

**WALTON ACADEMY**  
**(A division of Walton**  
**Academy, Inc.)**

**Basic Financial Statements and**  
**Supplemental Information**

**For the year ended**  
**June 30, 2014**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	26
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	27
Note to Required Supplemental Information	28
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 <i>GOVERNMENT AUDITING STANDARDS</i>	29
MANAGEMENT LETTER	31
FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS	33

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Walton Academy  
DeFuniak Springs, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy (the "School"), a division of Walton Academy, Inc. (the "Charterholder"), and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2014, 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 of 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 risk 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 and each major fund, and the aggregate remaining fund balance information of the School, as of June 30, 2014, 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.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2014, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the Charterholder.

## **Other Matters**

### *Required Supplemental 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 supplemental 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 September 11, 2014 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 11, 2014  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

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

As management of Walton Academy (the "School"), a division of Walton Academy, Inc. (the "Charterholder") and a component unit the School Board of Walton County, Florida, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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 found starting on page 8.

### **Financial Highlights**

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$427,658 (net position).
- The government's total net position decreased by \$9,697.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$244,350.
- As of the close of the current fiscal year, the School's governmental funds combined fund balance increased by \$3,241.

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

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

### **Government-wide Financial Statements**

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

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

The statement of activities presents information showing how the 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).

The government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities) and charges for services from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the School include the overall operations of the School.

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

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

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

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

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the school to demonstrate compliance with this budget. The budgetary comparison schedules can be found on pages 26 - 28 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

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

**Government-Wide Financial Analysis**

The School's net position were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current assets	\$ 349,318	\$ 278,477	\$ 70,841
Capital assets—net	183,308	196,246	(12,938)
Total assets	<u>532,626</u>	<u>474,723</u>	<u>57,903</u>
Current liabilities	<u>104,968</u>	<u>37,368</u>	<u>67,600</u>
Net assets consist of:			
Net investment in capital assets	183,308	196,246	(12,938)
Restricted net assets	25,232	10,531	14,701
Unrestricted net assets	<u>219,118</u>	<u>230,578</u>	<u>(11,460)</u>
Net assets	<u>\$ 427,658</u>	<u>\$ 437,355</u>	<u>\$ (9,697)</u>

Current assets increased due to an increase in cash caused by timing of inflows and outflows. The increase in current liabilities is related to payroll liabilities. The decrease in unrestricted net position is primarily due to the overall decrease in net position.

The School's revenues were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Program revenues			
Operating grants	\$ 39,256	\$ 31,351	\$ 7,905
Capital grants	93,729	55,380	38,349
General revenues	1,186,340	1,123,290	63,050
Other revenues	<u>7,742</u>	<u>2,040</u>	<u>5,702</u>
Total Revenues	<u>\$ 1,327,067</u>	<u>\$ 1,212,061</u>	<u>\$ 115,006</u>

Operating grants increased by \$7,905 due to an increase in Title 1 funding at the School level. Capital grants increased \$38,349 due an increase in the state funding per student in charter school capital outlay. The increase in general revenues was due to an overall increase in funding.

The School's expenses were as follows:

	2014	2013	Change
Basic instruction	\$ 595,824	\$ 394,336	\$ 201,488
Exceptional instruction	927	37,618	(36,691)
Curriculum development	15,000	16,250	(1,250)
Staff development	4,595	800	3,795
Board of directors	9,411	8,135	1,276
General administration	-	72,674	(72,674)
School administration	293,148	252,888	40,260
Facilities	89,160	69,323	19,837
Fiscal services	107,806	89,969	17,837
Food services	639	380	259
Staff services	97,998	83,476	14,522
Transportation	3,990	3,981	9
Operation of plant	88,193	102,108	(13,915)
Maintenance of plant	12,606	13,880	(1,274)
Administrative technology	17,467	-	17,467
Interest on long-term debt	-	29	(29)
	<u>1,336,764</u>	<u>1,145,847</u>	<u>190,917</u>
Total expenditures			
Change in net position	(15,097)	64,174	(79,271)
Net position - beginning	437,355	373,181	64,174
Net position - ending	<u>\$ 422,258</u>	<u>\$ 437,355</u>	<u>\$ (15,097)</u>

The School's expenses increased mainly due to the increase in available funds. The main areas that caused the change in total expenses were increases in basic instruction and school administration expenses.

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$427,658 at the close of the most recent fiscal year.

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

### **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, 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 current fiscal year, the School's governmental funds reported combined ending fund balance of \$244,350.

The general fund is the main operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$204,529.

During the current fiscal year, the fund balance of the School's general fund decreased by \$11,460.

### **General Fund Budgetary Highlights**

Actual revenues were less than budgeted revenues by \$91,495 and budgeted expenditures exceeded actual expenditures by \$59,754.

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

**Capital Assets.** The School's investment in capital assets for its governmental type activities as of June 30, 2014, amounts to \$183,308 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles.

