

WALTON ACADEMY
(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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay	27
Notes to Required Supplemental Information	28
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenditures - General Fund	30
Schedule of Functional Expenditures - Capital Outlay Fund	31
Schedule of Categorical Expenditures	32

TABLE OF CONTENTS (continued)

	Page
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	33
MANAGEMENT LETTER	35
COMMENTS AND RECOMMENDATIONS	37

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
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 (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008, which collectively comprise Walton Academy's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Walton Academy's management. Our responsibility is to express an opinion on these 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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of Walton Academy 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 Charterholder.

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

8035 Spyglass Hill
Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL
32789
407.644.5811
FAX 407.644.6022

www.bermanhopkins.com

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008, on our consideration of Walton Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

September 12, 2008
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of Walton Academy (the "School"), a division of Walton Academy, Inc. (the "Charterholder") and a component unit the School Board of Walton County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 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 - 24.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$409,353.
- The government's total net assets increased by \$26,271.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$261,372, an increase of \$6,862 in comparison with the prior year.
- At the end of the current fiscal year, the School's total debt increased by \$46,397 due to the additions of capital leases less the principal payments made during the year.

Overview of the Financial Statements

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

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 are presented in governmental funds only.

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

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

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

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

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 schedules can be found on pages 26 - 28 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:

	2008	2007	Change
Current assets	\$ 276,805	\$ 263,388	\$ 13,417
Capital assets—net	203,677	137,871	65,806
Total assets	<u>480,482</u>	<u>401,259</u>	<u>79,223</u>
Current Liabilities	15,433	8,878	6,555
Non-current Liabilities	55,696	9,299	46,397
Total liabilities	<u>71,129</u>	<u>18,177</u>	<u>52,952</u>
Net assets	<u>\$ 409,353</u>	<u>\$ 383,082</u>	<u>\$ 26,271</u>
Net assets consist of:			
Invested in capital assets—net	\$ 147,981	\$ 128,572	\$ 19,409
Restricted net assets	30,318	-	30,318
Unrestricted net assets	231,054	254,510	(23,456)
Net assets	<u>\$ 409,353</u>	<u>\$ 383,082</u>	<u>\$ 26,271</u>

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

The increase in current assets was due to an increase in cash. The increase in capital assets is due to the addition of new modular buildings. The increase in current liabilities is a result of the financing agreement for the purchase of the modular building.

The School's expenses were as follows:

	2008	2007	Change
Basic instruction	\$ 413,862	\$ 360,595	\$ 53,267
Exceptional instruction	21,126	20,008	1,118
Staff development	434	2,572	(2,138)
Board of directors	7,868	6,920	948
General administration	12,502	-	12,502
School administration	276,673	273,048	3,625
Facilities	38,693	35,181	3,512
Fiscal services	64,874	71,585	(6,711)
Food services	14,593	11,902	2,691
Staff services	59,785	70,116	(10,331)
Transportation	97,678	88,343	9,335
Operation of plant	66,876	46,047	20,829
Interest on note payable	5,266	840	4,426
Total expenses	<u>\$ 1,080,230</u>	<u>\$ 987,157</u>	<u>\$ 93,073</u>

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

The School's revenues were as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues:			
Program revenues			
Operating grants	\$ 77,091	\$ 111,909	\$ (34,818)
Capital grants	84,381	68,242	16,139
General revenues	<u>945,029</u>	<u>1,004,923</u>	<u>(59,894)</u>
	<u>\$ 1,106,501</u>	<u>\$ 1,185,074</u>	<u>\$ (78,573)</u>

Generally, monies received from the school board decrease when enrollment decreases. In addition, the School received an increase in capital outlay funding this year.

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 \$409,353 at the close of the most recent fiscal year.

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

For the end of the current fiscal year, the School is reporting a positive balance of net assets totaling \$409,353.

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 \$261,372.

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 \$181,685.

The fund balance of the School's general fund decreased by \$15,515 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues and other financing sources by \$21,493 while budgeted expenditures exceeded actual expenditures by \$11,240.

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 \$203,677 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles.

Debt. At the end of the current fiscal year, the School had a capital lease payable of \$55,696 for the modular buildings in which the school operates.

