

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009

MARK ESCOFFERY P.A.
CERTIFIED PUBLIC ACCOUNTANT

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Governmental Fund (General Fund) Balance Sheet	7
Statement of Net assets	8
Reconciliation of the Governmental Fund (General Fund) Balance Sheet To the Statement of Net Assets	9
Statement of Governmental Fund (General Fund)/ Revenues, Expenditures and Changes in Fund Balance	10
Statement of Activities	11
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund (General Fund) to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes In Fund Balance -Budget (GAAP Basis) and Actual – All Governmental Fund (General Fund) Types	13
Notes to Financial Statements	14-18
Supplementary Schedule of Expenditure, Budget And Actual- Governmental Fund (General Fund)	19-21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	22-23
Management Letter	24-25

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying Financial Statements of the governmental activities, and each major fund, of Inlet Grove Community High School, Inc. ("the School") a component unit of the Palm Beach County School District as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Management of the School. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the School as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 24, 2009, on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

To The Board of Directors of Inlet Grove Community
High School, Inc.
Riviera Beach, Florida
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 School's basic financial statements. The accompanying Supplementary Schedule of Expenditures, Budget and Actual – Governmental Fund (General Fund) is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mark Escoffey, P. A.

Palm Beach Gardens, Florida
August 24, 2009

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Our discussion and analysis of the Inlet Grove Community High School Inc.'s ("the School") financial program provides an overview of the School's financial activities for the year ended June 30, 2009.

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

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

NON FINANCIAL HIGHLIGHTS

The School's average daily enrolment in fiscal 2008-2009 was 650 students. The School expects to have, and has budgeted for, a student population of 725 for the school year 2009-2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd.)

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's assets exceeded liabilities by \$1,077,650 at June 30, 2009.

NET ASSETS

	<u>JUNE 30, 2009</u>	<u>JUNE 30, 2008</u>
Current and other Assets	\$ 942,505	\$1,175,801
Capital Assets	<u>368,485</u>	<u>324,085</u>
Total Assets	<u>\$ 1,310,990</u>	<u>\$1,499,886</u>
Long-term Liabilities	\$ -	\$ -
Other Liabilities	<u>233,340</u>	<u>91,396</u>
Total Liabilities	<u>\$ 233,340</u>	<u>\$ 91,396</u>
Investment in Capital Assets	\$ 368,485	\$ 324,085
Unrestricted Net Assets	<u>709,165</u>	<u>1,084,405</u>
Total Net Assets	<u>\$1,077,650</u>	<u>\$1,408,490</u>

Revenues from governmental activities totaled \$4,833,700 for the year ended June 30, 2009. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue amounted to \$4,618,431 and represented approximately 95.5% of total revenue from governmental activities.

<u>Revenue Source</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>
State Sources	\$4,739,368	74.8	\$4,727,711	83.7
Local Sources	1,500,713	23.7	828,437	14.7
Federal Grant	<u>94,332</u>	<u>1.5</u>	<u>71,554</u>	<u>1.6</u>
Total	<u>\$6,334,313</u>	<u>100.0</u>	<u>\$5,627,702</u>	<u>100.0</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd.)

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

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

<u>Expense</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>	<u>6/30/08</u>	<u>% of Total 6/30/08</u>
Instruction	\$ 3,545,820	53.2	\$ 3,488,096	57.8
Pupil Personnel	441,363	6.6	208,179	3.5
Instructional Media Services	86,849	1.3	85,454	1.4
Instructional Staff Training	61,974	.9	12,368	2
School Administration	557,468	8.4	924,415	15.1
General Administration	156,641	2.4	166,980	2.8
Facilities Acquisition	600,000	9.0	-	-
Fiscal Services	84,297	1.3	134,832	2.3
Board	8,184	-	5,537	-
General Activities	319,609	4.8	269,607	4.5
Pupil Transportation	164,230	2.5	33,771	.6
Operation of Plant	584,941	8.8	659,702	11.0
Maintenance of Plant	842	-	4,052	-
Depreciation	52,872	.8	41,512	.8
Total	\$ 6,665,254	100.00	\$ 6,034,505	100.00

BUDGETARY HIGHLIGHTS

State Revenue was more than budgeted primarily because the School had higher student enrolment. Local sources of revenue were more than budgeted by \$870,000 because In-Kind Contributions from the School District for the use of the School's facilities in the amount of \$600,000 were included. Revenue from Federal sources were not significantly different than budget.

