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INLET GROVE COMMUNITY HIGH SCHOOL, INC

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2008

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**MARK ESCOFFERY P.A.**  
CERTIFIED PUBLIC ACCOUNTANT

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**

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

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## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Inlet Grove Community High School, Inc. ("the School") a component unit of the Palm Beach County School District as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 15, 2008, on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

*Mark EscOFFER, P.A.*

Palm Beach Gardens, Florida  
September 15, 2008

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

Our discussion and analysis of the Inlet Grove Community High School Inc.'s ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2008.

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

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

**NON FINANCIAL HIGHLIGHTS**

The School's average daily enrolment in fiscal 2007-2008 was 663 students. The School expects to have, and has budgeted for, a student population of 725 for the school year 2008-2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

***Government-wide Financial Statements***

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

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

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

***Fund Financial Statements***

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

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

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

***Notes to the Financial Statements***

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$1,408,490 at June 30, 2008.

**NET ASSETS**

	<u>JUNE 30, 2008</u>	<u>JUNE 30, 2007</u>
Current and other Assets	\$ 1,175,801	\$1,529,018
Capital Assets	<u>324,085</u>	<u>293,531</u>
Total Assets	<u>\$ 1,499,886</u>	<u>\$1,822,549</u>
Long-term Liabilities	\$ -	\$ 4,390
Other Liabilities	<u>91,396</u>	<u>173,293</u>
Total Liabilities	<u>\$ 91,396</u>	<u>\$ 177,683</u>
Investment in Capital Assets	\$ 324,085	\$ 293,531
Unrestricted Net Assets	<u>1,084,405</u>	<u>1,351,335</u>
Total Net Assets	<u>\$1,408,490</u>	<u>\$1,644,866</u>

Revenues from governmental activities totaled \$5,627,702 for the year ended June 30, 2008. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue amounted to \$4,698,932 and represented approximately 83.2% of total revenue from governmental activities.

	<u>6/30/08</u>	<u>% of Total 6/30/08</u>	<u>6/30/07</u>	<u>% of Total 6/30/07</u>
<b>Revenue Source</b>				
State Sources	\$4,727,711	83.7	\$4,154,067	88.3
Local Sources	828,437	14.7	298,198	6.3
Federal Grant	<u>71,554</u>	<u>1.6</u>	<u>251,900</u>	<u>5.4</u>
Total	<u>\$5,627,702</u>	<u>100.0</u>	<u>\$4,704,165</u>	<u>100.0</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)**

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

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

<u>Expense</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>	<u>6/30/07</u>	<u>% of Total 6/30/07</u>
Instruction	\$3,488,096	57.8	\$2,511,609	58.8
Pupil Personnel	208,179	3.5	159,476	3.7
Instructional Media				
Services	85,454	1.4	57,557	1.3
Instructional Staff				
Training	12,368	.2	4,179	-
School Admin.	924,415	15.1	515,994	12.4
General Admin.	166,980	2.8	162,064	3.8
Fiscal Services	134,832	2.3	72,888	1.8
Board	5,537	-	6,709	-
General & Internal				
Activities	269,607	4.5	189,516	4.4
Pupil Transportation	33,771	.6	25,130	.3
Operation of Plant	659,702	11.0	528,813	12.4
Maintenance of				
Plant	4,052	-	25,108	.3
Depreciation	41,512	.8	35,049	.8
<b>Total</b>	<b><u>\$6,034,505</u></b>	<b><u>100.00</u></b>	<b><u>\$4,294,092</u></b>	<b><u>100.00</u></b>

**BUDGETARY HIGHLIGHTS**

State Revenue was \$40,860 less than budgeted primarily because the School received less transportation funds than anticipated. Local sources of revenue were less than budgeted by \$75,160 because the School received less in grants, fundraising, and tuition income than anticipated. Revenue from Federal sources were not significantly different than budget.

Instruction was more than budget by \$33,691 primarily because of higher salaries and benefits.

School Administration was \$53,800 less than budget resulting from lower salaries and benefits. The school also has equipment rental of approximately \$36,021.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

**BUDGETARY HIGHLIGHTS (Continued)**

Pupil Personnel Services were under budget primarily because salaries were \$20,447 less than budget, and health care and retirement costs were \$1,513 and \$2,061 respectively less than budget.

