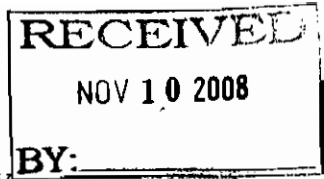

WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL

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

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT



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

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 16, 2008, on my consideration of the Academy's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

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

Mark EscOFFER, P.A.

Palm Beach Gardens, Florida
September 16, 2008

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER
SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Our discussion and analysis of Western Academy Charter School's ("the Academy") financial program provides an overview of the Academy's financial activities for the year ended June 30, 2008.

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

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

NON FINANCIAL HIGHLIGHTS

The Academy had approximately 200 students enrolled for the school year 2007-2008. It has budgeted for 242 students for the next year 2008-2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER
SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

Fund Financial Statements (Cont'd.)

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

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on Pages 14-19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the Academy's financial position. The Academy's assets exceeded liabilities by \$909,326 at June 30, 2008.

NET ASSETS

	<u>JUNE 30, 2008</u>	<u>JUNE 30, 2007</u>
Current and other Assets	\$ 648,169	\$ 588,097
Capital Assets	294,036	311,927
Total Assets	<u>\$ 942,205</u>	<u>\$ 900,024</u>
Other Liabilities	\$ 32,879	\$ 13,663
Total Liabilities	<u>\$ 32,879</u>	<u>\$ 13,663</u>
Investment in Capital Assets	\$ 294,036	\$ 311,927
Unrestricted	615,290	574,434
Total Net Assets	<u>\$ 909,326</u>	<u>\$ 886,361</u>

Revenues from governmental activities totaled \$1,475,735 for the year ended June 30, 2008. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue represented approximately 79.8% of total revenue.

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER
SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

<u>Revenue Source</u>	<u>6/30/2008</u>	<u>%of Total 6/30/2008</u>	<u>6/30/07</u>	<u>% of Total 6/30/07</u>
State Sources	\$ 1,427,790	90.0	\$ 1,529,831	88.6
Local Sources	109,333	6.9	141,014	8.2
Federal Sources	47,945	3.1	56,763	3.2
Total	\$ 1,585,068	100.0	\$ 1,727,608	100.0

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

<u>EXPENSE</u>	<u>6/30/08</u>	<u>%OF TOTAL 6/30/08</u>	<u>6/30/07</u>	<u>% OF TOTAL 6/30/07</u>
Instruction	\$ 968,174	62.2	\$ 991,459	64.9
Pupil Personnel	1,807	-	-	-
Instructional Media	-	-	3,886	-.
Staff Development	4,195	.3	5,336	-
Instruction and Curriculum Development	11,374	.7	-	-
Board Services	9,378	.6	8,486	.6
School Administration	234,153	15.0	212,731	14.2
Fiscal Services	3,933	.2	3,794	-
Facilities Acquisition	201,091	12.9	190,913	12.8
Operation of Plant	101,108	6.4	91,160	5.9
Maintenance of Plant	1,921	.1	3,134	-
Community Services	24,969	1.6	23,820	1.6
Total	\$ 1,562,103	100.0	\$ 1,534,719	100.0

BUDGETARY HIGHLIGHTS

State revenue sources were \$37,000 less than budgeted due to Legislative reduction of FEFP revenues due to a slumping State economy.

Local revenue sources were approximately \$8,000 more than budgeted primarily due to better utilization of interest bearing accounts for additional interest income.

There were no significant overall differences between the budget and actual expenditures for the year ended June 30, 2008. However, School Administration expenses were under budget by \$20,000 primarily because professional and technical services were less than budget by approximately \$7,000. Instruction expenses were less than budget by \$47,000 primarily because health insurance costs were less than budget by approximately \$9,000 and tutoring and workers compensation were less than anticipated by approximately \$5,000 each. Exceptional Student

**WESTERN ACADEMY INC. D/B/A WESTERN ACADEMY CHARTER
SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

BUDGETARY HIGHLIGHTS (Cont'd.)

Education expenses were under budget by approximately \$12,000 because of less than anticipated expenses for speech and occupational therapies. Overall expenses were less than budgeted by approximately \$25,500.

Total fund balance of the General Fund was \$616,379 at June 30, 2008.

