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INLET GROVE COMMUNITY HIGH SCHOOL, INC.

INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2010

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

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

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

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## **Certified Public Accountant**

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

Tel (561) 627-1404  
Fax (561) 627-3844

### **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 nonprofit organization) a component unit of the Palm Beach County School District as of and for the year ended June 30, 2010, 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, 2010, 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 9, 2010, on my consideration of the School's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

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

*Mark E. Coffey, P. A.*

Palm Beach Gardens, Florida  
September 9, 2010

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

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, 2010.

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 680 students. The School expects to have, and has budgeted for, a student population of 750 for the school year 2010-2011.

### **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, 2010**

**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 14-19 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 \$329,692 at June 30, 2010.

**NET ASSETS**

	<u>JUNE 30, 2010</u>	<u>JUNE 30, 2009</u>
Current and other Assets	\$ 527,542	\$ 942,505
Capital Assets	<u>316,223</u>	<u>368,485</u>
<b>Total Assets</b>	<b><u>\$ 843,765</u></b>	<b><u>\$1,310,990</u></b>
Long-term Liabilities	\$ -	\$ -
Other Liabilities	<u>474,079</u>	<u>233,340</u>
<b>Total Liabilities</b>	<b><u>\$ 474,079</u></b>	<b><u>\$ 233,340</u></b>
Investment in Capital Assets	\$ 316,223	\$ 368,485
Unrestricted Net Assets	<u>8,469</u>	<u>709,165</u>
<b>Total Net Assets</b>	<b><u>\$ 324,692</u></b>	<b><u>\$1,077,650</u></b>

Revenues from governmental activities totaled \$4,562,432 for the year ended June 30, 2010. The main source of revenue is from Florida Education Finance Program (FEFP). This revenue amounted to \$4,394,260 and represented approximately 96.3% of total revenue from governmental activities.

<u>Revenue Source</u>	<u>6/30/10</u>	<u>% of Total</u> <u>6/30/10</u>	<u>6/30/09</u>	<u>% of Total</u> <u>6/30/09</u>
State Sources	\$4,422,389	74.2	\$4,739,368	74.8
Local Sources	1,394,339	23.3	1,500,713	23.7
Federal Sources	<u>140,043</u>	<u>2.5</u>	<u>94,332</u>	<u>1.5</u>
<b>Total</b>	<b><u>\$5,956,771</u></b>	<b><u>100.0</u></b>	<b><u>\$6,334,413</u></b>	<b><u>100.0</u></b>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**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>6/30/10</u>	<u>% of Total 6/30/10</u>	<u>6/30/09</u>	<u>% of Total 6/30/09</u>
Instruction	\$ 3,626,734	56.3	\$ 3,545,820	53.2
Pupil Personnel	421,617	6.8	441,363	6.6
Instructional Media				
Services	80,933	1.3	86,849	1.3
Curriculum Development	68,291	1.0	-	-
Instructional Staff Training	154,568	2.3	61,974	.9
School Administration	328,832	5.0	557,468	8.4
General Administration	152,450	2.3	156,641	2.4
Facilities Acquisition	600,000	9.3	600,000	9.0
Fiscal Services	89,906	1.4	84,297	1.3
Board	4,653	.1	8,348	-
General Activities	307,395	4.8	319,609	4.8
Pupil Transportation	64,044	1.0	164,230	2.5
Operation of Plant	488,150	7.5	584,941	8.8
Maintenance of Plant	437	-	842	-
Depreciation	57,159	.9	52,872	.8
<b>Total</b>	<b>\$ 6,445,169</b>	<b>100.00</b>	<b>\$ 6,665,254</b>	<b>100.00</b>

**BUDGETARY HIGHLIGHTS**

State Revenue was less than budgeted by \$205,000 primarily because of lower student enrollment. Local sources of revenue were more than budgeted by \$637,000 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 less than budget by approximately \$20,000 because of lower enrollment.

