

# Walton Academy, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Walton Academy  
DeFuniak Springs, Florida

### Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy (the "School"), a component unit of the Walton County School District, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2017, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2017, on our consideration of the School's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School's internal control over financial reporting and compliance.

*McDonough CPA Solutions, PA*

October 2, 2017  
Melbourne, Florida

## **Management's Discussion and Analysis**

As management of Walton Academy (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (d) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements, as listed in the table of contents.

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$67,749.
- The School's total net position increased by \$18,076.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$293,651.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$289,916.

### **Overview of the Financial Statements**

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

### **The School as a Whole**

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (assets, liabilities, and deferred outflows/inflows of resources) over time is one indicator of whether the School's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position 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 School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Walton County School District, Florida. The Walton County School District, Florida includes the operation of the School in their operations.

The governmental-wide financial statements can be found listed on the table of contents of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental and fiduciary funds.

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



Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental fund financial statements can be found listed on the table of contents in this report.

The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found listed in the table of contents in this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found listed on the table of contents in this report.

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, assets were more than liabilities by \$67,749 and \$49,673 as of ended June 30, 2017 and 2016, respectively.

A large portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its net investment in capital assets (e.g., buildings, improvements other than buildings, furniture, fixtures and equipment). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets totaled \$210,098 at June 30, 2017.

Comparison of the condensed statement of net position and the statement of activities are provided below.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 302,152	\$ 312,626	\$ (10,474)
Capital assets - net	<u>210,098</u>	<u>170,059</u>	<u>40,039</u>
Total assets	<u>512,250</u>	<u>482,685</u>	<u>29,565</u>
Deferred outflows of resources	<u>373,509</u>	<u>104,308</u>	<u>269,201</u>
<b>LIABILITIES</b>			
Current liabilities	8,501	21,125	(12,624)
Noncurrent liabilities	<u>752,451</u>	<u>403,064</u>	<u>349,387</u>
Total liabilities	<u>760,952</u>	<u>424,189</u>	<u>336,763</u>
Deferred inflows of resources	<u>57,058</u>	<u>113,131</u>	<u>(56,073)</u>
<b>NET POSITION</b>			
Net investment in capital assets	210,098	170,059	40,039
Restricted	3,735	13,943	(10,208)
Unrestricted	<u>(146,084)</u>	<u>(134,329)</u>	<u>(11,755)</u>
Total net position	<u>\$ 67,749</u>	<u>\$ 49,673</u>	<u>\$ 18,076</u>

The increase in current assets is due mainly to renovations of the campus. The changes in deferred outflows and inflows of resources are due to the changes in assumptions, experience, investments, employer specific changes and subsequent contributions to the measurement date. The increase in noncurrent liabilities is due to the increase in pension liabilities. Unrestricted net position decreased mainly due to the increase in pension expense.

Changes in the School's revenues were as follows:

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Operating grants and contributions	\$ 53,622	\$ 61,394	\$ (7,772)
Capital grants and contributions	67,028	33,125	33,903
General revenues	<u>1,504,753</u>	<u>1,327,362</u>	<u>177,391</u>
	<u>\$ 1,625,403</u>	<u>\$ 1,421,881</u>	<u>\$ 203,522</u>

The increase in revenues is due to the increase in the School's enrollment.

Changes in the School's expenses were as follows:

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Basic instruction	\$ 776,617	\$ 622,233	\$ 154,384
Psychological services	44,386	73,750	(29,364)
Staff development	8,427	8,949	(522)
Board	10,023	8,337	1,686
School administration	277,713	267,930	9,783
Facilities	76,526	69,734	6,792
Fiscal services	147,282	128,460	18,822
Food services	203	-	203
Staff services	133,234	120,290	12,944
Transportation	994	8,474	(7,480)
Operation of plant	99,141	112,078	(12,937)
Maintenance of plant	15,143	-	15,143
Administrative technology	17,638	15,502	2,136
	<u>\$ 1,607,327</u>	<u>\$ 1,435,737</u>	<u>\$ 171,590</u>

The increase in expenses related to basic instruction is due to the increase in pension expense. The decrease in psychological services is due to two paraprofessional salaries funded by Title 1 in the current year. Fiscal and staff services increased due to the increase in management fees. Operation of plant decreased and maintenance of plant increased due to the termination of their janitorial contract and the hiring of a janitorial employee.

