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WESTERN ACADEMY INC. D/B/A  
WESTERN ACADEMY CHARTER SCHOOL.

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

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AUDITOR GENERAL

MARK ESCOFFERY P.A.  
CERTIFIED PUBLIC ACCOUNTANT

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY  
CHARTER SCHOOL**

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# **Mark Escoffery, P.A.**

## **Certified Public Accountant**

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board Members of Western Academy Inc.  
D/B/A Western Academy Charter School  
Royal Palm Beach, Florida

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Western Academy Charter School ("the Academy") a component unit of the Palm Beach County School District as of and for the year ended June 30, 2007, which collectively comprise the Academy's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the Academy. 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 Academy 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 August 31, 2007, on my consideration of the Academy's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That 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 Members of Western Academy, Inc.  
D/B/A Western Academy Charter School  
Royal Palm Beach, Florida  
Page 2

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 Academy's basic financial statements. The accompanying Supplementary Schedule of Expenditures, Budget and Actual – Governmental Funds is presented for 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 Escoffey, P.A.*

Palm Beach Gardens, Florida  
August 31, 2007

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER  
SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

Our discussion and analysis of Western Academy Charter School's ("the Academy") financial program provides an overview of the Academy'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 Academy's financial statements which begin on page 7.

For financial statement purposes the Academy is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting. The Academy has 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 Academy. The Fund Financial Statements reflect financing activities of the Academy by providing information on inflows and outflows of spendable resources.

### **NON FINANCIAL HIGHLIGHTS**

The Academy had approximately 225 students enrolled for the school year 2006-2007. It has budgeted for 195 students for the next 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 Academy'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 Academy'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 Academy 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 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.

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER  
SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)**

*Fund Financial Statements (Cont'd.)*

*Governmental Funds* – All of the Academy'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 Academy's governmental activities and the basic services it provides.

*Notes to the Financial Statements*

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 14-18 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the Academy's financial position. The Academy's assets exceeded liabilities by \$886,361 at June 30, 2007.

**NET ASSETS**

	<u><b>JUNE 30, 2007</b></u>	<u><b>JUNE 30, 2006</b></u>
Current and other Assets	\$ 588,097	\$ 372,917
Capital Assets	311,927	333,453
Total Assets	<u>\$ 900,024</u>	<u>\$ 706,370</u>
Long-term Liabilities	\$ -	\$ -
Other Liabilities	13,663	12,897
Total Liabilities	<u>\$ 13,663</u>	<u>\$ 12,897</u>
Investment in Capital Assets	\$ 311,927	\$ 333,453
Unrestricted	574,434	360,020
Total Net Assets	<u>\$ 886,361</u>	<u>\$ 693,473</u>

Revenues from governmental activities totaled \$1,586,594 for the year ended June 30, 2007. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 86.4% of total revenue.

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER  
SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

<u>Revenue Source</u>	<u>6/30/2007</u>	<u>% of Total 6/30/2007</u>	<u>6/30/06</u>	<u>% of Total 6/30/06</u>
State Sources	\$ 1,529,831	88.6	\$ 1,399,036	76.6
Local Sources	141,014	8.2	252,684	13.8
Federal Sources	56,763	3.2	175,540	9.6
<b>Total</b>	<b>\$ 1,727,608</b>	<b>100.0</b>	<b>\$ 1,827,260</b>	<b>100.0</b>

Expenses for major functions of the Academy 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	\$ 806,937	52.9	\$ 794,855	52.5
Pupil Personnel	184,522	12.0	155,123	10.2
Instructional Media	3,886	-	7,076	.5
Staff Development	5,336	-	-	-
Instruction and Curriculum Development	-	-	37,177	2.4
Board Services	8,486	.6	8,604	.6
School Administration	212,731	14.2	192,353	12.7
Fiscal Services	3,794	-	3,162	-
Facilities Acquisition	190,913	12.8	-	-
Operation of Plant	91,160	5.9	191,397	12.6
Maintenance of Plant	3,134	-	102,635	6.8
Community Services	23,820	1.6	21,819	1.7
<b>TOTAL</b>	<b>\$ 1,534,719</b>	<b>100.0</b>	<b>\$ 1,514,201</b>	<b>100.0</b>

**BUDGETARY HIGHLIGHTS**

Local revenue sources were \$68,000 more than budgeted primarily because the After Care fees received were \$21,000 more than budgeted and the School recovered \$20,000 in property taxes it had paid in prior years.

