

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

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2008**

BERMAN HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

To the Board of Directors
Walton Academy Learning Center
DeFuniak Springs, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Walton Academy Learning Center (a Charter School), a division of the Walton Academy, Inc., and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008, which collectively comprise Walton Academy Learning Center's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Walton Academy Learning Center's management. Our responsibility is to express an opinion on these 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.

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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 Learning Center as of June 30, 2008, 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.

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As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Walton Academy Learning Center at June 30, 2008, and the respective changes in financial position for the year ended, and is not intended to be a complete presentation of the Walton Academy Learning Center.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of Walton Academy Learning Center'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 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 Learning Center'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 supplemental 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 12, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Walton Academy Learning Center (the "School"), a division of Walton Academy, Inc., 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, 2008 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 - 21.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$36,796.
- The government's total net assets increased by \$11,038.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$35,100, an increase of \$12,612 in comparison with the prior 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.

Government-wide Financial Statements

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.

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).

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 Learning Center 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 two 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 is 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 budgetary comparison schedule can be found on pages 23 - 24 of this report.

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

The School's net assets were as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current assets	\$ 35,230	\$ 26,478	\$ 8,752
Capital assets—net	<u>1,696</u>	<u>3,270</u>	<u>(1,574)</u>
Total assets	<u>36,926</u>	<u>29,748</u>	<u>7,178</u>
Total liabilities	<u>130</u>	<u>3,990</u>	<u>3,860</u>
Net assets	<u>\$ 36,796</u>	<u>\$ 25,758</u>	<u>\$ 11,038</u>
Net assets consist of:			
Invested in capital assets	\$ 1,696	\$ 3,270	\$ (1,574)
Restricted net assets	4,291	3,226	1,065
Unrestricted net assets	<u>30,809</u>	<u>19,262</u>	<u>11,547</u>
Net assets	<u>\$ 36,796</u>	<u>\$ 25,758</u>	<u>\$ 11,038</u>

The capital assets consist of primarily of improvements other than buildings, furniture, fixtures and equipment, and computer software.

The unrestricted net assets increased due to the current year increase of revenues over expenditures.

The School's expenses were as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Basic instruction	\$ 331,330	\$ 254,739	\$ 76,591
Exceptional instruction	8,400	8,400	-
Psychological services	3,180	2,147	1,033
Staff development	1,075	755	320
School administration	14,816	55,512	(40,696)
Fiscal services	48,548	43,792	4,756
Staff services	104	29	75
Operation of plant	<u>1,499</u>	<u>1,622</u>	<u>(123)</u>
Total expenses	<u>\$ 408,952</u>	<u>\$ 366,996</u>	<u>\$ 41,956</u>

Due to a Board approved salary increase and the addition of one teacher, the basic instruction expenses increased. The decrease in school administration was a result of a change in staffing arrangements.

The School's revenues were as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues			
Program revenues			
Operating grants	\$ 28,537	\$ 27,545	\$ 992
General revenues	<u>391,453</u>	<u>331,975</u>	<u>59,478</u>
	<u>\$ 419,990</u>	<u>\$ 359,520</u>	<u>\$ 60,470</u>

The increase in general revenues was a result of the FEFP state and local funding increase per student.

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 \$36,796 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, building, machinery, 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 \$36,796.

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 \$35,100.

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 \$30,511.

The fund balance of the School's general fund increased by \$12,612 during the current fiscal year.

General Fund Budgetary Highlights

Budgeted revenues and other financing sources exceeded actual revenues by \$1, while budgeted expenses exceeded actual expenses by \$841.

Capital asset and debt administration

Capital assets. The School's investment in capital assets for its governmental type activities as of June 30, 2008, amounts to \$1,696 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, furniture, fixtures and equipment, and computer software.

Request for Information

This financial report is designed to provide a general overview of Walton Academy Learning Center, Inc.'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 Learning Center
(A division of Walton Academy, Inc.)**

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	<u>\$ 35,230</u>
Total current assets	<u>35,230</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation:	
Improvements other than buildings	1,227
Furniture, fixtures and equipment	419
Computer software	<u>50</u>
Total capital assets	<u>1,696</u>
Total assets	<u>36,926</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accrued payroll and payroll taxes	<u>130</u>
Total liabilities	<u>130</u>
NET ASSETS	
Investment in capital assets	1,696
Restricted for:	
Categorical projects	4,291
Unrestricted	<u>30,809</u>
Total net assets	<u><u>\$ 36,796</u></u>