#### **Financial Analysis of the Government's Funds**

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$293,651. Of those funds, the general fund is the chief operating funds which included a total amount \$289,916, of unassigned fund balance, which is the amount available for spending at the School's discretion.

### **General Fund Budgetary Highlights**

Actual revenues were less than budgeted revenues by \$733 while budgeted expenditures exceeded actual expenditures by \$76,219.

The budgetary information can be found listed on the table of contents in this report.

### **Capital Asset and Debt Administration**

**Capital Assets.** The School's net investment in capital assets for its governmental type activities as of June 30, 2017 amounts to \$210,098 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, and furniture, fixtures and equipment.

**Debt and Long-Term Liabilities.** At the end of the current fiscal year, the School had an outstanding net pension liability of \$752,451 for employee's pension in the Florida Retirement System.

### **Economic Factor**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to remain static at approximately 190 students for the 2017/2018 school year.

### **Request for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Walton Academy, 389 Dorsey Avenue, FL 32435.

**Walton Academy**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	283,753
Accounts receivable		148
Due from other agencies		10,804
Due from related party		1,426
Deposits		6,021
		6,021
Total current assets		302,152

**CAPITAL ASSETS**

Capital assets not being depreciated:		
Land		13,413
Capital assets, net of accumulated depreciation:		
Buildings		106,236
Improvements other than buildings		89,195
Furniture, fixtures and equipment		1,254
		1,254
Total capital assets, net		210,098
Total assets		512,250

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred assumptions, contributions, and experience		373,509
		373,509

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable		845
Accrued payroll liabilities		7,656
Noncurrent liabilities:		
Net Pension Liability		752,451
		752,451
Total liabilities		760,952

**DEFERRED INFLOWS OF RESOURCES**

Deferred change in proportion (NPL), contributions, experience, and investments		57,058
		57,058

**NET POSITION**

Net investment in capital assets		210,098
Restricted for:		
Capital outlay		3,735
Unrestricted		(146,084)
		(146,084)
Total net position		\$ 67,749

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

**Walton Academy**  
**STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2017**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>Governmental Activities:</b>					
Basic instruction	\$ 776,617	\$ -	\$ 53,622	\$ -	\$ (722,995)
Psychological services	44,386	-	-	-	(44,386)
Staff development	8,427	-	-	-	(8,427)
Board	10,023	-	-	-	(10,023)
School administration	277,713	-	-	-	(277,713)
Facilities	76,526	-	-	67,028	(9,498)
Fiscal services	147,282	-	-	-	(147,282)
Food services	203	-	-	-	(203)
Staff services	133,234	-	-	-	(133,234)
Transportation	994	-	-	-	(994)
Operation of plant	99,141	-	-	-	(99,141)
Maintenance of plant	15,143	-	-	-	(15,143)
Administrative technology	17,638	-	-	-	(17,638)
<b>Total governmental activities</b>	<b>\$ 1,607,327</b>	<b>\$ -</b>	<b>\$ 53,622</b>	<b>\$ 67,028</b>	<b>(1,486,677)</b>
<b>General revenues:</b>					
					1,486,195
					18,558
					<u>1,504,753</u>
					18,076
					<u>49,673</u>
					<u>\$ 67,749</u>

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

**Walton Academy**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 283,753	\$ -	\$ -	\$ 283,753
Accounts receivable	148	-	-	148
Due from other agencies	-	10,804	-	10,804
Due from related party	1,426	-	-	1,426
Deposits	6,021	-	-	6,021
Due from other funds	7,069	-	-	7,069
Total assets	<u>\$ 298,417</u>	<u>\$ 10,804</u>	<u>\$ -</u>	<u>\$ 309,221</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 845	\$ -	\$ -	\$ 845
Accrued payroll liabilities	7,656	-	-	7,656
Due to other funds	-	7,069	-	7,069
Total liabilities	<u>8,501</u>	<u>7,069</u>	<u>-</u>	<u>15,570</u>
<b>FUND BALANCES</b>				
Restricted for capital outlay	-	3,735	-	3,735
Unassigned	289,916	-	-	289,916
Total fund balances	<u>289,916</u>	<u>3,735</u>	<u>-</u>	<u>293,651</u>
Total liabilities and fund balances	<u>\$ 298,417</u>	<u>\$ 10,804</u>	<u>\$ -</u>	<u>\$ 309,221</u>