There were no significant overall differences between the budget and actual expenditures for the year ended June 30, 2007. However, School Administration was under budget by \$26,000 primarily because professional and technical services and workers compensation were less than budget by approximately \$20,000 and \$10,000 respectively. Instruction expenses were less than budget by \$37,000 primarily because health insurance costs were less than budget by approximately \$18,000.

Total fund balance of the General Fund was \$574,434 at June 30, 2007.

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER  
SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007**

**CAPITAL ASSETS**

The Academy's investment in capital assets at June 30, 2007 was \$311,927 (net of depreciation). The investment includes building improvements, furniture, fixtures and computer equipment. The following is a summary of capital assets balances at June 30, 2007:

Building Improvements	\$248,802
Furniture, Fixtures & Computer Equipment	<u>163,476</u>
	412,278
Accumulated Depreciation	<u>(100,351)</u>
	<u>\$ 311,927</u>

**PROSPECTS FOR THE FUTURE**

The Academy 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.

- . Administration believes that the Academy will receive a high rating from the Department of Education, based on test scores and academic achievement.
- . The Administration believes that higher test scores will continue to be achieved because of investments in reading and math computer based programs.
- . The Academy should surpass its budgeted amount of 195 students for the 2007-2008 School Year.
- . The School will receive Capital Outlay Funds for 2007-2008
- . The Administration believes that the Academy will continue to progress and contribute to the educational needs of Palm Beach County.

**WESTERN ACADEMY INC.**  
**D/B/A WESTERN ACADEMY CHARTER SCHOOL**  
**Governmental Fund Balance Sheet**  
**June 30, 2007**

Governmental  
Funds

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**ASSETS**

Cash	\$530,589
Accounts receivable	30,878
Prepayments	20,962
Deposits	5,667
<b>Total Assets</b>	<u><u>\$588,096</u></u>

**LIABILITIES**

Accounts Payable	\$13,662
<b>Total Liabilities</b>	<u>13,662</u>

**FUND BALANCE**

Undesignated	<u>574,434</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$588,096</u></u>

The accompanying notes are an integral part of this statement

WESTERN ACADEMY, INC.  
D/B/A WESTERN ACADEMY CHARTER SCHOOL  
STATEMENT OF NET ASSETS  
June 30, 2007

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$530,589		\$530,589
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	30,878		30,878
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210	5,667		5,667
Due from Other Agencies	1220			
Internal Balances				
Inventory	1150			0
Prepaid Expenses	1230	20,962		20,962
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			
Buildings and Fixed Equipment	1330	\$248,802		248,802
Less Accumulated Depreciation	1339	(31,455)		(31,455)
Furniture, Fixtures and Equipment	1340	162,837		162,837
Less Accumulated Depreciation	1349	(68,491)		(68,491)
Motor Vehicles	1350			0
Less Accumulated Depreciation	1359			0
Construction in Progress	1360			0
Property Under Capital Leases	1370			
Less Accumulated Depreciation	1379			
Audio Visual Materials	1381			0
Less Accumulated Depreciation	1388			0
Computer Software	1382	640		640
Less Accumulated Amortization	1389	(405)		(405)
Total assets	Total assets	\$900,024		\$900,024
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Cash Overdraft				\$0
Salaries and Wages Payable	2110			0
Payroll Deductions and Withholdings	2170			
Accounts Payable	2120	13,662		13,662
Construction Contracts Payable	2140			0
Due to Fiscal Agent	2240			
Accrued Interest on Sale of Bonds	2210			0
Deposits Payable	2220			
Due to Other Agencies	2230			0
Sales Tax Payable	2260			
Estimated Unpaid Claims	2271			0
Estimated Liability for Claims Adjustment	2272			0
Estimated Liability for Arbitrage Rebate	2280			0
Advances Payable				0
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			
Notes Payable	2310			0
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			0
Portion due after one year:				
Notes Payable	2310			
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			0
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Total liabilities		13,662		13,662
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt		311,927		311,927
Restricted for:				
Categorical Carryover Programs	2710			0
Debt Service	2750			0
Capital Projects				0
Other Purposes				0
Unrestricted (Deficit)		574,434		574,434
Total net assets		863,477		863,477
Total liabilities and net assets		\$900,024		\$900,024