The School's total debt increased by \$46,397 due to the additions of capital leases less the principal payments made during the current fiscal year.

Request for Information

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

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

STATEMENT OF NET ASSETS

June 30, 2008

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 267,385
Accounts receivable	1,966
Prepaid expenses	5,650
Deposits receivable	1,804
Total current assets	276,805
CAPITAL ASSETS	
Capital assets not being depreciated:	
Land	13,413
Capital assets, net of accumulated depreciation:	
Buildings	124,845
Improvements other than buildings	36,752
Furniture, fixtures and equipment	27,824
Vehicles	843
Total capital assets	203,677
Total assets	480,482
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	1,792
Accrued payroll liabilities	13,641
Noncurrent liabilities:	
Due within one year	10,885
Due in more than one year	44,811
Total liabilities	71,129
NET ASSETS	
Investment in capital assets, net of related debt	147,981
Restricted for:	
Categorical projects	7,941
Capital outlay	22,377
Unrestricted	231,054
Total net assets	\$ 409,353

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

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

STATEMENT OF ACTIVITIES

For the year ended June 30, 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	\$ 413,862	\$ -	\$ 65,979	\$ -	\$ (347,883)
Exceptional instruction	21,126	-	-	-	(21,126)
Staff development	434	-	-	-	(434)
Board of directors	7,868	-	-	-	(7,868)
General administration	12,502	-	-	-	(12,502)
School administration	276,673	-	-	-	(276,673)
Facilities	38,693	-	11,112	79,115	51,534
Fiscal services	64,874	-	-	-	(64,874)
Food services	14,593	-	-	-	(14,593)
Staff services	59,785	-	-	-	(59,785)
Transportation	97,678	-	-	-	(97,678)
Operation of plant	66,876	-	-	-	(66,876)
Interest on capital lease obligations	5,266	-	-	5,266	-
Total governmental activities	\$ 1,080,230	\$ -	\$ 77,091	\$ 84,381	(918,758)
General revenues					
School Board of Walton County					942,694
Other income					2,335
Total general revenues					945,029
Change in net assets					26,271
Net assets at July 1, 2007					383,082
Net assets at June 30, 2008					\$ 409,353

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2008

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 267,385	\$ -	\$ -	\$ 267,385
Due from other funds	-	71,746	-	71,746
Accounts receivable	1,966	-	-	1,966
Prepaid expenses	5,650	-	-	5,650
Deposits	1,804	-	-	1,804
	\$ 276,805	\$ 71,746	\$ -	\$ 348,551
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,792	\$ -	\$ -	\$ 1,792
Accrued payroll liabilities	13,641	-	-	13,641
Due to other funds	71,746	-	-	71,746
	87,179	-	-	87,179
 FUND BALANCES				
Reserved for:				
Categorical projects	7,941	-	-	7,941
Unreserved	181,685	71,746	-	253,431
	189,626	71,746	-	261,372
Total liabilities and fund balances	\$ 276,805	\$ 71,746	\$ -	\$ 348,551

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

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

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

June 30, 2008

Fund balances - total governmental funds	\$ 261,372
The net assets reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of	
Land	\$ 13,413
Buildings, net of \$33,0168 accumulated depreciation	124,845
Improvements other than buildings, net of \$38,118 accumulated depreciati	36,752
Furniture, fixtures and equipment, net of \$60,328 accumulated depreciatic	27,824
Vehicles, net of \$10,057 accumulated depreciati	<u>843</u>
Total capital assets	203,677
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
Capital leases	<u>(55,696)</u>
Total net assets of governmental activities	<u><u>\$ 409,353</u></u>