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

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 2008

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	\$ 331,330	\$ -	\$ 28,537	\$ -	\$ (302,793)
Exceptional instruction	8,400	-	-	-	(8,400)
Psychological services	3,180	-	-	-	(3,180)
Staff development	1,075	-	-	-	(1,075)
School administration	14,816	-	-	-	(14,816)
Fiscal services	48,548	-	-	-	(48,548)
Staff services	104	-	-	-	(104)
Operation of plant	1,499	-	-	-	(1,499)
Total governmental activities	<u>\$ 408,952</u>	<u>\$ -</u>	<u>\$ 28,537</u>	<u>\$ -</u>	<u>(380,415)</u>
			General revenues		
			School Board of Walton County		391,453
			Change in net assets		11,038
			Net assets at July 1, 2007		25,758
			Net assets at June 30, 2008		<u>\$ 36,796</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 35,230	\$ -	\$ 35,230
Total assets	\$ 35,230	\$ -	\$ 35,230
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued payroll and payroll taxes	\$ 130	\$ -	\$ 130
Total liabilities	130	-	130
FUND BALANCES			
Reserved for:			
Categorical projects	4,291	-	4,291
Unreserved	30,809	-	30,809
Total fund balances	35,100	-	35,100
Total liabilities and fund balances	\$ 35,230	\$ -	\$ 35,230

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

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

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

June 30, 2008

Fund balances - total governmental funds \$ 35,100

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:

Improvements other than buildings, net of \$1,073 accumulated depreciation	\$ 1,227	
Furniture, fixtures, and equipment, net of \$4,799 accumulated depreciation	419	
Computer software, net of \$853 accumulated depreciation	<u>50</u>	
Total capital assets		1,696

Total net assets of governmental activities \$ 36,796

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

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

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

For the year ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Federal passed through local school district	\$ -	\$ 28,537	\$ 28,537
State passed through local school district	391,453	-	391,453
Total revenues	<u>391,453</u>	<u>28,537</u>	<u>419,990</u>
Expenditures			
Current			
Basic instruction	301,542	28,537	330,079
Exceptional instruction	8,400	-	8,400
Psychological services	3,180	-	3,180
Staff development	1,075	-	1,075
School administration	14,493	-	14,493
Fiscal services	48,548	-	48,548
Staff services	104	-	104
Operation of plant	1,499	-	1,499
Total expenditures	<u>378,841</u>	<u>28,537</u>	<u>407,378</u>
Excess of revenues over expenditures	12,612	-	12,612
Fund balances at July 1, 2007	<u>22,488</u>	<u>-</u>	<u>22,488</u>
Fund balances at June 30, 2008	<u>\$ 35,100</u>	<u>\$ -</u>	<u>\$ 35,100</u>

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

**Walton Academy Learning Center
(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, 2008

Excess of revenues over expenditures - total government funds	\$ 12,612
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The changes 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 cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Depreciation	<u>(1,574)</u>
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Change in net assets of governmental activities	<u><u>\$ 11,038</u></u>
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The accompanying notes are an integral part of this financial statement.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Walton Academy Learning Center (the "School") is a division of Walton Academy, Inc., 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 School provides educational services to students who are residents of the Department of Juvenile Justice Residential Commitment Facility (DJJ) in Walton County, Florida. 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 Learning Center only.

The general operating authority of Walton Academy Learning Center is contained under the authority of Rule 6A-1.099, Florida Administrative Code. The School operates under a contract of the sponsoring school district, which is the School Board of Walton County, Florida (the "District"). The current contract is effective through June 30, 2008 (see Note I). At the end of the term of the contract, the District may choose not to renew the contract under grounds specified in the contract in which case the District is required to notify the School in writing at least 30 days prior to the contract's expiration. During the term of the contract, the District may also terminate the contract if good cause is shown. Walton Academy Learning Center 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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. One of the School's funds was deemed a major fund. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School's financial statements have been prepared in accordance 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.

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 fund:

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.

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. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

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>
Improvements other than buildings	10
Furniture, fixtures, and equipment	5
Computer software	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(17), 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 Learning Center
(A division of Walton Academy, Inc.)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Reserves of fund balances

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

NOTE B - CASH

Custodial Credit Risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. The School does not have a policy regarding custodial credit risk for deposits. At June 30, 2008, the Schools deposits had a carrying amount of \$35,230 and a bank balance of \$45,278. All of the bank balance is insured by federal deposit insurance corporation (FDIC).