Instruction and pupil personnel services were more than budget by \$98,600 primarily because of higher salaries and benefits.

School Administration was \$36,000 more than budget resulting from higher salaries and benefits.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

BUDGETARY HIGHLIGHTS (Continued)

Operation of Plant was \$34,000 over budget primarily attributable to security costs exceeding budgeted amounts

General Activities were \$94,000 greater than budgeted and the excess was primarily attributable to purchased non-professional services, materials and supplies.

Facilities Acquisition was not budgeted for the in-kind contribution of \$600,000 from the use of School District property.

Pupil Transportation charges were \$116,000 more than budget because of transportation costs billed to the School by the School District that were not budgeted.

Capital Outlay Funds utilized were \$97,721, which were not budgeted.

CAPITAL ASSETS

The School's investment in capital assets at June 30, 2009 was \$368,485 (net of depreciation). The investment includes furniture and equipment, computer software, motor vehicles and audio visuals. The following is a summary of capital assets balances at June 30, 2009:

Furniture & Equipment	\$447,500
Computer Software	33,125
Motor Vehicles	22,585
Audio Visuals	<u>11,491</u>
	514,701
Accumulated Depreciation	<u>(146,216)</u>
	<u>\$368,485</u>

PROSPECTS FOR THE FUTURE

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

- . The School Administration believes that the School can improve its rating from the Department of Education, based on test scores and academic achievement.
- . The School Administration believes that higher test scores will continue to be achieved because of investments in reading and tutorial programs.
- . The School should surpass its budgeted amount of 725 students for the 2009-2010 School Year.
- . The School Administration believes that the School will continue to progress and contribute to the educational needs of Palm Beach County.

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Governmental Fund (General Fund) Balance Sheet
June 30, 2009

Governmental
Funds

ASSETS

Cash	\$793,739
Accounts receivable, net	132,903
Inventory	15,806
Prepaid Expenses	57
Total Assets	<u><u>\$942,505</u></u>

LIABILITIES

Accounts Payable	180,039
Compensated Absences	53,301
Total Liabilities	<u>233,340</u>

FUND BALANCE

Undesignated	<u>709,165</u>
Total Liabilities and Fund Balance	<u><u>\$942,505</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$793,739		\$793,739
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	132,903		132,903
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210			0
Due from Other Agencies	1220			
Internal Balances				
Inventory	1150	15,806		15,806
Prepaid Expenses	1230	57		57
Restricted assets:				
Cash with Fiscal Agent	1114			0
Capital assets:				
Land	1310			0
Land Improvements - Non-depreciable	1315			
Improvements Other Than Buildings	1320			0
Less Accumulated Depreciation	1329			0
Buildings and Fixed Equipment	1330			0
Less Accumulated Depreciation	1339			0
Furniture, Fixtures and Equipment	1340	447,500		447,500
Less Accumulated Depreciation	1349	(111,979)		(111,979)
Motor Vehicles	1350	22,585		22,585
Less Accumulated Depreciation	1359	(9,470)		(9,470)
Construction in Progress	1360			
Property Under Capital Leases	1370			
Less Accumulated Depreciation	1379			
Audio Visual Materials	1381	11,491		11,491
Less Accumulated Depreciation	1388	(4,813)		(4,813)
Computer Software	1382	33,125		33,125
Less Accumulated Amortization	1389	(19,954)		(19,954)
Total assets	Total assets	\$1,310,990		\$1,310,990
LIABILITIES AND NET ASSETS				
LIABILITIES				
Salaries and Wages Payable	2110			
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	\$180,039		\$180,039
Construction Contracts Payable	2140			
Due to Fiscal Agent	2240			
Accrued Interest on Sale of Bonds	2210			
Deposits Payable	2220			
Due to Other Agencies	2230			0
Sales Tax Payable	2260			
Estimated Unpaid Claims	2271			
Estimated Liability for Claims Adjustment	2272			
Estimated Liability for Arbitrage Rebate	2280			
Noncurrent liabilities:				
Portion due within one year:				
Section 237.151 Notes Payable	2250			
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330	53,301		53,301
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Portion due after one year:				
Notes Payable	2310			
Bonds Payable	2320			
Obligations Under Capital Leases	2315			
Liability for Compensated Absences	2330			
Certificates of Participation Payable	2340			
Estimated Liability for Long-Term Claims	2350			
Estimated PECO Advance Payable	2370			
Deferred Revenue	2410			
Total liabilities		233,340		233,340
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		368,485		368,485
Restricted for:				
Categorical Carryover Programs	2710			
Debt Service	2750			
Capital Projects				
Other Purposes				
Unrestricted(Deficit)		709,165		709,165
Total net assets		1,077,650		1,077,650
Total liabilities and net assets		\$1,310,990		\$1,310,990