Instruction and pupil personnel services were more than budget by \$142,000 primarily because of higher salaries and benefits and professional fees for contracted teachers.

School Administration was \$62,000 less than budget resulting from lower salaries and benefits.

Curriculum Development expenses were less than budgeted by \$75,000 because of lower salaries and benefits.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**BUDGETARY HIGHLIGHTS (Continued)**

Operation of Plant was \$28,000 less than budget primarily attributable to savings in electricity costs.

General Activities were \$108,000 more than budgeted and the increase was primarily attributable to increased purchases of 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.

**CAPITAL ASSETS**

The School's investment in capital assets at June 30, 2010 was \$316,223 (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, 2010:

Furniture & Equipment	\$452,397
Computer Software	33,125
Motor Vehicles	22,585
Audio Visuals	<u>11,491</u>
	519,598
Accumulated Depreciation	<u>( 203,375)</u>
	<u>\$316,223</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 750 students for the 2010-2011 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, 2010**

Governmental  
Funds

**ASSETS**

Cash	\$453,296
Accounts receivable, net	36,563
Inventory	35,301
Prepaid Expenses	2,382
<b>Total Assets</b>	<u><u>\$527,542</u></u>

**LIABILITIES**

Accrued salaries payable	\$275,409
Accounts Payable	186,354
Compensated Absences	57,310
<b>Total Liabilities</b>	<u>519,073</u>

**FUND BALANCE**

Undesignated	<u>8,469</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$527,542</u></u>

The accompanying notes are an integral part of this statement

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

ASSETS	Account Number	Governmental Activities	Business-type Activities	Total
Cash	1110	\$453,296		\$453,296
Investments	1160			0
Taxes Receivable, net	1120			0
Accounts Receivable, net	1130	36,563		36,563
Interest Receivable	1170			0
Due from Reinsurer	1180			
Deposits Receivable	1210			0
Due from Other Agencies	1220			
Internal Balances				
Inventory	1150	35,301		35,301
Prepaid Expenses	1230	2,382		2,382
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	452,397		452,397
Less Accumulated Depreciation	1349	(156,892)		(156,892)
Motor Vehicles	1350	22,585		22,585
Less Accumulated Depreciation	1359	(13,388)		(13,388)
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	(5,962)		(5,962)
Computer Software	1382	33,125		33,125
Less Accumulated Amortization	1389	(27,133)		(27,133)
Total assets	Total assets	\$843,765		\$843,765
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Salaries and Wages Payable	2110	275,409		275,409
Payroll Deductions and Withholdings	2170			0
Accounts Payable	2120	186,354		186,354
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	57,310		57,310
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		\$19,073		\$19,073
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt		316,223		316,223
Restricted for:				
Categorical Carryover Programs	2710			
Debt Service	2750			
Capital Projects				
Other Purposes				
Unrestricted(Deficit)		8,469		8,469
Total net assets		\$324,692		\$324,692
Total liabilities and net assets		\$843,765		\$843,765

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, 2010**

Fund Balance- Governmental Funds \$8,469

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the  
governmental funds

Governmental capital assets	\$519,598	
Less accumulated depreciation	<u>(203,375)</u>	
		316,223

Net Assets of Governmental activities \$324,692

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, 2010**

Governmental  
Funds

**EXPENSES**

Instruction	3,626,734
Pupil Personnel	421,617
Instructional Media	80,933
Curriculum Development	68,291
Instructional Staff training	154,568
Board Services	4,653
General Administration	152,450
School Administration	328,832
Fiscal Services	89,906
Facilities Acquisition	600,000
Pupil Transportation	64,044
Operation of Plant	488,150
Maintenance of Plant	437
Internal Funds	307,395
Capital Outlay	4,897

<b>TOTAL EXPENSES</b>	<u><u>6,392,907</u></u>
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**PROGRAM REVENUES**