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

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

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

For the year ended June 30, 2008

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ 65,979	\$ 65,979
State passed through local school district	942,694	95,493	-	1,038,187
Other revenues	2,335	-	-	2,335
Total revenues	945,029	95,493	65,979	1,106,501
Expenditures				
Current				
Basic instruction	340,553	-	65,979	406,532
Exceptional instruction	21,126	-	-	21,126
Staff development	434	-	-	434
Board of directors	7,868	-	-	7,868
General administration	12,502	-	-	12,502
School administration	275,638	-	-	275,638
Facilities	-	11,112	-	11,112
Fiscal services	64,874	-	-	64,874
Food services	14,593	-	-	14,593
Staff services	59,785	-	-	59,785
Transportation	96,295	-	-	96,295
Operation of plant	66,876	-	-	66,876
Fixed capital outlay	-	103,135	-	103,135
Debt service				
Payment of principal	-	14,728	-	14,728
Interest expense	-	5,266	-	5,266
Total expenditures	960,544	134,241	65,979	1,160,764
Excess (deficiency) of revenues over (under) expenditure:	(15,515)	(38,748)	-	(54,263)
Other financing sources				
Capital lease obligations proceeds	-	61,125	-	61,125
Net change in fund balances:	(15,515)	22,377	-	6,862
Fund balances at July 1, 2007	205,141	49,369	-	254,510
Fund balances at June 30, 2008	\$ 189,626	\$ 71,746	\$ -	\$ 261,372

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

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

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

For the year ended June 30, 2008

Net change in fund balances - total government funds	\$ 6,862	
The change in net assets reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Fixed capital outlay additions	\$ 103,135	
Depreciation	<u>(37,329)</u>	
		65,806
The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term liabilities consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt and related items increase net assets.		
Capital lease obligation proceeds	(61,125)	
Principal payments on capital lease obligations	<u>14,728</u>	
		<u>(46,397)</u>
Change in net assets of governmental activities		<u>\$ 26,271</u>

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

2. Government-wide and fund financial statements

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

4. Cash

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

5. Receivables

The School's receivables consist of amounts due from other agencies and related schools at June 30, 2008. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. Capital assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 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>
Buildings	9
Improvements other than buildings	7 - 15
Furniture, fixtures, and equipment	5 - 9
Vehicles	3

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental funds report the face amount of debt issued as other financing sources and payments of debt principal as other financing uses.

8. 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 (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect revised calculations by the FDOE 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. 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.

10. Reserves of fund balances and restrictions on net assets

The School has a portion of their general fund balance and net assets reserved for local categoricals. Categoricals are funds the legislature may appropriate for specified programs, activities, or purposes. In addition, the School has restricted the capital outlay net assets for future lease payments related to the acquisition of capital facilities. Capital outlay revenues are funded by capital grants in accordance with guidelines established by the School Board of Walton County.

11. Interfund receivables and payables

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

NOTE B - CASH

Custodial Credit Risk - 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 \$300,551 and a bank balance of \$286,535. Of the bank balance, \$186,535 was not insured by the federal deposit insurance corporation (FDIC).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Capital assets not being depreciated:				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Capital assets depreciated:				
Buildings	58,852	\$ 99,009	\$ -	157,861
Improvements other than buildings	70,744	4,126	-	74,870
Furniture, fixtures and equipment	88,152	-	-	88,152
Vehicles	10,900	-	-	10,900
Total assets depreciated	228,648	\$ 103,135	\$ -	331,783
Less accumulated depreciation:				
Buildings	17,309	\$ 15,707	\$ -	33,016
Improvements other than buildings	28,768	9,350	-	38,118
Furniture, fixtures and equipment	49,439	10,889	-	60,328
Vehicles	8,674	1,383	-	10,057
Total accumulated depreciation	104,190	\$ 37,329	\$ -	141,519
Total governmental activities capital assets, net	\$ 137,871			\$ 203,677

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

Basic instruction	\$ 7,330
Facilities	27,581
School administration	1,035
Transportation	1,383
Total depreciation	\$ 37,329

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE D - NONCURRENT LIABILITIES

1. Changes in noncurrent liabilities

A summary of noncurrent liabilities follows:

	Balance at July 1, 2007	Additions	Reductions	Balance at June 30, 2008	Due within one year
Capital leases	\$ 9,299	\$ 61,125	\$ 14,728	\$ 55,696	\$ 10,885

2. Capital leases

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

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

	Governmental Activities:
Asset	
Building	\$ 119,426
Less: accumulated depreciation	(14,529)
	\$ 104,897

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

Fiscal years ending June 30,	
2009	\$ 18,384
2010	15,318
2011	15,318
2012	15,318
2013	2,553
Total minimum lease payments	66,891
Less: amount representing interest	(11,195)
Present value of future minimum lease payments	\$ 55,696

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE E - COMMITMENTS AND CONTINGENCIES

1. Operating leases

The School leases office equipment under month-to-month operating leases. Current year operating lease expenses totaled \$7,147.