Operation of Plant was \$32,532 over budget primarily attributable to wages and benefits and electricity costs exceeding budgeted amounts.

School Internal Funds were \$78,750 greater than budgeted and the excess was primarily attributable to purchased non-professional services.

**CAPITAL ASSETS**

The School's investment in capital assets at June 30, 2008 was \$324,085 (net of depreciation). The investment includes furniture and equipment, computer software, motor vehicles and audio visuals. The following is a summary of capital assets balances at June 30, 2007:

Furniture & Equipment	\$ 356,038
Computer Software	27,315
Motor Vehicles	22,585
Audio Visuals	<u>11,491</u>
	417,429
Accumulated Depreciation	<u>( 93,344)</u>
	<u>\$324,085</u>

**PROSPECTS FOR THE FUTURE**

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

- . The School Administration believes that the School can receive an "A" rating from the Department of Education, based on test scores and academic achievement.
- . The School Administration believes that higher test scores will continue to be achieved because of investments in reading and tutorial programs.
- . The School should surpass its budgeted amount of 725 students for the 2008-2009 School Year.
- . The School Administration believes that the School will continue to progress and contribute to the educational needs of Palm Beach County.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Governmental Fund (General Fund) Balance Sheet**  
**June 30, 2008**

Governmental  
Funds

**ASSETS**

Cash	\$1,025,681
Accounts receivable, net	95,480
Prepaid Expenses	38,834
Inventory	15,806
<b>Total Assets</b>	<u><u>\$1,175,801</u></u>

**LIABILITIES**

Accounts Payable	45,497
Compensated Absences	45,899
<b>Total Liabilities</b>	<u>91,396</u>

**FUND BALANCE**

Undesignated	<u>1,084,405</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$1,175,801</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
STATEMENT OF NET ASSETS  
June 30, 2008

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$1,025,681		\$1,025,681
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	95,480		95,480
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210			0
Due from Other Agencies	1220			
Internal Balances				
Inventory	1150	15,806		15,806
Prepaid Expenses	1230	38,834		38,834
Restricted assets:				
Cash with Fiscal Agent	1114			0
Capital assets:				
Land	1310			0
Land Improvements - Non-depreciable	1315			
Improvements Other Than Buildings	1320			0
Less Accumulated Depreciation	1329			0
Buildings and Fixed Equipment	1330			0
Less Accumulated Depreciation	1339			0
Furniture, Fixtures and Equipment	1340	356,038		356,038
Less Accumulated Depreciation	1349	(70,402)		(70,402)
Motor Vehicles	1350	22,585		22,585
Less Accumulated Depreciation	1359	(5,553)		(5,553)
Construction in Progress	1360			
Property Under Capital Leases	1370			
Less Accumulated Depreciation	1379			
Audio Visual Materials	1381	11,491		11,491
Less Accumulated Depreciation	1388	(3,664)		(3,664)
Computer Software	1382	27,315		27,315
Less Accumulated Amortization	1389	(13,725)		(13,725)
Total assets	Total assets	\$1,499,886		\$1,499,886
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Salaries and Wages Payable	2110			
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	\$45,497		\$45,497
Construction Contracts Payable	2140			
Due to Fiscal Agent	2240			
Accrued Interest on Sale of Bonds	2210			
Deposits Payable	2220			
Due to Other Agencies	2230			0
Sales Tax Payable	2260			
Estimated Unpaid Claims	2271			
Estimated Liability for Claims Adjustment	2272			
Estimated Liability for Arbitrage Rebate	2280			
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330	45,899		45,899
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Portion due after one year:				
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Total liabilities	Total liabilities	91,396		91,396
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		324,085		324,085
Restricted for:				
Categorical Carryover Programs	2710			
Debt Service	2750			
Capital Projects				
Other Purposes				
Unrestricted(Deficit)		1,084,405		1,084,405
Total net assets	Total net assets	1,408,490		1,408,490
Total liabilities and net assets	Total liabilities and net assets	\$1,499,886		\$1,499,886

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**

**Reconciliation of the Governmental Fund (General Fund)  
Balance Sheet To The Statement of Net Assets  
June 30, 2008**