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

**Walton Academy**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**For the year ended June 30, 2017**

Fund balance - total governmental funds	\$	293,651
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$	629,446
Accumulated depreciation	<u>(419,348)</u>	210,098
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources	\$	373,509
Deferred inflows of resources	<u>(57,058)</u>	316,451
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(752,451)</u>
Total net position of governmental activities	<u>\$</u>	<u>67,749</u>

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



**Walton Academy**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**For the year ended June 30, 2017**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through state and local	\$ -	\$ -	\$ 53,622	\$ 53,622
State passed through local school district	1,486,195	67,028	-	1,553,223
Other revenues	18,558	-	-	18,558
<b>Total revenues</b>	<b>1,504,753</b>	<b>67,028</b>	<b>53,622</b>	<b>1,625,403</b>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	673,295	-	53,622	726,917
Psychological services	48,732	-	-	48,732
Staff development	8,427	-	-	8,427
Board of directors	10,023	-	-	10,023
School administration	297,152	-	-	297,152
Facilities	-	44,051	-	44,051
Fiscal services	147,282	-	-	147,282
Food services	179	-	-	179
Staff services	133,234	-	-	133,234
Transportation	994	-	-	994
Operation of plant	100,080	-	-	100,080
Maintenance of plant	15,143	-	-	15,143
Administrative technology	17,638	-	-	17,638
Capital outlay	40,216	33,185	-	73,401
	<b>1,492,395</b>	<b>77,236</b>	<b>53,622</b>	<b>1,623,253</b>
Net change in fund balance	12,358	(10,208)	-	2,150
Fund balances at July 1, 2016	277,558	13,943	-	291,501
Fund balances at June 30, 2017	<b>\$ 289,916</b>	<b>\$ 3,735</b>	<b>\$ -</b>	<b>\$ 293,651</b>

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

**Walton Academy**  
**RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2017**

Net change in fund balances - total governmental funds \$ 2,150

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	\$ 73,401	
Provision for depreciation	<u>(33,362)</u>	40,039

Some expenses reported in the Statement of Activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.

Decrease in pension expense	(24,113)
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Change in net position of governmental activities	<u><u>\$ 18,076</u></u>
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The accompanying notes are an integral part of this financial statement.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Walton Academy (the "School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School provides educational services to students at-risk in grades six through twelve. The governing body of the School is the Board of Directors, which is composed of four members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The school operates under a charter of the sponsoring school district, which is the Walton County School District, Florida (the "District"). The current charter is effective until June 30, 2020, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the Walton County District School Board. The financial information presented is that of Walton Academy only.

2. Government-wide and fund financial statements

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

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

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

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

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

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

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

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

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

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

Capital Outlay Fund – in accordance with guidelines established by the Walton County District School Board. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of petty cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of receivables from service programs and amounts due from other agencies. After reviewing the individual account balances, the School's management has determined, based on prior experience, that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the capital outlay fund owed the general fund \$7,069.

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	9
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-9
Vehicles	3-5

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent ("FTE") students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

9. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

10. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service three years after a return was due or filed.

11. Fund balance classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – amounts that are not spendable (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.



**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

11. Fund balance classifications (continued)

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

12. Impact of recently issued accounting principles

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. This statement was effective for the School's June 30, 2016 fiscal year end.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, which clarifies certain provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and it establishes requirements for defined contribution pensions that was not within the scope of GASB No. 68. This statement was effective for the School's June 30, 2016 fiscal year end.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, as amended, by addressing the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the School's June 30, 2016 fiscal year end.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE B – CASH**

Cash is made up of deposits and cash on hand totaling \$283,753 at June 30, 2017. The School's deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity.