2. Management service contract

The School has entered into a cancelable service agreement with a third party for management services, commencing on July 1, 2005. The contract is for management services through June 2010. The management fee is calculated as \$78 times the October and February FTE student counts, payable in twelve monthly installments. Current year management fees charged to operations totaled \$107,250.

3. Consulting agreement

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

Current year exceptional student education consulting fees paid to outside consultants totaled \$14,400.

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 \$107,250 (see Note E-2).

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F - RELATED PARTY (continued)

2. Payroll

During the year, the School processes certain payroll transactions with two related charter schools. One school is under the same Charterholder and both are managed by the same management company. All of the payroll transactions are reimbursed by the related schools. At June 30, 2008, there were no balances due from the related schools.

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 for the past three years.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE H - CONCENTRATIONS

Revenue sources

As stated in Note A-8, 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	\$ 451,193
Referral billing	34,795
ESE guaranteed allocation	30,637
Supplemental academic instruction	22,557
Class size reduction	102,292
Safe schools	3,516
Discretionary millage	149,922
Additional millage	136,616
Discretionary lottery	4,984
Instructional materials allocation	12,287
Student transportation	32,986
Lead teacher program	1,996
Additional funding	6,363
Administration fee withheld (5%)	(47,450)
Subtotal	942,694
Capital outlay funds	95,493
Title 1	65,979
Total from School Board of Walton County	1,104,166
Other revenues:	
Other	2,335
	\$ 1,106,501

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I - RETIREMENT PLAN

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

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 2006, the School contributed an average of 9.85% of each qualified regular employee's gross salary. The School's contribution for the years ended June 30, 2008, 2007, and 2006 were \$46,986, \$37,252, and \$22,903, respectively, equal to the total required contributions for each year. Contributions represented 9.63%, 8.03%, and 7.08% 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% 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 J - SUBSEQUENT EVENT

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
(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	\$ 992,014	\$ 901,536	\$ 907,899	\$ 6,363
Yearbook sales	-	-	270	270
Miscellaneous	500	2,000	2,065	65
Referral billing	15,000	20,000	34,795	14,795
Total revenues	<u>1,007,514</u>	<u>923,536</u>	<u>945,029</u>	<u>21,493</u>
Expenditures				
Salaries	559,083	503,134	504,136	(1,002)
Retirement	49,417	47,260	46,986	274
Social security	43,076	39,621	39,850	(229)
Group insurance	58,200	52,358	51,295	1,063
Worker's compensation	11,000	4,000	3,750	250
Unemployment compensation	6,600	5,000	2,747	2,253
Other benefits	1,200	1,200	-	1,200
Management services	117,000	106,236	107,250	(1,014)
ESE services	14,400	14,400	14,400	-
Computer services	4,000	6,000	5,141	859
Auditing services	10,500	11,000	11,000	-
School resource officer	20,000	19,500	19,500	-
Staff development	2,000	-	-	-
Miscellaneous contract services	500	-	-	-
Insurance	18,500	22,100	24,342	(2,242)
In-county travel	500	500	109	391
Out-of-county travel	3,000	5,000	4,615	385
Repairs and maintenance	100	-	-	-
Vehicle maintenance	12,000	9,500	11,827	(2,327)
Fire alarm inspections	150	150	301	(151)
Copier lease	3,000	3,138	3,108	30
Radios lease	4,000	4,050	4,039	11
Miscellaneous rental	250	250	-	250
Postage	1,500	1,500	1,282	218
Telephone	5,800	5,100	5,150	(50)
Internet	1,139	1,200	1,139	61
Telephone maintenance	1,000	500	-	500
Water and sewer	1,200	1,250	1,356	(106)
Garbage	1,000	1,130	1,225	(95)
Advertising	1,000	1,000	671	329
Printing	1,000	500	139	361
Pest control	660	660	660	-
Alarm monitoring	500	180	180	-
Lawn service	-	4,650	4,200	450
Non-professional service	1,200	-	500	(500)
Electricity	15,000	18,000	17,184	816
Vehicle gasoline	19,000	29,000	29,306	(306)
Supplies	16,000	14,000	15,496	(1,496)
Textbooks	13,500	12,287	2,615	9,672
Oil & grease	10	30	60	(30)
Food	200	200	74	126
Furniture, equipment under \$750	2,500	3,000	3,393	(393)
Computer hardware over \$750	-	1,000	670	330
Capitalized software	2,000	-	-	-
Dues and fees	2,000	1,200	988	212
Other personal services	5,000	21,000	19,860	1,140
Total expenditures	<u>1,029,685</u>	<u>971,784</u>	<u>960,544</u>	<u>11,240</u>
Excess (deficiency) of revenues over (under) expenditures:	(22,171)	(48,248)	(15,515)	32,733
Fund balances at July 1, 2007	<u>205,141</u>	<u>205,141</u>	<u>205,141</u>	<u>-</u>
Fund balances at June 30, 2008	<u>\$ 182,970</u>	<u>\$ 156,893</u>	<u>\$ 189,626</u>	<u>\$ 32,733</u>