Fund Balance- Governmental Funds		\$1,084,405
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$417,430	
Less accumulated depreciation	<u>(93,345)</u>	
		324,085
Net Assets of Governmental activities		<u><u>\$1,408,490</u></u>

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Statement of Governmental Fund ( General Fund) Revenues, Expenditures and**  
**Changes in Fund Balance**  
**For The Year Ended June 30, 2008**

	<u>Governmental Funds</u>
<b>REVENUES:</b>	
State sources	\$4,727,711
Local sources	828,437
Federal sources	71,554
<b>TOTAL REVENUES</b>	<b>5,627,702</b>
<b>EXPENDITURES/EXPENSES</b>	
Instruction	3,488,096
Pupil Personnel Services	208,179
Instructional Media Services	85,454
Instructional Staff Training	12,368
Board	5,537
Pupil Transportation	33,771
General Administration	166,980
School Administration	924,415
Fiscal Services	134,832
Operation of Plant	659,702
Maintenance of Plant	4,052
General Activities	269,607
Capital Outlay	72,096
<b>TOTAL EXPENSES</b>	<b>6,065,089</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES BEFORE RESERVES</b>	<b>(\$437,387)</b>
Transfer from reserves	141,000
<b>EXCESS OF EXPENDITURES OVER REVENUES AFTER RESERVES</b>	<b>(296,387)</b>
<b>Fund Balance, Beginning of year</b>	1,521,792
Transfer from reserves	(141,000)
<b>Fund Balance after transfer from reserves</b>	<b>1,380,792</b>
<b>Fund Balance, End of year</b>	<b>\$1,084,405</b>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
STATEMENT OF ACTIVITIES  
June 30, 2008

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>								
Instruction	5000	\$ 3,488,096	\$ 396,696	\$ 82,050		\$ (3,009,350)		(3,009,350)
Pupil Personnel Services	6100	208,179				(208,179)		(208,179)
Instructional Media Services	6200	85,454				(85,454)		(85,454)
Instruction and Curriculum Development Services	6300							
Instructional Staff Training Services	6400	12,368				(12,368)		(12,368)
Board	7100	5,537				(5,537)		(5,537)
General Administration	7200	166,980				(166,980)		(166,980)
School Administration	7300	924,415				(924,415)		(924,415)
Facilities Acquisition and Construction	7400							
Fiscal Services	7500	134,832				(134,832)		(134,832)
Food Services	7600							
Central Services	7700							
Pupil Transportation Services	7800	33,774		18,283		(15,488)		(15,488)
Operation of Plant	7900	659,702				(659,702)		(659,702)
Maintenance of Plant	8100	4,052				(4,052)		(4,052)
Community Services	9100							
Interest on Long-term Debt	9200							
Unallocated Depreciation Expense *		41,512				(41,512)		(41,512)
<b>Total governmental activities</b>		<b>5,764,898</b>	<b>396,696</b>	<b>100,333</b>		<b>(5,267,869)</b>		<b>(5,267,869)</b>
<b>Business-type activities:</b>								
General Activities	9900	269,607				(269,607)		(269,607)
<b>Total business-type activities</b>		<b>269,607</b>				<b>(269,607)</b>		<b>(269,607)</b>
<b>Totals</b>		<b>6,034,505</b>	<b>396,696</b>	<b>100,333</b>		<b>(5,537,476)</b>		<b>(5,537,476)</b>

General Revenues:

Taxes:

Property taxes, levied for operational purposes  
Property taxes, levied for debt service  
Property taxes, levied for capital projects  
Local sales taxes  
Florida Education Finance program (FEFP)  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous  
Special items  
Transfers  
Total general revenues, special items, and transfers  
Change in net assets  
Net assets-beginning  
Net assets-ending

	4,698,932	4,698,932
	53,353	53,353
	378,388	378,388
	5,130,673	5,130,673
	(406,803)	(406,803)
	1,815,293	1,815,293
	\$1,408,490	\$1,408,490

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

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances  
of Governmental Fund (General Fund) To The  
Statement of Activities  
June 30, 2008**

Net Changes in Fund Balances- Governmental Funds (\$437,387)