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

**Reconciliation of the Governmental Fund (General Fund)
Balance Sheet To The Statement of Net Assets
June 30, 2009**

Fund Balance- Governmental Funds		\$709,165
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$514,701	
Less accumulated depreciation	<u>(146,216)</u>	
		368,485
Net Assets of Governmental activities		<u><u>\$1,077,650</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Governmental Fund (General Fund) Revenues,Expenditures and
Changes in Fund Balance
For The Year Ended June 30, 2009

	<u>Governmental Funds</u>
REVENUES:	
State sources	\$4,739,368
Local sources	1,500,713
Federal sources	94,332
TOTAL REVENUES	6,334,413
EXPENDITURES/EXPENSES	
Instruction	3,545,820
Pupil Personnel Services	441,363
Instructional Media Services	86,849
Instructional Staff Training	61,974
Board	8,348
Pupil Transportation	164,230
General Administration	156,641
School Administration	557,468
Facilities rental	600,000
Fiscal Services	84,297
Operation of Plant	584,941
Maintenance of Plant	842
General Activities	319,609
Capital Outlay	97,271
TOTAL EXPENSES	6,709,653
EXCESS OF EXPENDITURES OVER REVENUES BEFORE RESERVES	(\$375,240)
Transfer from reserves	378,038
EXCESS OF REVENUES OVER EXPENDITURES AFTER TRANSFER FROM RESERVES	2,798
Fund Balance, Beginning of year	1,084,405
Transfer from reserves	(378,038)
Fund Balance after transfer from reserves	706,367
Fund Balance, End of year	\$709,165

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
STATEMENT OF ACTIVITIES
June 30, 2009

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	\$ 3,545,820	\$ 699,654	\$ 111,125		\$ (2,735,041)		(2,735,041)
Pupil Personnel Services	6100	441,363				(441,363)		(441,363)
Instructional Media Services	6200	86,849				(86,849)		(86,849)
Instruction and Curriculum Development Services	6300							
Instructional Staff Training Services	6400	61,974				(61,974)		(61,974)
Board	7100	8,348				(8,348)		(8,348)
General Administration	7200	156,641				(156,641)		(156,641)
School Administration	7300	557,468				(557,468)		(557,468)
Facilities Acquisition and Construction	7400	600,000		600,000	71,438	71,438		71,438
Fiscal Services	7500	84,297				(84,297)		(84,297)
Food Services	7600							
Central Services	7700							
Pupil Transportation Services	7800	164,230		24,629		(139,601)		(139,601)
Operation of Plant	7900	584,941				(584,941)		(584,941)
Maintenance of Plant	8100	842				(842)		(842)
Community Services	9100							
School Internal Funds	9800	319,609	19,018					
Unallocated Depreciation Expense *		52,872				(52,872)		(52,872)
Total governmental activities		6,665,254	718,672	735,754	71,438	(5,139,390)		(4,838,799)
Business-type activities:								
General Activities	9900							
Total business-type activities								
Totals		6,665,254	718,672	735,754	71,438	(5,139,390)		(4,838,799)