The accompanying notes are an integral part of this statement

**WESTERN ACADEMY, INC.  
D/B/A WESTERN ACADEMY CHARTER SCHOOL**

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

Fund Balance- Governmental Funds	\$574,434
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$412,278	
Less accumulated depreciation	(100,351)	
		311,927

Net Assets of Governmental activities	<u>\$886,361</u>
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The accompanying notes are an integral part of this statement

**WESTERN ACADEMY, INC.  
D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**Statement of Governmental Fund/Revenues, Expenditures and  
Changes in Fund Balance  
Year Ended June 30, 2007**

	<u>Governmental Funds</u>
<b>REVENUES:</b>	
State sources	\$1,529,831
Federal Sources	56,763
Local sources	141,014
<b>TOTAL REVENUES</b>	<u>1,727,608</u>
<b>EXPENDITURES/EXPENSES</b>	
Instruction	806,937
ESE Services	184,522
Staff Development	5,336
Instructional media	3,886
Board	8,486
School Administration	212,731
Fiscal Services	3,794
Facilities Acquisition	146,505
Operation of Plant	91,161
Maintenance of Plant	3,134
Community Services	23,820
Capital Outlay	22,882
<b>TOTAL EXPENSES</b>	<u>1,513,194</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	214,414
<b>FUND BALANCE</b>	
Beginning of Year	<u>360,020</u>
End of Year	<u>\$574,434</u>

The accompanying notes are an integral part of this statement



**WESTERN ACADEMY, INC.  
D/B/A WESTERN ACADEMY CHARTER 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 \$191,530

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	\$22,882	
Less current year depreciation	<u>(44,408)</u>	
		<u>(21,526)</u>
Change in Net Assets of Governmental Activities		<u>\$170,004</u>

The accompanying notes are an integral part of this statement

**WESTERN ACADEMY, INC.  
D/B/A WESTERN ACADEMY CHARTER SCHOOL**

**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		
	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>			
State sources	\$1,561,126	\$1,529,831	(\$31,295)
Federal sources	70,000	56,763	(13,237)
Local sources	72,920	141,014	68,094
<b>TOTAL REVENUES</b>	<b>1,704,046</b>	<b>1,727,608</b>	<b>23,562</b>
<b>EXPENDITURES:</b>			
Instruction	844,844	806,937	(37,907)
Pupil Personnel	214,595	184,522	(30,073)
Instructional Media	2,500	3,886	1,386
Staff Deveolpment	12,000	5,336	(6,664)
Board	11,100	8,486	(2,614)
School Adminstration	239,149	212,731	(26,418)
Fiscal Services	3,500	3,794	294
Facilities Acquisition	125,700	146,505	20,805
Operation of Plant	82,440	91,161	8,721
Maintenance of Plant	15,000	3,134	(11,866)
Community Services	25,752	23,820	(1,932)
Capital Outlay	19,000	22,882	3,882
<b>TOTAL EXPENDITURES</b>	<b>1,595,580</b>	<b>1,513,194</b>	<b>(82,386)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$108,466</b>	<b>214,414</b>	<b>\$105,948</b>
<b>Fund Balance, beginning of year</b>		<b>360,020</b>	
<b>Fund balance, end of year</b>		<b>\$574,434</b>	

The accompanying notes are an integral part of this statement

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Western Academy Charter School Inc. (“the Academy”) was established as a nonprofit organization in June 2003 under the laws of the State of Florida and is the reporting entity.

The Academy operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Palm Beach County, Florida. (“the School District”). Under the Contract the Academy provides an education to children from Kindergarten through the eight grade who reside in Palm Beach County in and around the City of Royal Palm Beach. For financial statement purposes the Academy is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee.

The Contract is effective through June 2008. The Contract requires the School District to provide the Academy’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the Academy.

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

The Academy’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 Academy are discussed below.

**Basic Financial Statements**

The Academy’s basic financial statements are the Statements of Net Assets and the Statement of Activities. All the activities of the Academy are classified as governmental type activities. There are no business type activities of the Academy. The Academy’s governmental type activities are included in the general fund. All other governmental fund types are not major funds. 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 Academy’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 Academy’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Implementation Grants. The

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**Basic Financial Statements (Cont'd.)**

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 care 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.