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	\$72,096	
Less current year depreciation	<u>(41,512)</u>	
		<u>30,584</u>
Change in Net Assets of Governmental Activities		<u><u>(\$406,803)</u></u>

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance-Budget (GAAP Basis) and Actual**  
**Governmental Fund (General Fund) Type**  
**Year Ended June 30, 2008**

	<u>Governmental Funds (General Fund)</u>		
	<u>Original and Final</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
State sources	\$4,768,571	\$4,727,711	(\$40,860)
Local sources	903,597	828,437	(75,160)
Federal Sources	73,750	71,554	(2,196)
<b>TOTAL REVENUES</b>	<u>5,745,918</u>	<u>5,627,702</u>	<u>(118,216)</u>
<b>EXPENDITURES:</b>			
Instruction	3,454,405	3,488,096	33,691
Pupil Personnel Services	236,163	208,179	(27,984)
Instructional Media Services	86,011	85,454	(557)
Instructional Staff Training Services	13,500	12,368	(1,132)
Board	14,798	5,537	(9,261)
Pupil Transportation	35,206	33,771	(1,435)
General Administration	170,588	166,980	(3,608)
School Administration	958,216	924,415	(33,801)
Fiscal Services	138,944	134,832	(4,112)
Operation of Plant	627,170	659,702	32,532
Maintenance of Plant	4,349	4,052	(297)
General Activities	190,857	269,607	78,750
Capital Outlay	11,400	72,096	60,696
<b>TOTAL EXPENDITURES</b>	<u>5,941,607</u>	<u>6,065,089</u>	<u>123,482</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES BEFORE RESERVES</b>	<u>(\$195,689)</u>	<u>(\$437,387)</u>	<u>(\$241,698)</u>
Transfer from reserves		141,000	
<b>EXCESS OF EXPENDITURES OVER REVENUES AFTER RESERVES</b>		<u>(296,387)</u>	
<b>Fund Balance, Beginning of year</b>		1,521,792	
Transfer from reserves		(141,000)	
<b>Fund Balance after transfer from reserves</b>		<u>1,380,792</u>	
<b>Fund Balance, End of year</b>		<u>\$1,084,405</u>	

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR  
ENDED JUNE 30, 2008**

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

**Reporting Entity**

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

The School District of Palm Beach County granted a contract to the School to operate a Conversion Charter School pursuant to *Florida Statute 1002.33*. Under the Contract the School provides a high school education and community education from Grade 9 through adults to citizens of Palm Beach County. For financial statement purposes, the School is considered a component unit of the School District of Palm Beach County which is a primary government entity for financial reporting.

The Contract is effective through June 30, 2009. The Contract requires the School District to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

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

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

**Basic Financial Statements**

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

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**Basis of Accounting**

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

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

**Accrual:**

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

**Measurement Focus**

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

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

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

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**Use of Estimates**

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

**Concentration of Credit Risk**

Financial instruments that subject the School to concentrations of credit risk include cash deposits. While the School attempts to limit its financial exposure, its cash balances may at times exceed federally insured limits of \$100,000. The School has not experienced any losses on such balances.

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

**Contributed Services and Facilities:**

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

**Compensated Absences**

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

**Budgetary Basis of Accounting**

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

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee and is included in General Administration Expenses. This amounted to approximately \$166,980 for the year ended June 30, 2008.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2008**

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

**Capital Assets:**

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

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

**NOTE 2 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 were as follows:

	Balance Beginning	Additions	Disposals	Balance Ending
Furniture, Fixtures & Equipment	\$ 291,793	\$ 64,245	\$ -	\$ 356,038
Computer Software	25,459	1,856	-	27,315
Motor Vehicles	16,590	5,995	-	22,585
Audio Visuals	11,491	-	-	11,491
	345,333	72,096	-	417,429
Less Accumulated Depreciation	51,832	41,512	-	93,344
<b>NET CAPITAL ASSETS</b>	<b>\$ 293,501</b>	<b>\$ 30,584</b>	<b>\$ -</b>	<b>\$ 324,085</b>

Unallocated depreciation expense of \$41,512 was charged during the year ended June 30, 2008.