General Revenues:

Taxes:

Property taxes, levied for operational purposes
Property taxes, levied for debt service
Property taxes, levied for capital projects
Local sales taxes
Florida Education Finance program (FEFP)

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Special items

Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets—beginning

Transfers from reserves

Net assets—ending

	4,618,430	4,618,430
	14,192	14,192
	175,928	175,928
	378,038	378,038
	5,186,588	5,186,588
	47,198	47,198
	1,408,490	1,408,490
	(378,038)	
	\$1,077,650	\$1,077,650

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

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
of Governmental Fund (General Fund) To The
Statement of Activities
June 30, 2009**

Net Changes in Fund Balances- Governmental Funds \$2,798

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	\$97,271	
Less current year depreciation	<u>(52,872)</u>	
		<u>44,399</u>
Change in Net Assets of Governmental Activities		<u><u>\$47,197</u></u>

The accompanying notes are an integral part of this statement

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget (GAAP Basis) and Actual
Governmental Fund (General Fund) Type
Year Ended June 30, 2009

	Governmental Funds (General Fund)		
	Original and Final Budget	Actual	Variance
REVENUES:			
State sources	\$4,763,785	\$4,739,368	(\$24,417)
Local sources	630,711	1,500,713	870,002
Federal Sources	107,386	94,332	(13,054)
TOTAL REVENUES	5,501,882	6,334,413	832,531
EXPENDITURES:			
Instruction	3,591,892	3,545,820	(46,072)
Pupil Personnel Services	493,938	441,363	(52,575)
Instructional Media Services	88,667	86,849	(1,818)
Curriculum Development	15,475		(15,475)
Instructional Staff Training Services	59,527	61,974	2,447
Board	15,506	8,348	(7,158)
Pupil Transportation	48,000	164,230	116,230
General Administration	160,025	156,641	(3,384)
School Administration	521,109	557,468	36,359
Facilities Acquisition		600,000	600,000
Fiscal Services	83,165	84,297	1,132
Operation of Plant	550,952	584,941	33,989
Maintenance of Plant	4,740	842	(3,898)
General Activities	225,252	319,609	94,357
Capital Outlay	83,133	97,271	14,138
TOTAL EXPENDITURES	5,941,381	6,709,653	768,272
EXCESS OF EXPENDITURES OVER REVENUES BEFORE RESERVES	(\$439,499)	(\$375,240)	\$64,259
Transfer from reserves		378,038	
EXCESS OF REVENUES OVER EXPENDITURES AFTER TRANSFER FROM RESERVES		2,798	
Fund Balance, Beginning of year		1,084,405	
Transfer from reserves		(378,038)	
Fund Balance after transfer from reserves		706,367	
Fund Balance, End of year		\$709,165	

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2009**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Contract was renewed and is effective through June 30, 2014. The Contract requires the School District to provide the School’s primary source of funding based upon the number of full-time equivalent students (FTES) registered at the School.

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

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

Basic Financial Statements

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

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

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2009

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

Basis of Accounting

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

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

Accrual:

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

Measurement Focus

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

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

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

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

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2009

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

Use of Estimates

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

Concentration of Credit Risk

Financial instruments that subject the School to concentrations of credit risk include cash deposits. While the School attempts to limit its financial exposure, its cash balances may at times exceed federally insured limits of \$250,000. The School has not experienced any losses on such balances.