CAPITAL ASSETS

The Academy's investment in capital assets at June 30, 2008 was \$294,036 (net of depreciation). The investment includes building improvements, furniture, fixtures and computer equipment. The following is a summary of capital assets balances at June 30, 2008:

Building Improvements	\$251,882
Furniture, Fixtures & Computer_Equipment	<u>193,480</u>
	445,362
Accumulated Depreciation	<u>(151,326)</u>
	<u>\$294,036</u>

PROSPECTS FOR THE FUTURE

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

The School District of Palm Beach County on August 20, 2008 approved a 10 year Contract extension with Western Academy Charter School through June 30, 2018. We are now able to accommodate Grades VPK through 8th, with Voluntary Pre-Kindergarten anticipated being implemented in school year 2010/2011.

The Academy is expanding its facilities into an adjacent building which will add approximately an additional 11,000 square feet to accommodate additional students in future years.

The Academy will receive Capital Outlay Funds for 2008-2009

The Academy anticipated meeting its budgeted amount of 242 student for the 2008-2009 school year.

Administration believes that the Academy will receive a high rating from the Department of Education, based on test scores and academic achievement.

The Administration believes that higher test scores will continue to be achieved because of investments in reading and math computer based programs and curriculum.

The Administration believes that the Academy will continue to progress and contribute to the educational needs of Palm Beach County.

WESTERN ACADEMY INC.
D/B/A WESTERN ACADEMY CHARTER SCHOOL
Governmental Fund (General Fund) Balance Sheet
June 30, 2008

Governmental
Funds

ASSETS

Cash	\$591,633
Accounts receivable	6,532
Prepayments	39,338
Deposits	10,666
Total Assets	<u><u>\$648,169</u></u>

LIABILITIES

Accounts Payable	<u>\$32,879</u>
Total Liabilities	<u>32,879</u>

FUND BALANCE

Undesignated	<u>615,290</u>
Total Liabilities and Fund Balance	<u><u>\$648,169</u></u>

The accompanying notes are an integral part of this statement

WESTERN ACADEMY, INC.
D/B/A WESTERN ACADEMY CHARTER SCHOOL
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$591,633		\$591,633
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	6,532		6,532
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210	10,666		10,666
Due from Other Agencies	1220			
Internal Balances				
Inventory	1150			0
Prepaid Expenses	1230	39,338		39,338
Restricted assets:				
Cash with Fiscal Agent	1114			0
Capital assets:				
Land	1310			0
Land Improvements - Non-depreciable	1315			
Improvements Other Than Buildings	1320			0
Less Accumulated Depreciation	1329			
Buildings and Fixed Equipment	1330	\$251,882		251,882
Less Accumulated Depreciation	1339	(44,011)		(44,011)
Furniture, Fixtures and Equipment	1340	192,840		192,840
Less Accumulated Depreciation	1349	(106,782)		(106,782)
Motor Vehicles	1350			0
Less Accumulated Depreciation	1359			0
Construction in Progress	1360			0
Property Under Capital Leases	1370			
Less Accumulated Depreciation	1379			
Audio Visual Materials	1381			0
Less Accumulated Depreciation	1388			0
Computer Software	1382	640		640
Less Accumulated Amortization	1389	(533)		(533)
Total assets	Total assets	\$942,205		\$942,205
LIABILITIES AND NET ASSETS				
LIABILITIES				
Cash Overdraft				\$0
Salaries and Wages Payable	2110			0
Payroll Deductions and Withholdings	2170			
Accounts Payable	2120	32,879		32,879
Construction Contracts Payable	2140			0
Due to Fiscal Agent	2240			
Accrued Interest on Sale of Bonds	2210			0
Deposits Payable	2220			
Due to Other Agencies	2230			0
Sales Tax Payable	2260			
Estimated Unpaid Claims	2271			0
Estimated Liability for Claims Adjustment	2272			0
Estimated Liability for Arbitrage Rebate	2280			
Advances Payable				0
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			
Notes Payable	2310			0
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			0
Portion due after one year:				
Notes Payable	2310			
Bonds Payable	2320			0
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			0
Certificates of Participation Payable	2340			0
Estimated Liability for Long-Term Claims	2350			0
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Total liabilities		32,879		32,879
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		294,036		294,036
Restricted for:				
Categorical Carryover Programs	2710			
Debt Service	2750			0
Capital Projects				0
Other Purposes				0
Unrestricted(Deficit)		615,290		615,290
Total net assets		909,326		909,326
Total liabilities and net assets		\$942,205		\$942,205

The accompanying notes are an integral part of this statement

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

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

Fund Balance- Governmental Funds		\$615,290
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$445,362	
Less accumulated depreciation	(151,326)	
		294,036
Net Assets of Governmental activities		<u>\$909,326</u>