**NOTE 3- DEFINED BENEFIT PENSION PLAN**

**Plan Description**

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

**Plan Description (Cont'd.)**

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

The State of Florida issued a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

**Funding Policy**

Under the System, the School was required to contribute, effective July 1, 2007, 9.85% of the salary of all employees. The required contribution by the School to the System for the fiscal year ended June 30, 2008, was \$293,245.

**NOTE 4 – USE OF FACILITIES**

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

**NOTE 5-COMMITMENTS AND CONTINGENCIES**

**Risk Management**

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

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2008**

	Governmental Fund		
	Original and Final Budget	Actual	Variance
<b>Instructional</b>			
Salaries	\$2,141,112	\$2,219,816	\$78,704
Payroll taxes	174,838	156,914	(17,924)
Retirement	210,247	211,588	1,341
Employee benefits	393,584	345,597	(47,987)
Purchased services	137,821	217,799	79,978
Travel		1,538	1,538
Professional and Technical	205,638	210,155	4,517
Instructional Materials	185,183	122,554	(62,629)
Other costs	5,982	2,135	(3,847)
<b>Total Instruction</b>	<u>\$3,454,405</u>	<u>\$3,488,096</u>	<u>\$33,691</u>
<b>Pupil Personnel Services</b>			
Salaries	\$123,402	\$102,955	(\$20,447)
Payroll taxes	\$9,440	\$7,424	(2,016)
Retirement	12,155	\$10,094	(2,061)
Employee benefits	21,484	17,426	(4,058)
Professional Services	23,000	25,404	2,404
Supplies	46,682	44,876	(1,806)
<b>Total Pupil Personnel Services</b>	<u>\$236,163</u>	<u>208,179</u>	<u>(\$27,984)</u>
<b>Instructional Media Services</b>			
Salaries	\$59,940	61,136	\$1,196
Payroll taxes	4,795	4,594	(201)
Retirement	5,904	5,054	(850)
Employee benefits	12,265	13,032	767
Library Books	2,106	1,134	(972)
Audio Visual Materials	1,001	504	(497)
	<u>\$86,011</u>	<u>\$85,454</u>	<u>(\$557)</u>
<b>Instructional Staff Training Services</b>			
Travel	\$10,000	7,858	(\$2,142)
Staff Development	3,500	4,510	1,010
	<u>\$13,500</u>	<u>\$12,368</u>	<u>(\$1,132)</u>
<b>Board</b>			
Professional Services	\$5,000	\$4,593	(\$407)
Insurance	7,800		(7,800)
Travel	1,998	944	(1,054)
	<u>\$14,798</u>	<u>\$5,537</u>	<u>(\$9,261)</u>
<b>Pupil Transportation</b>			
Transportation service	<u>\$35,206</u>	<u>\$33,771</u>	<u>(\$1,435)</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2008**

	Governmental Fund		
	Original and Final Budget	Actual	Variance
<b>General Administration</b>			
District Annual Fee	<u>\$170,588</u>	<u>\$160,980</u>	<u>(\$3,608)</u>
<b>School Administration</b>			
Salaries	\$549,561	\$522,639	(\$26,922)
Payroll taxes	\$44,351	\$39,365	(4,986)
Retirement	\$54,132	\$51,391	(2,741)
Employee benefits	107,465	99,082	(8,383)
Travel	8,040	7,425	(615)
Equipment Rental	47,892	36,021	(11,871)
Communication	4,711	6,728	2,017
Bad debts		20,000	20,000
Professional	74,390	67,327	(7,063)
Supplies	11,875	13,005	1,130
Purchased services	55,799	61,432	5,633
<b>Total School Administration</b>	<u>\$958,216</u>	<u>\$924,415</u>	<u>(\$33,801)</u>
<b>Fiscal Services</b>			
Salary	\$69,885	69,108	(\$777)
Payroll taxes	5,766	5,399	(367)
Retirement	6,884	6,440	(444)
Employee benefits	14,869	6,368	(8,501)
Professional Services	37,040	43,993	6,953
Purchased Services	4,500	3,524	(976)
	<u>\$138,944</u>	<u>\$134,832</u>	<u>(\$4,112)</u>
<b>Operation of Plant</b>			
Salaries	\$145,628	\$161,703	\$16,075
Payroll taxes	\$6,682	\$6,883	201
Retirement	\$7,792	\$8,678	886
Employee benefits	24,462	27,267	2,805
Utilities	222,986	238,773	15,787
Purchased services	118,250	133,220	14,970
Insurance	96,875	79,794	(17,081)
Telephone	1,195	384	(811)
Security	3,300	3,000	(300)
<b>Total Operation of Plant</b>	<u>\$627,170</u>	<u>\$659,702</u>	<u>\$32,532</u>
<b>Maintenance of Plant</b>			
Building Repairs & Maintenance	<u>\$4,349</u>	<u>\$4,052</u>	<u>(\$297)</u>
<b>Capital Outlay</b>			
Furniture & Equipment	<u>\$11,400</u>	<u>\$72,096</u>	<u>\$60,696</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Fund (General Fund)**  
**Year Ended June 30, 2008**