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

Contributed Services and Facilities:

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

Compensated Absences

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

Budgetary Basis of Accounting

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

The School District of Palm Beach County received 5% of the Florida Education Finance Program (FEFP) revenue as an administrative fee and is included in General Administration Expenses. This amounted to approximately \$156,000 for the year ended June 30, 2009.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2009**

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

Capital Assets:

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

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

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 were as follows:

	Balance Beginning	Additions	Disposals	Balance Ending
Furniture, Fixtures & Equipment	\$ 356,038	\$ 91,462	\$ -	\$ 447,500
Computer Software	27,315	5,810	-	33,125
Motor Vehicles	22,585	-	-	22,585
Audio Visuals	11,491	-	-	11,491
	417,429	97,272	-	514,701
Less Accumulated Depreciation	93,344	52,872	-	146,216
NET CAPITAL ASSETS	\$ 324,085	\$ 44,400	\$ -	\$ 368,485

Unallocated depreciation expense of \$52,872 was charged during the year ended June 30, 2009.

NOTE 3- DEFINED BENEFIT PENSION PLAN

Plan Description

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

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
FOR THE YEAR ENDED JUNE 30, 2009**

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

Plan Description (Cont'd.)

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

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

Funding Policy

Under the System, the School was required to contribute, effective July 1, 2007, 9.85% of the salary of all employees. The required contribution by the School to the System for the fiscal year ended June 30, 2009, was \$283,137.

NOTE 4 – USE OF FACILITIES

The School operates out of facilities owned by the School District of Palm Beach County. The School does not pay rent for the use of the property the School has recorded the fair market value of \$600,000 as the In-Kind Contribution from the School District. The same amount was recorded in Facilities Acquisition expenses.

NOTE 5-COMMITMENTS AND CONTINGENCIES

Risk Management

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

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

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2009

	Governmental Fund		
	Original and Final Budget	Actual	Variance
Instructional			
Salaries	\$2,092,059	\$2,171,591	\$79,532
Payroll taxes	169,781	164,483	(5,298)
Retirement	206,775	202,802	(3,973)
Employee benefits	452,279	381,253	(71,026)
Purchased services	442,251	417,361	(24,890)
Travel	3,000	5,064	2,064
Professional and Technical	112,215	95,483	(16,732)
Instructional Materials	100,323	97,258	(3,065)
Other costs	13,209	10,525	(2,684)
Total Instruction	<u>\$3,591,892</u>	<u>\$3,545,820</u>	<u>(\$46,072)</u>
Pupil Personnel Services			
Salaries	\$298,301	\$279,184	(\$19,117)
Payroll taxes	\$22,820	21,501	(1,319)
Retirement	29,383	26,476	(2,907)
Employee benefits	71,332	51,217	(20,115)
Professional Services	23,950	18,115	(5,835)
Supplies	48,152	44,870	(3,282)
Total Pupil Personnel Services	<u>\$493,938</u>	<u>441,363</u>	<u>(\$52,575)</u>
Instructional Media Services			
Salaries	\$59,942	59,833	(\$109)
Payroll taxes	4,796	4,300	(496)
Retirement	5,904	5,784	(120)
Employee benefits	13,979	14,140	161
Library Books	3,557	2,560	(997)
Audio Visual Materials	489	232	(257)
	<u>\$88,667</u>	<u>\$86,849</u>	<u>(\$1,818)</u>
Curriculum Development			
Salaries	\$14,375		(\$14,375)
Payroll taxes	1,100		(1,100)
	<u>\$15,475</u>		<u>(\$15,475)</u>
Instructional Staff Training Services			
Salaries	\$41,310	43,206	\$1,896
Payroll taxes	3,370	3,468	98
Retirement	4,069	3,359	(710)
Employee benefits	2,629	3,512	883
Travel	2,149	2,454	305
Staff Development	6,000	5,975	(25)
	<u>\$59,527</u>	<u>\$61,974</u>	<u>\$2,447</u>