Florida Education Finance Program (FEFP)	4,394,260
Charges for services	628,901
<b>Total program revenues</b>	<u><u>5,023,161</u></u>

**GENERAL REVENUES:**

Other federal sources	140,043
Other state sources	28,129
Other local sources	765,438
<b>Total general revenues</b>	<u><u>933,610</u></u>

<b>Excess of Revenues over expenses</b>	(436,136)
Prior period adjustment	(264,560)
<b>Net Change in Fund balance</b>	<u>(700,696)</u>
<b>Fund Balance, Beginning of Year</b>	709,165
<b>Fund Balance, End of Year</b>	<u><u>\$8,469</u></u>

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, 2010**

Net Changes in Fund Balances- Governmental Funds (\$436,136)

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	\$4,897	
Less current year depreciation	<u>(57,159)</u>	
		<u>(52,262)</u>
Change in Net Assets of Governmental Activities		<u><u>(\$488,398)</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, 2010**

	Governmental Funds		
	Final Budget	Actual	Variance
<b>EXPENDITURES:</b>			
Instruction	3,448,327	3,626,734	178,407
Pupil Personnel	458,542	421,617	(36,925)
Instructional Media	84,273	80,934	(3,339)
Curriculum Development	142,794	68,291	(74,503)
Instructional Staff training	168,575	154,567	(14,008)
Board Services	17,167	4,653	(12,514)
General Administration	152,450	152,450	
School Administration	389,783	328,832	(60,951)
Fiscal Services	87,597	89,906	2,309
Facilities Acquisition		600,000	600,000
Pupil Transportation	68,168	64,044	(4,124)
Operation of Plant	515,367	488,150	(27,217)
Maintenance of Plant	584	437	(147)
General Activities	199,395	307,395	108,000
Capital Outlay		4,897	4,897
<b>TOTAL EXPENSES</b>	<b>5,733,022</b>	<b>6,392,907</b>	<b>659,885</b>
<b>PROGRAM REVENUES</b>			
Florida Education Finance Program (FEFP)	4,570,093	4,394,260	(175,833)
Charges for services	658,468	628,901	(29,567)
<b>Total program revenues</b>	<b>5,228,561</b>	<b>5,023,161</b>	<b>(205,400)</b>
<b>GENERAL REVENUES:</b>			
Other federal sources	160,481	140,043	(20,438)
Other state sources	50,529	28,129	(22,400)
Other local sources	128,121	765,438	637,317
<b>Total general revenues</b>	<b>339,131</b>	<b>933,610</b>	<b>594,479</b>
Transfer from Reserves	173,046		
<b>Excess of Revenues over expenses</b>	<b>7,716</b>	(436,136)	
Prior period adjustment		(264,560)	
Net Change in Fund balance		(700,696)	
<b>Fund Balance, Beginning of Year</b>		709,165	
<b>Fund Balance, End of Year</b>		<b>\$8,469</b>	

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, 2010**

**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, 2010**

**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, 2010**

**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.

**Fair Value of Financial Instruments**

The School's financial assets measured at fair value include cash, accounts receivable, inventory and prepaid expenses.

**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.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.  
NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
FOR THE YEAR ENDED JUNE 30, 2010**

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

**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 \$152,000 for the year ended June 30, 2010.

**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, 2010 were as follows:

	Balance Beginning	Additions	Disposals	Balance Ending
Furniture, Fixtures & Equipment	\$ 447,500	\$ 4,897	\$ -	\$ 452,397
Computer Software	33,125	-	-	33,125
Motor Vehicles	22,585	-	-	22,585
Audio Visuals	11,491	-	-	11,491
	514,701	4,897		519,598
Less Accumulated Depreciation	146,216	57,159	-	203,375
<b>NET CAPITAL ASSETS</b>	<b>\$ 368,485</b>	<b>\$ ( 52,262 )</b>	<b>\$ -</b>	<b>\$ 316,223</b>

Unallocated depreciation expense of \$57,159 was charged during the year ended June 30, 2010.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**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.