The accompanying notes are an integral part of this statement

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

**Statement of Governmental Fund (General Fund) Revenues,Expenditures and
Changes in Fund Balance
Year Ended June 30, 2008**

Governmental
Funds

REVENUES:

State sources	\$1,427,790
Federal Sources	47,945
Local sources	109,333

TOTAL REVENUES	1,585,068
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EXPENDITURES/EXPENSES

Instruction	968,174
Pupil Personnel	1,807
Staff Development	4,195
Curriculum Development	11,374
Board	9,378
School Administration	234,153
Fiscal Services	3,933
Facilities Acquisition	150,116
Operation of Plant	101,108
Maintenance of Plant	1,921
Community Services	24,969
Capital Outlay	33,083

TOTAL EXPENSES	1,544,211
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EXCESS OF REVENUES OVER EXPENDITURES	40,857
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FUND BALANCE

Beginning of Year	574,433
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End of Year	\$615,290
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The accompanying notes are an integral part of this statement

WESTERN ACADEMY, INC.
D/B/A WESTERN ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
June 30, 2008

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:									
Instruction	5000	\$ 968,174		\$ 47,945		\$ (920,229)			(920,229)
Pupil Personnel Services	6100	1,807				(1,807)			(1,807)
Instructional Media Services	6200								
Instruction and Curriculum Development Services	6300	11,374				(11,374)			(11,374)
Instructional Staff Training Services	6400	4,195				(4,195)			(4,195)
Board	7100	9,378				(9,378)			(9,378)
General Administration	7200								
School Administration	7300	234,153				(234,153)			(234,153)
Facilities Acquisition and Construction	7400	201,091			129,813	(71,278)			(71,278)
Fiscal Services	7500	3,933				(3,933)			(3,933)
Food Services	7600								
Central Services	7700								
Pupil Transportation Services	7800								
Operation of Plant	7900	101,108				(101,108)			(101,108)
Maintenance of Plant	8100	1,921				(1,921)			(1,921)
Community Services	9100	24,969				(24,969)			(24,969)
Interest on Long-term Debt	9200								
Unallocated Depreciation Expense *									
Total governmental activities		1,562,103		47,945	129,813	(1,384,345)			(1,384,345)
Business-type activities:									
Total business-type activities									
Totals		1,562,103		47,945	129,813	(1,384,345)			(1,384,345)

General Revenues:

Taxes:

Property taxes, levied for operational purposes	
Property taxes, levied for debt service	
Property taxes, levied for capital projects	
Local sales taxes	
Florida education Finance Program (FEFP)	1,264,381
Grants and contributions not restricted to specific programs	122,581
Investment earnings	20,348
Miscellaneous	
Special items	
Transfers	
Total general revenues, special items, and transfers	1,407,310
Change in net assets	22,965
Net assets-beginning	886,361
Net assets-ending	\$909,326

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

The accompanying notes are an integral part of this statement

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

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

Net Changes in Fund Balances- Governmental Funds \$40,857

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

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$33,083	
Less current year depreciation	<u>(50,975)</u>	
		<u>(17,892)</u>
Change in Net Assets of Governmental Activities		<u>\$22,965</u>

The accompanying notes are an integral part of this statement

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

**Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
All Governmental Fund Types (General Fund)
Year Ended June 30, 2008**

	Governmental Funds		
	Original and Final Budget	Actual	Variance
REVENUES:			
State sources	\$1,464,910	\$1,427,790	(\$37,120)
Federal sources	48,400	47,945	(455)
Local sources	100,900	109,333	8,433
TOTAL REVENUES	1,614,210	1,585,068	(29,142)
EXPENDITURES:			
Instruction	1,024,472	968,174	(56,298)
Pupil Personnel	1,950	1,807	(143)
Staff Development	9,000	4,195	(4,805)
Curriculum Development	11,900	11,374	(526)
Instructional Media	1,500		(1,500)
Board	11,524	9,378	(2,146)
School Administration	253,053	234,153	(18,900)
Fiscal Services	4,100	3,933	(167)
Facilities Acquisition	127,908	150,116	22,208
Operation of Plant	96,500	101,108	4,608
Maintenance of Plant	3,000	1,921	(1,079)
Community Services	33,029	24,969	(8,060)
Capital Outlay	21,000	33,083	12,083
TOTAL EXPENDITURES	1,598,936	1,544,211	(54,725)
EXCESS OF REVENUES OVER EXPENDITURES	\$15,274	40,857	\$25,583
Fund Balance, beginning of year		574,433	
Fund balance, end of year		\$615,290	

The accompanying notes are an integral part of this statement

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

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

Basic Financial Statements

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

The Statement of Activities reports both the gross and net cost of each of the Academy’s functions. The functions are also supported by government revenues such as Florida Education Finance Program (FEFP), Capital Outlay Funds and Federal Implementation Grants. The

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2008**

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

Basic Financial Statements (Cont'd.)

Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (after care and youth services, etc.). Operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Basis of Accounting

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

Accrual

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

Measurement Focus

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

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

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

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2008**

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

Measurement Focus (Cont'd.)

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

Use of Estimates

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

Concentration of Credit Risk

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

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

Contributed Services and Facilities

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

Budgetary Basis of Accounting

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2008**

Budgetary Basis of Accounting (Cont'd.)

Capital Assets (Cont'd.)

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

NOTE 2 – CAPITAL ASSETS

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

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Ending</u>
Building Improvements	\$ 248,802	\$ 3,080	\$ -	\$ 251,882
Furniture, Fixtures & Computer Equipment	163,477	30,003	-	193,480
	<u>412,279</u>	<u>33,083</u>	<u>-</u>	<u>445,362</u>
Less Accumulated Depreciation	(100,351)	(50,975)	-	(151,326)
NET CAPITAL ASSETS	\$ 311,928	\$ (17,892)	\$ -	\$ 294,036

Depreciation expense charged during the year ended June 30, 2008 was \$50,975.

NOTE 3 – DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2008**

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

Plan Description (Cont'd.)

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

Funding Policy

Under the System, the Academy was required to contribute, effective July 1, 2006, 9.85% of the salary of all employees. The required contribution by the Academy to the System for the fiscal year ended June 30, 2008 was \$79,781.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

Lease Agreement

The Academy occupies its facilities under an operating lease that expired in June 2008. A non cancelable operating lease agreement with Royal Palm Beach Shopping Plaza and Medical Center, LP was signed on September 17, 2008, leasing an additional 12,679 square feet at 300 Royal Palm Beach Boulevard and vacating Suites A&B (approximately 2,000 square feet) at 500 Royal Plaza Road effective January 1, 2009. Additional monthly rental will be \$16,151. Annual rental expenses for the year ended June 30, 2008, were approximately \$127,000

Future minimum lease payments, over the next five years, are as follows:

June 30,		
	2009	\$ 215,000
	2010	301,000
	2011	310,000
	2012	320,000
	2013	330,000
		<u>\$ 1,476,000</u>

Risk Management

The Academy is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Academy purchases commercial insurance for all material risks of loss to which the Academy is exposed, including general liability, property, auto and workers compensation. A review of the last two years reveals that settled claims have not exceeded insurance coverage.

**WESTERN ACADEMY INC., D/B/A WESTERN ACADEMY
CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2008**

Risk Management (Cont'd.)

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

NOTE 5 – SUBSEQUENT EVENTS

In August 2008, the Academy's Charter with the School District of Palm Beach County was renewed for another ten years, effective through June 2018.

WESTERN ACADEMY, INC
D/B/A WESTERN ACADEMY CHARTER SCHOOL
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2008

Governmental Funds

	Original and Final Budget	Actual	Variance
Instructional			
Salaries	\$588,677	\$578,094	(\$10,583)
Payroll taxes	43,662	39,025	(4,637)
Retirement	55,444	54,452	(992)
Health Insurance	75,600	66,046	(9,554)
Workers Compensation	8,434	3,740	(4,694)
Instructional Materials	24,000	22,046	(1,954)
Purchased services	18,274	4,029	(14,245)
	<u>\$814,091</u>	<u>\$767,432</u>	<u>(\$46,659)</u>
ESE Services			
Salaries	114,883	114,261	-622
Payroll taxes	8,403	7,277	(1,126)
Retirement	10,907	11,019	112
Health Insurance	16,800	17,804	1,004
Workers Compensation	1,418	1,145	(273)
ESE Evaluations	13,000	13,736	736
Professional & Technical	41,970	34,727	(7,243)
Other Purchased Services	3,000	773	(2,227)
	<u>210,381</u>	<u>200,742</u>	<u>(9,639)</u>
Total Instructional	<u>\$1,024,472</u>	<u>\$968,174</u>	<u>(\$56,298)</u>
Curriculum Development			
Purchased services	<u>\$11,900</u>	<u>\$11,374</u>	<u>(\$526)</u>
Staff Development			
Instructional Training	<u>\$9,000</u>	<u>\$4,195</u>	<u>(\$4,805)</u>
Instructional Media			
Purchased Services	<u>\$1,500</u>	<u>\$1,807</u>	<u>\$307</u>
Board			
Travel & Training	\$2,000		(\$2,000)
Professional & Technical	7,000	7,000	
Insurance	2,524	2,378	(146)
Total Board	<u>\$11,524</u>	<u>\$9,378</u>	<u>(2,146)</u>
Fiscal Services			
Professional & Technical	<u>\$4,100</u>	<u>\$3,933</u>	<u>(\$167)</u>
	<u>\$4,100</u>	<u>\$3,933</u>	<u>(\$167)</u>