**NOTE C – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets not depreciated:				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Construction in progress	32,195	-	32,195	-
	<u>45,608</u>	<u>-</u>	<u>32,195</u>	<u>13,413</u>
Capital assets depreciated:				
Buildings	177,798	99,463	-	277,261
Improvements other than buildings	297,465	6,133	4,820	298,778
Furniture, fixtures and equipment	69,845	-	29,851	39,994
Motor vehicles	9,750	-	9,750	-
Total capital assets depreciated	<u>554,858</u>	<u>105,596</u>	<u>44,421</u>	<u>616,033</u>
Less accumulated depreciation:				
Buildings	160,754	10,271	-	171,025
Improvements other than buildings	194,059	20,344	4,820	209,583
Furniture, fixtures and equipment	65,844	2,747	29,851	38,740
Motor vehicles	9,750	-	9,750	-
Total accumulated depreciation	<u>430,407</u>	<u>33,362</u>	<u>44,421</u>	<u>419,348</u>
Total capital assets, net	<u>\$ 170,059</u>	<u>\$ 72,234</u>	<u>\$ 32,195</u>	<u>\$ 210,098</u>

Depreciation expense for the year ended June 30, 2017 was charged to functions of the School as follows:

Basic instruction	\$ 864
Facilities	32,474
Food service	24
	<u>\$ 33,362</u>

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE D – CONCENTRATIONS**

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the local school district.

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Walton County, Florida	
Base funding	\$ 764,354
Class size reduction	165,808
Discretionary millage allocation	165,394
Discretionary local effort	247,430
Supplemental academic instruction	32,228
ESE guaranteed allocation	21,976
Instructional materials allocation	15,921
Reading instruction	9,681
Safe schools	4,901
Other FEFP	111,581
Discretionary lottery	2,877
Additional allocation	48
Digital classroom	13,662
Florida teacher classroom supply assistance	2,973
Proration to funds available	(447)
	<u>1,558,387</u>
Less administration fee	(72,192)
	<u><u>\$ 1,486,195</u></u>

**NOTE E – COMMITMENT AND CONTINGENCIES**

1. Operating leases

On August 16, 2016, the Charterholder entered into an addendum to a third-party non-cancelable lease agreement, originally dated August 7, 2013, for a modular classroom unit. The lease requires monthly payments of \$410 and expires August 5, 2018.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE E – COMMITMENT AND CONTINGENCIES (continued)**

1. Operating leases (continued)

On May 26, 2015, the Charterholder entered into an extension to a third-party non-cancelable lease agreement, originally dated May 29, 2012, for two modular classroom units. The lease requires monthly payments of \$237 and expires July 9, 2017, with a month to month renewal.

The School entered into a noncancelable lease for equipment, commencing on November 6, 2015. The term of the lease is \$266 monthly for 60 months.

Rent expense for the year ended June 30, 2017 was \$14,468. The following is a schedule of future minimum lease payments for the years ending June 30:

2018	\$	5,870
2019		4,084
2020		3,197
2021		1,064
		14,215
	\$	14,215

2. Management agreement

As of July 8, 2015, the School entered into a management agreement with a third party (“Management Company”) to provide financial, human resources and administration related assistance to the School at a fee which the School’s Board shall approve annually and shall be part of the annual and amended budget (See Note H-1). The agreement will remain in effect during the current term and subsequent terms of the charter contract between the School and Walton County School District, unless terminated. Current year management fees charged to operations totaled \$258,218.

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING**

Florida Retirement System

General Information – Each qualified and participating employee of the School is included in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”).

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

1. Pension description (continued)

to age 65 or 33 years of service regardless of age for Regular and Senior Management Service class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

Florida Retirement System (continued)

2. Funding policy (continued)

These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, were as follows: Regular – 7.52%; Senior Management Service -21.77%; and DROP participants – 12.99%.

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2016 through June 30, 2017.

The School's contributions, including employee contributions, to the pension plan totaled \$51,224 for the fiscal year ended June 30, 2017.