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, 2010, was \$274,017.

**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 – PRIOR PERIOD ADJUSTMENT**

An error was discovered in the June 2009 financial statements whereby the accrued payroll and related liabilities of \$264,560 were incorrectly calculated. Correction of this error resulted in a decrease in beginning net assets and a reduction in current year payroll expenses.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC**  
**NOTES TO FINANCIAL STATEMENTS (Cont'd.)**  
**FOR THE YEAR ENDED JUNE 30 2010**

**NOTE 6-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 material to the financial position of the School. A review of the last three years reveals that settled claims have not exceeded insurance coverage.

**NOTE 7 – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 9, 2010, the date which the financial statements were available to be issued.

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Funds**  
**Year Ended June 30, 2010**

	Governmental Funds		
	Final Budget	Actual	Variance
<b>Instructional</b>			
Salaries	\$2,139,469	\$2,235,438	\$95,969
Payroll taxes	188,042	\$189,728	1,686
Benefits	564,682	523,311	(41,371)
Travel		713	713
Purchased services	52,210	51,011	(1,199)
Professional Services	400,148	484,795	84,647
Instructional Materials	11,931	74,545	62,614
Supplies	85,368	48,455	(36,913)
Computer repairs	6,477	1,090	(5,387)
<b>Total Instruction</b>	<u>\$3,448,327</u>	<u>\$3,609,086</u>	<u>\$160,759</u>
<b>Pupil Personnel Services</b>			
Salaries	\$288,656	\$272,343	(\$16,313)
Payroll taxes	22,082	17,610	(4,472)
Benefits	98,544	80,735	(17,809)
Purchased Services	49,260	48,530	(730)
	<u>\$458,542</u>	<u>419,218</u>	<u>(\$39,324)</u>
<b>Instructional Media Services</b>			
Salaries	\$59,942	\$59,008	(\$934)
Payroll taxes	4,796	4,046	(750)
Benefits	15,824	14,445	(1,379)
Library Books	2,826	1,698	(1,128)
Audio Visual Materials	885	1,244	359
	<u>\$84,273</u>	<u>\$80,441</u>	<u>(\$3,832)</u>
<b>Curriculum Development</b>			
Salaries	\$65,132	9,766	(\$55,366)
Payroll taxes	5,193	210	(4,983)
Benefits	19,306	16,599	(2,707)
Curriculum Development	26,889	24,500	(2,389)
Purchased services	9,936	7,942	(1,994)
Non cap equipment	16,338	8,825	(7,513)
	<u>\$142,794</u>	<u>\$67,842</u>	<u>(\$74,952)</u>

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Funds**  
**Year Ended June 30, 2010**

	Governmental Funds		
	Final Budget	Actual	Variance
<b>Instructional Staff Development</b>			
Salaries	\$96,310	\$89,303	(\$7,007)
Payroll taxes	7,788	6,494	(1,294)
Benefits	24,130	17,993	(6,137)
Staff Development	10,123	24,687	14,564
Purchased services	21,224	13,949	(7,275)
Travel	9,000	1,365	(7,635)
	\$168,575	\$153,791	(\$14,784)
<b>Board</b>			
Professional Services	7,231	\$4,653	(\$2,578)
Insurance	8,436		(8,436)
Travel	1,500		(1,500)
	\$17,167	\$4,653	(\$12,514)
<b>Pupil Transportation</b>			
Bus transportation	\$50,012	\$44,993	(\$5,019)
Tri rail passes	17,004	19,050	2,046
Fuel	1,152		(1,152)
	\$68,168	\$64,043	(\$4,125)
<b>Reserves</b>	\$129,479		(\$129,479)
Facility Rental		\$600,000	\$600,000
<b>General Administration</b>			
District Annual Fee	\$152,450	\$152,450	
<b>School Administration</b>			
Salaries	\$232,766	\$164,779	(\$67,987)
Payroll Taxes	25,883	28,255	2,372
Benefits	65,801	71,344	5,543
Travel	2,750	1,024	(1,726)
Equipment Rental	41,999	45,184	3,185
Communication	7,716	6,927	(789)
Office expenses	7,652	5,179	(2,473)
Supplies	5,216	4,188	(1,028)
<b>Total School Administration</b>	\$389,783	\$326,880	(\$62,903)