WESTERN ACADEMY, INC.
WESTERN ACADEMY CHARTER SCHOOL
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2008

	Governmental Funds		
	Original and Final Budget	Actual	Variance
School Administration			
Salaries	\$148,103	\$146,881	(\$1,222)
Payroll taxes	10,086	8,640	(1,446)
Retirement	14,431	14,310	(121)
Health Insurance	12,600	13,383	783
Workers Compensation	1,833	1,104	(729)
Professional Services	20,000	12,973	(7,027)
Repairs & maintenance	8,000	6,146	(1,854)
Equipment Lease	9,000	8,620	(380)
Supplies	7,000	6,064	(936)
Principal's Discretionary Fund	2,000	1,989	(11)
Dues & fees	2,000	1,491	(509)
Miscellaneous	7,000	7,631	631
Printing and advertising	6,000	2,484	(3,516)
Postage	3,000	2,437	(563)
Non capitalized furn. & equip.	2,000		(2,000)
Total School Administration	<u>\$253,053</u>	<u>\$234,153</u>	<u>(\$18,900)</u>
Operation of Plant			
Insurance	\$21,500	19,277	(2,223)
Utilities	26,100	25,308	(792)
Communication	9,000	8,156	(844)
Security Monitoring	2,400	2,295	(105)
Professional & Technical	2,500	2,200	(300)
Purchased Services	32,000	41,094	9,094
Supplies	3,000	2,778	(222)
Total Operation of Plant	<u>\$96,500</u>	<u>\$101,108</u>	<u>\$4,608</u>
Facilities Acquisition			
Building Lease	\$127,908	\$127,453	(\$455)
Other purchased services		22,663	22,663
	<u>\$127,908</u>	<u>\$150,116</u>	<u>\$22,208</u>
Maintenance of Plant			
Building Repairs & Maintenance	\$3,000	\$1,921	(\$1,079)
Total Maintenance of Plant	<u>\$3,000</u>	<u>\$1,921</u>	<u>(\$1,079)</u>

WESTERN ACADEMY, INC.
WESTERN ACADEMY CHARTER SCHOOL
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2008

	Governmental Funds		
	Original and Final Budget	Actual	Variance
Community Services			
Salaries	\$23,024	\$22,148	(\$876)
Payroll taxes	1,762	1,024	(738)
Retirement	2,249		(2,249)
Workers Compensation	315	154	(161)
Other Expenses	5,679	1,643	(4,036)
	<u>\$33,029</u>	<u>\$24,969</u>	<u>(\$8,060)</u>
Capital Outlay			
Building & Equipment	<u>\$21,000</u>	<u>\$33,083</u>	<u>\$12,083</u>

Mark Escoffery, P.A.

Certified Public Accountant

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

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

I have audited the financial statements of Western Academy Charter School (“the Academy”) as of and for the year ended June 30, 2008, and have issued my report thereon dated September 16, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

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

Internal Control Over Financial Reporting (Cont'd.)

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

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

Mark Escopier, P.A.

Palm Beach Gardens, Florida
September 16, 2008

Mark Escoffery, P.A.

Certified Public Accountant

4241-A Northlake Boulevard
Palm Beach Gardens, FL 33410

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MANAGEMENT LETTER

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

I have audited the financial statements of Western Academy Charter School ("the Academy") as of and for the year ended June 30, 2008, and have issued my report thereon dated September 16, 2008.

I have issued my independent auditor's report on compliance and on internal control over financial reporting dated September 16, 2008. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

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

The **Rules of the Auditor General** Section 10.854(1)(d)5 require that I state whether there were any findings or recommendations made for the current year. There are no findings and recommendations made for the current year ended June 30, 2008.

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

MANAGEMENT LETTER
(Continued)

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

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

The report is intended solely for the information and use of the Academy's Board Members, Management, pass-through entities and the State of Florida Office of the Auditor General and is not intended and should not be used by anyone other than these specified parties.

Mark EscOFFER, P.A.

Palm Beach Gardens, Florida
September 16, 2008