See notes to required supplemental information

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

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

For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Capital outlay	\$ 80,000	\$ 100,000	\$ 95,493	\$ (4,507)
Expenditures				
Repairs and maintenance	15,000	20,000	11,112	8,888
Facilities lease	9,000	9,000	-	9,000
Buildings	45,000	56,000	101,414	(45,414)
Buses	2,000	2,000	-	2,000
Improvements	5,000	-	-	-
Remodeling/renovations	10,000	5,000	1,721	3,279
Payment of principal	-	-	14,728	(14,728)
Interest expense	-	-	5,266	(5,266)
Total expenditures	<u>86,000</u>	<u>92,000</u>	<u>134,241</u>	<u>(42,241)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,000)	8,000	(38,748)	(46,748)
Other financing sources				
Capital lease obligation proceeds	-	-	61,125	61,125
Net change in fund balance	(6,000)	8,000	22,377	14,377
Fund balance at July 1, 2007	<u>49,369</u>	<u>49,369</u>	<u>49,369</u>	<u>-</u>
Fund balance at June 30, 2008	<u>\$ 43,369</u>	<u>\$ 57,369</u>	<u>\$ 71,746</u>	<u>\$ 14,377</u>

See notes to required supplemental information

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

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2008

NOTE A - BUDETARY INFORMATION

1. Budgetary basis of accounting

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

2. Excess of expenditures over appropriations

The School's capital outlay fund expenditures exceeded its budget by \$42,241. The over-expenditure is due to the omission of budgeting for the capital lease expense and the related proceeds. The over-expenditure was funded by the aforementioned capital lease proceeds included in other financing sources. As a result, the actual net change in fund balance exceeded the budgeted net change in fund balance by \$14,377.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF FUNCTIONAL EXPENDITURES - GENERAL FUND

For the year ended June 30, 2008

	Basic Instruction	Exceptional Instruction	Staff Development	Board of Directors	General Administration	School Administration
Computer repair	\$ 670	\$ -	\$ -	\$ -	\$ -	\$ -
Dues and fees	-	-	-	-	-	720
Electricity	-	-	-	-	-	-
Food	-	-	-	-	-	-
Garbage	-	-	-	-	-	-
Gasoline	-	-	-	-	-	-
Group insurance	25,882	-	-	-	1,562	15,947
In county travel	-	-	-	-	-	1,683
Insurance	63	-	-	5,261	-	-
Non-professional services	-	-	-	-	-	19,500
Oil & grease	-	-	-	-	-	-
Other personal services	19,860	-	-	-	-	-
Out-of-county travel	-	-	434	2,607	-	-
Postage	-	-	-	-	-	1,282
Printing	-	-	-	-	-	810
Professional services	-	14,400	-	-	-	-
Rental	-	-	-	-	-	3,108
Repairs and maintenance	5,141	-	-	-	-	-
Retirement	24,579	-	-	-	-	16,489
Salaries	235,472	6,044	-	-	10,080	194,258
Social security	19,413	462	-	-	771	14,773
Supplies	6,115	-	-	-	-	5,874
Telephone	-	-	-	-	-	-
Textbooks	2,615	-	-	-	-	-
Unemployment compensation	243	220	-	-	89	1,194
Water and sewer	-	-	-	-	-	-
Worker's compensation	(2,410)	-	-	-	-	-
Furniture and fixtures	2,910	-	-	-	-	-
	<u>\$ 340,553</u>	<u>\$ 21,126</u>	<u>\$ 434</u>	<u>\$ 7,868</u>	<u>\$ 12,502</u>	<u>\$ 275,638</u>