**INLET GROVE COMMUNITY HIGH SCHOOL, INC.**  
**Supplemental Schedule of Expenditures**  
**Budget and Actual- Governmental Funds**  
**Year Ended June 30, 2010**  
**Governmental Funds**

	Final Budget	Actual	Variance
<b>Operation of Plant</b>			
Salaries	\$109,099	\$105,456	(\$3,643)
Payroll taxes	3,678	\$3,107	(571)
Benefits	17,071	17,757	686
Utilities	216,596	190,964	(25,632)
Insurance	73,603	69,638	(3,965)
Telephone	300	401	101
Other purchased services	92,020	97,265	5,245
Security	3,000	3,000	
<b>Total Operation of Plant</b>	<u>\$515,367</u>	<u>\$487,588</u>	<u>(\$27,779)</u>
 <b>Fiscal Services</b>			
Salaries	\$35,700	\$32,847	(\$2,853)
Payroll Taxes	2,941	2,718	(223)
Benefits	13,825	11,793	(2,032)
Professional	34,544	42,270	7,726
	<u>\$87,010</u>	<u>\$89,628</u>	<u>\$2,618</u>
 <b>Maintenance of Plant</b>			
Building Repairs & Maintenance	<u>\$584</u>	<u>\$437</u>	<u>(\$147)</u>
 <b>Internal funds</b>			
Travel	\$18,664	\$22,714	\$4,050
Purchased services	60,491	128,953	68,462
Utilities	4,833	14,634	9,801
Materials and supplies	115,407	136,657	21,250
	<u>\$199,395</u>	<u>\$302,958</u>	<u>\$103,563</u>
 <b>Capital Outlay</b>			
Furniture & Equipment		<u>\$4,897</u>	<u>\$4,897</u>

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

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**Certified Public Accountant**

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

Tel (561) 627-1404  
Fax (561) 627-3844

## **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, 2010, and have issued my report thereon dated September 9, 2010. 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 deficiency in internal control* 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or 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.

*Mark Cowfey, P.A.*

Palm Beach Gardens, Florida  
September 9, 2010

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

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## **Certified Public Accountant**

4241-A Northlake Boulevard  
Palm Beach Gardens, FL 33410

Tel (561) 627-1404  
Fax (561) 627-3844

### **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, 2010, and have issued my report thereon dated September 9, 2010.

I have issued my Independent Auditor's Report on compliance and on internal control over financial reporting dated September 9, 2010. 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. There were no recommendations made in the prior year.

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

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

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

## MANAGEMENT LETTER COMMENT

### CASH MANAGEMENT

#### Finding

Amounts due to the Palm Beach County School District for transportation and other costs did not agree to the School accounting records.

#### Criteria

Internal accounting control procedures require that accounts payable balances be reconciled on a monthly basis to subsidiary records.

#### Effect

Failure to reconcile accounts payable balances could result in incorrect financial information presented to the Board of Directors and other users. The Board uses the financial statements to make decisions affecting the School and consequently, require accurate monthly financial statements.

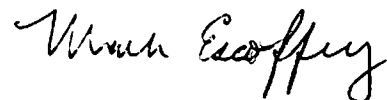
### RECOMMENDATION

The School should add a procedure to their accounting procedures manual stating that vendor statements should be reconciled to subsidiary accounts payable records. Their outside accountant should oversee the procedure to make sure of compliance.

### 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.



Palm Beach Gardens, Florida  
August 24, 2009