**Basis of Accounting**

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

**Accrual**

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

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2007**

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

**Measurement Focus (Cont'd.)**

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

**Use of Estimates**

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

**Concentration of Credit Risk**

Financial instruments that subject the Academy to concentrations of credit risk include cash. While the Academy attempts to limit its financial exposure, its deposit balances may at times exceed federally insured limits. The Academy 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 Academy 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 Academy's program services.

**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).

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 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:

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY  
CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2007**

**Budgetary Basis of Accounting (Cont'd.)**

**Capital Assets (Cont'd.)**

Building Improvements	20 Years
Furniture, Fixtures and Computer Equipment	5-10 Years

**NOTE 2 – CAPITAL ASSETS**

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

	Balance Beginning	Additions	Disposals	Balance Ending
Building Improvements	\$ 240,422	\$ 8,380	\$ -	\$ 248,802
Furniture, Fixtures & Computer Equipment	148,974	14,502	-	163,476
	389,396	22,882	-	412,278
Less Accumulated Depreciation	55,943	(44,408)	-	(100,351)
<b>NET CAPITAL ASSETS</b>	<b>\$ 333,453</b>	<b>\$ (21,526)</b>	<b>\$ -</b>	<b>\$ 311,927</b>

Depreciation expense charged during the year ended June 30, 2007 was \$44,408.

**NOTE 3 – DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The Academy participates in the Florida Retirement System (“the System”), a cost-sharing multi-employer public retirement system (“PERS”), which covers substantially all of the Academy’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.

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.

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY  
CHARTER SCHOOL  
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.)**

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 Academy was required to contribute, effective July 1, 2006, 9.85% of the salary of all employees. The required contribution by the Academy to the System for the fiscal year ended June 30, 2007 was \$80,192.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

**Lease Agreement**

The Academy occupies its facilities under an operating lease that expires in June 2008. Annual rental expenses for the year ended June 30, 2007, were approximately \$122,000. Lease payment under this lease for the year ending June 30, 2008, will approximate \$130,000.

**Risk Management**

The Academy 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 Academy purchases commercial insurance for all material risks of loss to which the Academy is exposed, including general liability, property, auto and workers compensation.

The Academy 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 Academy 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 Academy. A review of the last two years reveals that settled claims have not exceeded insurance coverage.

**WESTERN ACADEMY, INC**  
**D/B/A WESTERN ACADEMY CHARTER SCHOOL**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Funds**  
**Year Ended June 30, 2007**

	Governmental Funds		
	Original and Final Budget	Actual	Variance
<b>Instructional</b>			
Salaries	\$614,806	\$603,720	(\$11,086)
Payroll taxes	45,191	42,616	(2,575)
Retirement	60,263	59,149	(1,114)
Health Insurance	79,800	61,969	(17,831)
Workers Compensation	8,434	5,659	(2,775)
Instructional Materials	36,350	28,495	(7,855)
Other Expenses		5,329	5,329
<b>Total Instruction</b>	<u>\$844,844</u>	<u>\$806,937</u>	<u>(\$37,907)</u>
<b>Pupil Personnel</b>			
Salaries	\$107,654	\$104,355	(\$3,299)
Payroll taxes	8,181	6,784	(1,397)
Retirement	10,604	10,801	197
Health Insurance	12,600	13,992	1,392
Workers Compensation	1,418	977	(441)
ESE Evaluations	15,000	11,652	(3,348)
Professional & Technical	55,638	28,551	(27,087)
Other Purchased Services	3,500	7,410	3,910
	<u>\$214,595</u>	<u>\$184,522</u>	<u>(\$33,983)</u>
<b>Staff Development</b>			
Instructional Training	\$12,000	\$5,336	(\$6,664)
<b>Instructional Media</b>			
Purchased Services	\$2,500	\$3,886	\$1,386
<b>Board</b>			
Travel & Training	\$2,000		(\$2,000)
Professional & Technical	7,000	6,500	(500)
Insurance	2,100	1,986	(114)
<b>Total Board</b>	<u>\$11,100</u>	<u>\$8,486</u>	<u>(2,614)</u>
<b>School Administration</b>			
Salaries	\$135,285	\$139,618	\$4,333
Payroll taxes	8,105	8,643	538
Retirement	13,326	13,784	458
Health Insurance	12,600	11,580	(1,020)
Workers Compensation	1,833	1,253	(580)
Professional Services	22,000	2,309	(19,691)
Repairs & maintenance	0	7,570	7,570
Equipment Lease	9,000	0	(9,000)
Supplies	18,000	5,492	(12,508)
Principal's Discretionary Fund	2,500	1,992	(508)
Office Expenses	20,500	20,490	(10)
<b>Total School Administration</b>	<u>\$243,149</u>	<u>\$212,731</u>	<u>(\$30,418)</u>