Fiscal Services	Food Services	Staff Services	Transportation	Operation of Plant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670
249	-	-	19	-	988
-	-	-	-	17,184	17,184
-	74	-	-	-	74
-	-	-	-	1,225	1,225
-	-	-	29,306	-	29,306
-	1,792	-	4,774	1,338	51,295
-	-	-	-	-	1,683
-	-	-	4,901	14,117	24,342
-	-	-	-	5,540	25,040
-	-	-	60	-	60
-	-	-	-	-	19,860
-	-	-	-	-	3,041
-	-	-	-	-	1,282
-	-	-	-	-	810
64,625	-	53,625	-	-	132,650
-	-	-	4,039	-	7,147
-	-	-	11,827	301	17,269
-	1,044	-	3,495	1,379	46,986
-	10,599	-	34,653	13,030	504,136
-	801	-	2,637	993	39,850
-	115	-	-	3,392	15,496
-	-	-	-	6,289	6,289
-	-	-	-	-	2,615
-	168	-	584	249	2,747
-	-	-	-	1,356	1,356
-	-	6,160	-	-	3,750
-	-	-	-	483	3,393
<u>\$ 64,874</u>	<u>\$ 14,593</u>	<u>\$ 59,785</u>	<u>\$ 96,295</u>	<u>\$ 66,876</u>	<u>\$ 960,544</u>

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

SCHEDULE OF FUNCTIONAL EXPENDITURES - CAPITAL OUTLAY FUND

For the year ended June 30, 2008

	Facilities	Fixed Capital Outlay	Debt Service	Total
Food	\$ -	\$ -	\$ -	\$ -
Repairs and maintenance	11,112	-	-	11,112
Salaries	-	-	-	-
Buildings	-	101,414	-	101,414
Remodeling and renovations	-	1,721	-	1,721
Payment of principal	-	-	14,728	14,728
Interest	-	-	5,266	5,266
	<u>\$ 11,112</u>	<u>\$103,135</u>	<u>\$ 19,994</u>	<u>\$ 134,241</u>

Walton Academy
(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	\$ -	\$ 11,673	\$ 3,732	\$ 7,941
Transportation	-	31,502	31,502	-
Safe schools	-	3,340	3,340	-
Total	<u>\$ -</u>	<u>\$ 46,515</u>	<u>\$ 38,574</u>	<u>\$ 7,941</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
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, a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008, which collectively comprise Walton Academy'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

8035 Spyglass Hill
Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

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

480 N. Orlando Ave.
Suite 218
Winter Park, FL
32789
407.644.5811
FAX 407.644.6022

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Walton Academy's financial statements is more than inconsequential will not be prevented or detected by the Walton Academy's internal control.

www.bermanhopkins.com

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

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

Compliance and other matters

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

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

September 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
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 (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2008, which collectively comprise Walton Academy's basic financial statements, 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.



8035 Spyglass Hill
Road
Melbourne, FL 32940
321.757.2020
FAX 321.242.4844

480 N. Orlando Ave.
Suite 218
Winter Park, FL
32789
407.644.5811
FAX 407.644.6022

www.bermanhopkins.com

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. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
 - b. Improper expenditures discovered within the scope of the financial audit.
 - 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* (a Charter School), a division of the Walton Academy, Inc., (the "Charterholder") and a component unit of the School Board of Walton County, Florida, which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes.

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

September 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.