At June 30, 2017, the School reported a liability of \$430,329 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportionate share of the net pension liability was based on the School's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.001704266 percent, which was an increase of 26.0 percent from its proportionate share measured as of June 30, 2015.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$61,446. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,949	\$ 4,007
Change in assumptions	26,034	-
Net difference between projected and actual earnings on Pension Plan investments	111,235	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	42,416	39,741
School Pension Plan contributions subsequent to the measurement date	51,224	-
	<u>\$ 263,858</u>	<u>\$ 43,748</u>



**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$51,224 resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2018	\$ 18,725
2019	18,725
2020	62,091
2021	49,608
2022	14,481
Thereafter	5,256
	<u>\$ 168,886</u>

4. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption. Applied to all periods included in the measurement:

Inflation	2.6%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment Expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption for the based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

5. Discount rate

The discount rate used to measure the total pension liability was 7.60%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)**

*Florida Retirement System (continued)*

6. Sensitivity of net position liability to changes in the discount rate

The following represents the School's proportionate share of the net pension liability calculated using the discount rate of 7.70%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
School's proportionate share of the net pension liability	\$ 792,264	\$ 430,329	\$ 129,065

7. Pension plan fiduciary net position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRD Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the School reported zero payable for outstanding contributions to the Pension Plan required for the fiscal year ended June 30, 2017.

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY**

*Health Insurance Subsidy (HIS)*

1. Plan description

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

1. Plan description (continued)

For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the HIS contribution for the period July 1, 2016 through June 30, 2017 was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The School's contributions to the HIS Plan totaled \$16,711 for the fiscal year ended June 30, 2017.

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, the School reported a liability of \$322,122 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportionate share of the net pension liability was based on the School's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.002763909 percent, which was an increase of 23.3 percent from its proportionate share measured as of June 30, 2015.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$30,593. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 734
Change in assumptions	50,549	-
Net difference between projected and actual earnings on Pension Plan investments	163	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	42,228	12,576
School Pension Plan contributions subsequent to the measurement date	<u>16,711</u>	-
	<u>\$ 109,651</u>	<u>\$ 13,310</u>

The deferred outflows of resources related to the HIS plan, totaling \$16,711 resulting from School contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2018	\$ 12,778
2019	12,778
2020	12,747
2021	12,733
2022	13,875
Thereafter	14,719
	<u>\$ 79,630</u>

4. Actuarial assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.6%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)**

*Health Insurance Subsidy (HIS) (continued)*

5. Discount rate

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

6. Sensitivity of net position liability to changes in the discount rate

The following represents the School's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	<u>1% Decrease (2.8%)</u>	<u>Current Discount Rate (3.8%)</u>	<u>1% Increase (4.8%)</u>
School's proportionate share of the net pension liability	<u>\$ 369,547</u>	<u>\$ 322,122</u>	<u>\$ 282,762</u>

7. Pension plan fiduciary net position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the School reported zero for outstanding contributions to the HIS plan required for the fiscal year ended June 30, 2017.

**Walton Academy**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE H – RELATED PARTY**

1. Management company

The management company provides financial, human resource, and administration services based on a contractual arrangement with the School. The management company manages the finances and operations and makes the final determinations regarding policies and contracts (See E-2). Total management fees charged to operations for the year ended June 30, 2017 are \$258,218.

2. Shared operating expenses

The School shares IT services with a school operated by the same management company. During the year, the School was reimbursed in for these expenses in the amount of \$13,617.

The School also provides educational services under a contract with the Department of Juvenile Justice (“DJJ”) Residential Community Facility in DeFuniak Springs, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ school which is operated by the same management company. During the year ended June 30, 2017, the School was reimbursed in full in the amount of \$260,375, for the payroll related to these personnel.

**NOTE I – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School’s liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2017. Settled claims resulting for the risks described above have not exceeded the insurance coverage for each of the prior three years.

**NOTE J – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through October 2, 2017, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements.



**Walton Academy**  
**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Last 10 Fiscal Years\***

**FLORIDA RETIREMENT SYSTEM**

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered-employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>2016</b>	0.001704266%	\$ 430,329	\$ 1,008,902	42.65%	84.88%
<b>2015</b>	0.001350565%	\$ 174,444	\$ 853,233	20.45%	92.00%
<b>2014</b>	0.001347008%	\$ 82,187	\$ 676,979	12.14%	96.09%

\* The amounts presented for each fiscal year were determined as of 06/30.