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2009

	Governmental Fund		
	Original and Final Budget	Actual	Variance
Board			
Professional Services	\$5,000	\$7,578	\$2,578
Insurance	8,508		(8,508)
Travel	1,998	770	(1,228)
	<u>\$15,506</u>	<u>\$8,348</u>	<u>(\$7,158)</u>
Pupil Transportation			
Transportation service	<u>\$48,000</u>	<u>\$164,230</u>	<u>\$116,230</u>
General Administration			
District Annual Fee	<u>\$160,025</u>	<u>\$156,641</u>	<u>(\$3,384)</u>
School Administration			
Salaries	\$327,636	\$262,908	(\$64,728)
Payroll taxes	\$28,844	41,936	13,092
Retirement	\$32,272	34,389	2,117
Employee benefits	68,431	50,114	(18,317)
Travel	2,000	2,500	500
Equipment Rental	36,000	34,664	(1,336)
Communication	4,580	6,314	1,734
Bad debts		105,255	105,255
Supplies	3,410	3,338	(72)
Purchased services	17,936	16,050	(1,886)
Total School Administration	<u>\$521,109</u>	<u>\$557,468</u>	<u>\$36,359</u>
Fiscal Services			
Salary	\$35,885	38,405	\$2,520
Payroll taxes	2,955	3,059	104
Retirement	3,535	3,256	(279)
Employee benefits	5,058	4,748	(310)
Professional Services	32,008	30,494	(1,514)
Purchased Services	3,724	4,335	611
	<u>\$83,165</u>	<u>\$84,297</u>	<u>\$1,132</u>
Operation of Plant			
Salaries	\$60,275	\$62,472	\$2,197
Payroll taxes	\$5,031	4,151	(880)
Retirement	\$5,937	7,071	1,134
Employee benefits	26,918	30,324	3,406
Utilities	229,060	217,465	(11,595)
Purchased services	130,779	168,850	38,071
Insurance	80,652	79,186	(1,466)
Telephone	300		(300)
Supplies	12,000	15,422	3,422
Total Operation of Plant	<u>\$550,952</u>	<u>\$584,941</u>	<u>\$33,989</u>

INLET GROVE COMMUNITY HIGH SCHOOL, INC.
Supplemental Schedule of Expenditures
Budget and Actual- Governmental Fund (General Fund)
Year Ended June 30, 2009

	Governmental Fund		
	Original and Final Budget	Actual	Variance
Maintenance of Plant			
Building Repairs & Maintenance	<u>\$4,740</u>	<u>\$842</u>	<u>(\$3,898)</u>
Facilities Acquisition			
Facilities Acquisition	<u> </u>	<u>\$600,000</u>	<u>\$600,000</u>
Internal Funds			
Travel	\$49,572	\$70,559	\$20,987
Purchased services	53,820	84,158	30,338
Fuel	1,968	4,807	2,839
Materials & supplies	86,100	114,952	28,852
Dues and fees	33,792	45,133	11,341
Total Internal Funds	<u>\$225,252</u>	<u>\$319,609</u>	<u>\$94,357</u>
Capital Outlay			
Furniture & Equipment	<u>\$83,133</u>	<u>\$97,271</u>	<u>\$14,138</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 Inlet Grove Community
High School, Inc.
Riviera Beach, Florida

I have audited the financial statements of Inlet Grove Community High School, Inc. ("the School") (a non-profit organization) as of and for the year ended June 30, 2009, and have issued my report thereon dated August 24, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above.

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

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

Compliance and Other Matters

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

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



Palm Beach Gardens, Florida
August 24, 2009

Mark Escoffery, P.A.

Certified Public Accountant

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Palm Beach Gardens, FL 33410

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MANAGEMENT LETTER

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

I have audited the financial statements of Inlet Grove Community High School, Inc., as of and for the year ended June 30, 2009, and have issued my report thereon dated August 24, 2009.

I have issued my Independent Auditor's Report on compliance and on internal control over financial reporting dated August 24, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

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

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

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

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

INLET GROVE COMMUNITY HIGH SCHOOL
MANAGEMENT LETTER COMMENT

OTHER CURRENT YEAR COMMENTS

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

This report is intended solely for the information and use of the School'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 EscOFFEY, P.A.

Palm Beach Gardens, Florida
August 24, 2009