	Governmental Fund		
	Original and Final Budget	Actual	Variance
<b>Internal Funds</b>			
Travel	\$19,559	\$27,243	\$7,684
Repairs & Maintenance	18,890	15975	(2,915)
Purchased services	34,905	102472	67,567
Fuel	12,000	1939	(10,061)
Materials & supplies	55,431	72806	17,375
Dues and fees	50,072	49172	(900)
<b>Total Internal Funds</b>	<b>\$190,857</b>	<b>\$269,607</b>	<b>\$78,750</b>

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

## **Certified Public Accountant**

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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 Inlet Grove Community  
High School, Inc.  
Riviera Beach, Florida

I have audited the financial statements of Inlet Grove Community High School, Inc. ("the School") (a non-profit organization) as of and for the year ended June 30, 2008, and have issued my report thereon dated September 7, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

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 School'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 the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control. I consider the deficiency described in the accompanying Management Letter to be a significant deficiency in internal control over financial reporting.

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

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

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

**Internal Control Over Financial Reporting (Cont'd.)**

My 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described in the Management Letter is not a material weakness.

**Compliance and Other Matters**

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

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

*Wanda EscOFFER, P. A.*

Palm Beach Gardens, Florida  
September 15, 2008

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

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## **Certified Public Accountant**

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Palm Beach Gardens, FL 33410

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### **MANAGEMENT LETTER**

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

I have audited the financial statements of Inlet Grove Community High School, Inc., as of and for the year ended June 30, 2008, and have issued my report thereon dated September 15, 2008.

I have issued my Independent Auditor's Report on compliance and on internal control over financial reporting dated September 15, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Additionally, my audit was conducted in accordance with the Provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* Section 10.854(1)(d)1 require that I comment as to whether or not recommendations made in the preceding annual financial audit report have been followed. The recommendations made in the prior year have been implemented.

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

The *Rules of the Auditor General* Section 10.854 (1) (d) 5 require that I state whether there were any findings or recommendations made for the current year. There is a finding and recommendation made for the current year.

The *Rules of the Auditor General* Section 10.855(10) require that I state whether the scope of the audit included the use of financial condition assessment procedures to determine whether deteriorating financial conditions exist pursuant to Section 218.39(5) Florida Statutes. The scope of the audit included the use of financial condition assessment procedures and there were no deteriorating financial condition existing pursuant to Section 218.39(5) Florida Statutes.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**

**MANAGEMENT LETTER COMMENTS**

**GENERAL LEDGER AND REPORTING**

**Condition**

The School recorded revenue for its LPN Program that included amounts for subsequent periods. The School's revenue was offset by an entry to deferred revenue which left accounts receivable overstated by approximately \$280,000.

**Criteria**

The Accounting Department should have a revenue recognition control in place to ensure that the LPN Program records revenue in the correct periods. This should be documented in their accounting procedures manual and should be reviewed by the Treasurer or designee on a monthly basis.

**Effect**

Failure to record revenues in the correct periods will lead to the posting and inclusion of financial data in the General Ledger and the preparation of financial statements that are incorrect, consequently accurate financial data that Management of the School relies on to make sound financial decisions will not be available.

**RECOMMENDATION**

**Management should implement procedures that require the School to set up subsidiary ledger cards for each student which should be reconciled on a monthly basis to the General Ledger control account. These procedures should be included in their accounting procedures manual.**

*Mark EscOFFEY, P.A.*

Palm Beach Gardens, Florida  
September 15, 2008