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School is presenting information for only those years for which information is available.

Note2: The Plan's fiduciary net position as a percentage of total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFT information).

**HEALTH INSURANCE SUBSIDY**

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered-employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
<b>2016</b>	0.002763909%	\$ 322,122	\$ 1,008,902	31.93%	0.97%
<b>2015</b>	0.002241697%	\$ 228,618	\$ 853,233	26.79%	0.50%
<b>2014</b>	0.002245976%	\$ 210,004	\$ 676,979	31.02%	0.99%

\* The amounts presented for each fiscal year were determined as of 06/30.

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School is presenting information for only those years for which information is available.

See notes to required supplemental information.

**Walton Academy**  
**SCHEDULE OF SCHOOL'S PENSION CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY**  
**Last 10 Fiscal Years\***

**FLORIDA RETIREMENT SYSTEM**

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 51,224	\$ 51,224	\$ -	\$ 1,008,902	5.08%
2015	\$ 41,561	\$ 41,561	\$ -	\$ 853,233	4.87%
2014	\$ 32,928	\$ 32,928	\$ -	\$ 676,979	4.86%

**HEALTH INSURANCE SUBSIDY**

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 16,711	\$ 16,711	\$ -	\$ 1,008,902	1.66%
2015	\$ 14,176	\$ 14,176	\$ -	\$ 853,233	1.66%
2014	\$ 8,569	\$ 8,569	\$ -	\$ 676,979	1.27%

\*The amounts presented for each fiscal year were determined as of June 30.

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the School is presenting information for only those years for which information is available.

**Walton Academy**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – CAPITAL OUTLAY FUND**  
**For the year ended June 30, 2017**

	Original	Final	Actual	Variance with Final Budget
Revenues				
Charter school capital outlay	\$ 50,000	\$ 66,971	\$ 67,028	\$ 57
Expenditures				
Repairs and maintenance	15,000	18,000	17,470	530
Lease-facilities	10,000	11,400	10,449	951
Misc. Non-prof Svc	-	4,800	4,800	-
Equipment	10,000	11,500	11,332	168
Computer equipment	2,000	-	-	-
Remodeling and Renovations	20,000	35,000	33,185	1,815
	<u>57,000</u>	<u>80,700</u>	<u>77,236</u>	<u>3,464</u>
Net change in fund balance	(7,000)	(13,729)	(10,208)	3,521
Fund balance at July 1, 2016	<u>13,943</u>	<u>13,943</u>	<u>13,943</u>	<u>-</u>
Fund balance at June 30, 2017	<u>\$ 6,943</u>	<u>\$ 214</u>	<u>\$ 3,735</u>	<u>\$ 3,521</u>

See notes to required supplemental information.

**Walton Academy**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2017**

**NOTE A – SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

1. Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFR information).

**NOTE B – SCHEDULE OF CONTRIBUTIONS**

Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

**NOTE C – BUDGETARY INFORMATION**

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2017, have been amended according to Board Procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the object level.

**COMPLIANCE INFORMATION**

**INDEPENDENT AUDITOR'S 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 of Directors  
Walton Academy  
DeFuniak Springs, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Walton Academy (the "School"), a component unit of the Walton County School District, Florida, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 2, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

## MANAGEMENT LETTER

To the Board of Directors  
Walton Academy  
DeFuniak Springs, Florida

### Report on the Financial Statements

We have audited the financial statements of Walton Academy (the "School"), a component unit of the Walton County School District, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 2, 2017.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, which are dated October 2, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.85(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

### Official Title

Section 10.854(1)(e)1., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *Walton Academy, Inc.*

### **Financial Condition**

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, requires that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any recommendations in the current year.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Board of Directors, applicable School's management, others within the School, and the Walton County School District, and is not intended to be and should not be used by anyone other than these specified parties.

*McDonough CPA Solutions, PA*

October 2, 2017  
Melbourne, Florida



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## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the years ended June 30, 2017 and June 30, 2016, there were no audit findings, recommendations, or responses.