NOTE C - CAPITAL ASSETS

Changes in capital assets activity for the year ended were as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital assets depreciated:				
Improvements other than buildings	\$ 2,300	\$ -	\$ -	\$ 2,300
Furniture, fixtures and equipment	5,218	-	-	5,218
Computer software	903	-	-	903
Total assets depreciated	<u>8,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,421</u>
Less accumulated depreciation:				
Improvements other than buildings	843	\$ 230	\$ -	1,073
Furniture, fixtures and equipment	3,756	1,043	-	4,799
Computer software	552	301	-	853
Total accumulated depreciation	<u>5,151</u>	<u>\$ 1,574</u>	<u>\$ -</u>	<u>6,725</u>
Total governmental activities capital assets, net	<u>\$ 3,270</u>			<u>\$ 1,696</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C - CAPITAL ASSETS (continued)

Depreciation expense for the year ended June 30, 2008 was charged to functions of the School as follows:

Basic instruction	\$	1,251
School administration		323
Total depreciation	\$	1,574

NOTE D - 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	\$ 360,189
Weighted FTE Aggregate	44,360
Hold harmless	2,353
Instructional materials allocation	5,154
Administration fee withheld (5%)	(20,603)
Subtotal	391,453
Title one	28,537
Total from School Board of Walton County	\$ 419,990

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Management service contract

The School has entered into a cancelable service agreement with a third party management service, commencing on July 1, 2005. The contract is for management services through June 2010. The management fee is calculated as 10% of the funding received for the school, payable in twelve monthly installments. Current year management fees charged to operations totaled \$39,145.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E - COMMITMENTS AND CONTINGENCIES (continued)

2. Consultant agreement

The School has a consulting agreement for exceptional student education consulting, training and support. The contract requires monthly payments of \$700 and expires June 30, 2009. The contract may be terminated by either party with sixty days notice.

Current year exceptional student education consulting fees paid to an outside consultant totaled \$8,400.

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, 2008 are \$39,145 (see Note E-1).

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

2. Payroll

During the year, the employee's payroll taxes and retirement payments are processed through a related charter school. The school's are under the same division and both are managed by the same management company. All the payroll transactions are reimbursed. At June 30, 2008, there was no amount due to the Walton Academy.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H - RETIREMENT PLAN

Participation - Effective July 1, 2003, employees of the School began participating 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 the 2007 - 2008 fiscal year, 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, 2008, 2007, and 2006 were \$24,771, \$21,215, and \$12,072, respectively, equal to the total required contributions for each year. Contributions represented 9.81%, 10.34%, and 7.21% of covered payroll for the years ended June 30, 2008, 2007, and 2006, respectively.

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 percent 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.

NOTE I - SUBSEQUENT EVENTS

1. Charter contract

After year end, the School's charter contract was renewed for the 2008-2009 school year (see Note A-1).

2. Florida Security for Public Deposits Act

Subsequent to June 30, 2008, the School obtained the documentation required to secure monies with the State Treasurer under the Florida Security for Public Deposits Act.

REQUIRED SUPPLEMENTAL INFORMATION

**Walton Academy Learning Center
(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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FTE revenue	\$ 377,650	\$ 391,454	\$ 391,453	\$ (1)
Expenditures				
Salaries	234,370	225,401	233,330	(7,929)
Retirement	22,938	21,952	22,591	(639)
Social security	17,929	17,504	18,087	(583)
Group insurance	20,620	20,344	22,551	(2,207)
Unemployment compensation	2,500	2,000	1,691	309
Management services	37,765	39,145	39,145	-
ESE services	8,400	8,400	8,400	-
Auditing services	8,488	9,400	9,400	-
In-county travel	-	-	27	(27)
Out-of-county travel	1,600	3,000	2,307	693
Computer repair	1,500	3,000	3,120	(120)
Copier lease	602	2,408	2,408	-
Postage	100	500	452	48
Telephone	550	600	540	60
Internet	959	959	959	-
Printing	100	100	-	100
Supplies	4,000	4,500	4,126	374
Textbooks	4,672	14,154	3,831	10,323
Furniture, equipment under \$750	-	500	483	17
Computer hardware over \$500	1,000	-	-	-
Software	-	565	-	565
Dues and fees	250	250	93	157
Other personal services	5,000	5,000	5,300	(300)
Total expenditures	<u>373,343</u>	<u>379,682</u>	<u>378,841</u>	<u>841</u>
Excess of revenues over expenditures	4,307	11,772	12,612	840
Fund balance at July 1, 2007	<u>22,488</u>	<u>22,488</u>	<u>22,488</u>	<u>-</u>
Fund balance at June 30, 2008	<u>\$ 26,795</u>	<u>\$ 34,260</u>	<u>\$ 35,100</u>	<u>\$ 840</u>

