental	\$ 655	\$ -	\$ -	\$ 655
Repairs and maintenance	18,851	-	-	18,851
Buildings	-	14,938	-	14,938
Buses	-	1,500	-	1,500
Remodeling and renovations	-	32,156	-	32,156
Payment of principal	-	-	4,201	4,201
Interest	-	-	840	840
	<u>\$ 19,506</u>	<u>\$ 48,594</u>	<u>\$ 5,041</u>	<u>\$ 73,141</u>

**Walton Academy**  
**(A division of Walton Academy, Inc.)**

**SCHEDULE OF CATEGORICAL EXPENDITURES**

**For the year ended June 30, 2007**

Categorical	Prior Year	FY 2006-2007		
	Carryforward	Revenue	Expenditures	Carryforward
Instructional materials	\$ 1,584	\$ 11,735	\$ 13,319	\$ -
Transportation	-	31,458	31,458	-
Teacher training	737	-	737	-
Florida teacher lead	-	2,200	2,200	-
Safe schools	-	3,626	3,626	-
Total	<u>\$ 2,321</u>	<u>\$ 49,019</u>	<u>\$ 51,340</u>	<u>\$ -</u>

Partners:

John R. Hopkins

James A. Wright, Jr.

James S. LaHam

Ross A. Whitley

W. Ed Moss, Jr.

Phillip J. Hayes

Brian L. Nemeroff

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

To the Board of Directors  
Walton Academy  
Fort Walton Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy, a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2007, which collectively comprise Walton Academy's basic financial statements, and have issued our report thereon dated September 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

BREVARD OFFICE

8035 Spyglass Hill Rd.

Melbourne, FL 32940

phone 321-757-2020

fax 321-242-4844

ORLANDO OFFICE

480 N. Orlando Ave.

Suite 218

Winter Park, FL 32789

phone 407-644-5811

fax 407-644-6022

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walton Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Walton Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Walton Academy's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Walton Academy's financial statements is more than inconsequential will not be prevented or detected by the Walton Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Walton Academy's internal control.

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

#### Compliance and other matters

As part of obtaining reasonable assurance about whether Walton Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Walton Academy in the management letter dated September 6, 2007.

Walton Academy's response to our findings identified in our audit is described in the accompanying letter of management response. We did not audit Walton Academy's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Walton Academy's management, the School Board of Walton County, the State of Florida Office of the Auditor General and other regulatory agencies of federal and state governments, and is not intended to be and should not be used by anyone other than these specified parties.

September 6, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

Partners:

John R. Hopkins

James A. Wright, Jr.

James S. LaHam

Ross A. Whitley

W. Ed Moss, Jr.

Phillip J. Hayes

Brian L. Nemeroff

**MANAGEMENT LETTER**

To the Board of Directors  
Walton Academy  
Fort Walton Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Walton Academy (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2007, which collectively comprise Walton Academy's basic financial statements, and have issued our report thereon dated September 6, 2007.

We issued our report on internal control over financial reporting and on compliance and other matters dated September 6, 2007. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The discussion required by the rules of the Auditor General follows:

BREVARD OFFICE

8035 Spyglass Hill Rd.

Melbourne, FL 32940

phone 321-757-2020

fax 321-242-4844

ORLANDO OFFICE

480 N. Orlando Ave.

Suite 218

Winter Park, FL 32789

phone 407-644-5811

fax 407-644-6022

1. See the attached list for corrective actions, if any, that have been taken to address any significant findings and recommendations made in the preceding annual financial audit report, not otherwise, addressed in the auditors report pursuant to Rule 10.856(2)(b)(2).
2. In connection with our audit, we determined that the School has not met any of the conditions described in Section 218.503(1)(e), Florida Statutes.
3. Based on our professional judgment, there is one matter inconsequential to the financial statements considering both quantitative and qualitative factors, including the following:
  - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; and (2) were discovered within the scope of the financial audit.
  - b. Improper expenditures discovered within the scope of the financial audit

- c. Deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.
4. The official title of the School is *Walton Academy* (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

This management letter is intended for the information of Walton Academy's management, the School Board of Walton County, the State of Florida Office of the Auditor General and other regulatory agencies of federal and state governments, and is not intended to be and should not be used by anyone other than these specified parties.

September 6, 2007  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

**Current Year Recommendations to Improve Financial Management,  
Accounting Procedures and Internal Controls**

07-1 Due from related school

Criteria: Under the accrual basis of accounting, deposits that are made after year end but are applicable to the current fiscal year should be recorded as a receivable.

Condition: Reimbursements for salaries from affiliated schools in the amount of \$9,112 was not recorded as a receivable.

Questioned costs: Not applicable.

Cause: Management failed to reconcile bank deposits to the correct general ledger period.

Effect: Expenditures were overstated by \$9,112.

Auditors' recommendation: We recommend that management initiate a policy to perform a reconciliation of deposits to the correct general ledger period.

Walton Academy  
Response to Management Comment 07-1

Walton Academy has a procedure in place to book all receivables. A reimbursement was inadvertently overlooked. A reconciliation form will be put in place to ensure all known reimbursements and other receivables are recorded in the proper accounting period.

A handwritten signature in black ink, appearing to read "Nicola T. Roberts". The signature is fluid and cursive, with a long horizontal flourish at the end.

Nicola T. Roberts  
Chief Financial Officer