**WESTERN ACADEMY, INC.**  
**WESTERN ACADEMY CHARTER SCHOOL**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Funds**  
**Year Ended June 30, 2007**

	Governmental Funds		
	Original and Final Budget	Actual	Variance
<b>Fiscal Services</b>			
Professional & Technical	\$3,500	\$3,794	\$294
	<u>\$3,500</u>	<u>\$3,794</u>	<u>\$294</u>
<b>Operation of Plant</b>			
Insurance	\$15,000	17,201	2,201
Utilities	21,300	26,090	4,790
Communication	9,000	6,184	(2,816)
Security Monitoring	2,400	2,256	(144)
Professional & Technical	0	2,370	2,370
Purchased Services	32,740	35,523	2,783
Supplies	2,000	1,537	(463)
<b>Total Operation of Plant</b>	<u>\$82,440</u>	<u>\$91,161</u>	<u>\$8,721</u>
<b>Facilities Acquisition</b>			
Building Lease	\$125,700	\$123,115	(\$2,585)
Rentals		9,189	9,189
Other purchased services		14,201	14,201
	<u>\$125,700</u>	<u>\$146,505</u>	<u>\$20,805</u>
<b>Maintenance of Plant</b>			
Building Repairs & Maintenance	\$15,000	\$3,134	(\$11,866)
<b>Total Maintenance of Plant</b>	<u>\$15,000</u>	<u>\$3,134</u>	<u>(\$11,866)</u>
<b>Community Services</b>			
Salaries	\$19,984	\$21,698	\$1,714
Payroll taxes	2,285	846	(1,439)
Retirement	1,968		(1,968)
Workers Compensation	315	140	(175)
Other Expenses	1,200	1,136	(64)
	<u>\$25,752</u>	<u>\$23,820</u>	<u>(\$1,932)</u>
<b>Capital Outlay</b>			
Building & Equipment		\$22,882	\$22,882

# **Mark Escoffery, P.A.**

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## **Certified Public Accountant**

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

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### **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 Western Academy Inc.,  
D/B/A Western Academy Charter School  
Royal Palm Beach, Florida

I have audited the financial statements of Western Academy Charter School (the "Academy") as of and for the year ended June 30, 2007, and have issued my report thereon dated August 31, 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 Academy'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 matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy'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*.

**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*  
(Continued)**

To The Board Members of Western Academy Inc.  
D/B/A Western Academy Charter School  
Royal Palm Beach, Florida  
Page 2

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

*Mark EscOFFER, P. A.*

Palm Beach Gardens, Florida  
August 31, 2007

# **Mark Escoffery, P.A.**

**Certified Public Accountant**

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

**MANAGEMENT LETTER**

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

To the Board Members of Western Academy, Inc.  
D/B/A Western Academy Charter School  
Royal Palm Beach, Florida

I have audited the financial statements of Western Academy Charter School (the "Academy") as of and for the year ended June 30, 2007, and have issued my report thereon dated August 31, 2007.

I have issued my independent auditor's report on compliance and on internal control over financial reporting dated August 31, 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 report have been followed. The Academy implemented the recommendations made in the preceding annual financial report.

The *Rules of the Auditor General* Section 10.854(1)(d)2. require that I comment on whether the Academy has met any of the conditions described in Section 218.503(1), Florida Statutes. The Academy 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 and recommendations made for the current year ended June 30, 2007.

My report did not disclose any additional items that would be required to be reported under Chapter 10.854(1)(d) *Rules of the Auditor General*.

The report is intended solely for the information and use of the Academy'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 Escoffery, P.A.*

Palm Beach Gardens  
August 31, 2007