See notes to required supplemental information

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2008

NOTE A - BUDGETARY INFORMATION

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and other governmental funds and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2008, 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 fund level.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2008

	Basic Instruction	Exceptional Instruction	Psychological Services	Staff Development
Dues and fees	\$ -	\$ -	\$ -	\$ -
Group insurance	21,612	-	-	-
Other personal services	5,300	-	-	-
Out-of-county travel	-	-	1,232	1,075
Postage	32	-	-	-
Professional services	-	8,400	-	-
Repairs and maintenance	3,120	-	-	-
Retirement	21,717	-	-	-
Salaries	222,711	-	1,750	-
Social security	17,274	-	134	-
Supplies	3,835	-	-	-
Telephone and internet	-	-	-	-
Textbooks	3,831	-	-	-
Unemployment compensation	1,627	-	64	-
Water and sewer	-	-	-	-
Worker's compensation	-	-	-	-
Buildings	-	-	-	-
Remodeling and renovations	-	-	-	-
Furniture and fixtures	483	-	-	-
	<u>\$ 301,542</u>	<u>\$ 8,400</u>	<u>\$ 3,180</u>	<u>\$ 1,075</u>

School Administration	Fiscal Services	Staff Services	Operation of Plant	Total
\$ 29	\$ 3	\$ 61	\$ -	\$ 93
939	-	-	-	22,551
-	-	-	-	5,300
-	-	-	-	2,307
-	-	-	-	32
-	-	-	-	8,400
27	-	-	-	3,147
-	-	-	-	21,717
-	-	-	-	224,461
420	-	-	-	17,828
-	-	-	-	3,835
-	48,545	-	-	48,545
2,408	-	-	-	6,239
-	-	-	-	1,691
874	-	-	-	874
8,869	-	-	-	8,869
679	-	-	-	679
248	-	43	-	291
-	-	-	1,499	1,982
<u>\$ 14,493</u>	<u>\$ 48,548</u>	<u>\$ 104</u>	<u>\$ 1,499</u>	<u>\$ 378,841</u>

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

SCHEDULE OF CATEGORICAL EXPENDITURES

For the year ended June 30, 2008

<u>Categorical</u>	Prior Year	<u>FY 2007-2008</u>		
	<u>Carryforward</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Carryforward</u>
Instructional materials	<u>\$ 3,226</u>	<u>\$ 4,896</u>	<u>\$ 3,831</u>	<u>\$ 4,291</u>

**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**

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

To the Board of Directors
Walton Academy Learning Center
DeFuniak Springs, Florida

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Walton Academy Learning Center (a Charter School), a division of the Walton Academy, Inc., and is a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008, which collectively comprise Walton Academy Learning Center's basic financial statements, and have issued our report thereon dated September 12, 2008. 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.



Internal Control Over Financial Reporting

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FAX 321.242.4844

In planning and performing our audit, we considered Walton Academy Learning Center'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 Learning Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Walton Academy Learning Center's internal control over financial reporting.

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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 Learning Center's financial statements that is more than inconsequential will not be prevented or detected by the Walton Academy Learning Center's internal control.

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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 Learning Center'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 Learning Center'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 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 Walton Academy Learning Center'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 12, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

Partners:

John R. Hopkins
James A. Wright, Jr.
James S. LaHam
Ross A. Whitley
W. Ed Moss
Philip J. Hayes
Brian L. Nemeroff

To the Board of Directors
Walton Academy Learning Center
DeFuniak Springs, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Walton Academy Learning Center (a Charter School), a division of the Walton Academy, Inc., and is a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008 and have issued our report thereon dated September 12, 2008.

We issued our report on internal control over financial reporting and on compliance and other matters dated September 12, 2008. 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:

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), Florida Statutes.
3. We have applied financial assessment procedures pursuant to the rules of the Auditor General 10.855(10). There are no deteriorating financial conditions disclosed pursuant to Section 218.39(5), Florida Statutes.
4. See attached list for any recommendations to improve the school's financial management.
5. See the attached list for any violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.



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6. See attached recommendations for any matters, based on our professional judgment, that were inconsequential to the determination of the financial statement amounts considering both quantitative and qualitative factors, including, but not limited to, the following:
 - a. Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
 - b. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
 - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
 - Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
 - Failures to properly record financial transactions.
 - Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

7. The official title of the School is *Walton Academy Learning Center* (a Charter School), a division of the Walton Academy, Inc., and is 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 report is intended for the information of Walton Academy Learning Center'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 12, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

COMMENTS AND RECOMMENDATIONS

For the year ended June 30, 2008, there are no comments and recommendations.