**Debt.** The School's did not have debt in the current fiscal year.

### **Economic Factors**

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to increase to approximately 180 students for the 2014-15 school year.

### **Request for Information**

This financial report is designed to provide a general overview of Walton Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Rader Group, 101-A Business Centre, Miramar Beach, FL 32550.

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

**STATEMENT OF NET POSITION**

June 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 322,594
Accounts receivable	148
Due from other agencies	11,987
Prepaid expenses	8,568
Deposits	6,021
Total current assets	<u>349,318</u>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated	
Land	13,413
Capital assets, net of accumulated depreciation	
Buildings	34,253
Improvements other than buildings	120,165
Furniture, fixtures and equipment	12,727
Vehicles	2,750
Total capital assets	<u>183,308</u>
Total assets	<u>532,626</u>
<b>LIABILITIES</b>	
<b>LIABILITIES</b>	
Accounts payable	90,572
Accrued payroll and related expenses	14,396
Total liabilities	<u>104,968</u>
<b>NET POSITION</b>	
Investment in capital assets	183,308
Restricted for:	
Capital outlay	25,232
Unrestricted	219,118
Total net position	<u>\$ 427,658</u>

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

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

**STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Basic instruction	\$ 595,824	\$ -	\$ 39,256	\$ -	\$ (556,568)
Exceptional instruction	927	-	-	-	(927)
Curriculum development	15,000	-	-	-	(15,000)
Staff development	4,595	-	-	-	(4,595)
Board of directors	9,411	-	-	-	(9,411)
School administration	293,148	-	-	-	(293,148)
Facilities	89,160	-	-	93,729	4,569
Fiscal services	107,806	-	-	-	(107,806)
Food services	639	-	-	-	(639)
Staff services	97,998	-	-	-	(97,998)
Transportation	3,990	-	-	-	(3,990)
Operation of plant	88,193	-	-	-	(88,193)
Maintenance of plant	12,606	-	-	-	(12,606)
Administrative technology	17,467	-	-	-	(17,467)
Total governmental activities	<u>\$ 1,336,764</u>	<u>\$ -</u>	<u>\$ 39,256</u>	<u>\$ 93,729</u>	<u>(1,203,779)</u>
			General revenues		
			State passed through local		1,186,340
			Other revenues		7,742
			Total general revenues		<u>1,194,082</u>
			Change in net position		(9,697)
			Net position at July 1, 2013		<u>437,355</u>
			Net position at June 30, 2014		<u>\$ 427,658</u>

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

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

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2014**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 322,594	\$ -	\$ -	\$ 322,594
Accounts receivable	148	-	-	148
Due from other agencies	11,987	-	-	11,987
Due from other funds	-	25,232	-	25,232
Prepaid expenses	8,568	-	-	8,568
Deposits	6,021	-	-	6,021
Total assets	<u>\$ 349,318</u>	<u>\$ 25,232</u>	<u>\$ -</u>	<u>\$ 374,550</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 90,572	\$ -	\$ -	\$ 90,572
Accrued payroll and related expenses	14,396	-	-	14,396
Due to other funds	25,232	-	-	25,232
Total liabilities	<u>130,200</u>	<u>-</u>	<u>-</u>	<u>130,200</u>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	8,568	-	-	8,568
Deposits	6,021	-	-	6,021
Restricted for				
Capital outlay	-	25,232	-	25,232
Unassigned	204,529	-	-	204,529
Total fund balances	<u>219,118</u>	<u>25,232</u>	<u>-</u>	<u>244,350</u>
Total liabilities and fund balances	<u>\$ 349,318</u>	<u>\$ 25,232</u>	<u>\$ -</u>	<u>\$ 374,550</u>

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

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

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

**June 30, 2014**

Fund balances - total governmental funds	\$ 244,350
The amount reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:	
Land	\$ 13,413
Buildings, net	34,253
Improvements other than buildings, net	120,165
Furniture, fixtures and equipment, net	12,727
Vehicles, net	<u>2,750</u>
Total capital assets	<u>183,308</u>
Total net position of governmental activities	<u><u>\$ 427,658</u></u>

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

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

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

For the year ended June 30, 2014

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ 1,202	\$ -	\$ 38,054	\$ 39,256
State passed through local school district	1,186,340	93,729	-	1,280,069
Other revenues	7,742	-	-	7,742
<b>Total revenues</b>	<b>1,195,284</b>	<b>93,729</b>	<b>38,054</b>	<b>1,327,067</b>
<b>Expenditures</b>				
<b>Current</b>				
Basic instruction	556,907	-	38,054	594,961
Exceptional instruction	927	-	-	927
Curriculum development	15,000	-	-	15,000
Staff development	4,595	-	-	4,595
Board of directors	9,411	-	-	9,411
School administration	293,148	-	-	293,148
Facilities	-	40,713	-	40,713
Fiscal services	107,806	-	-	107,806
Food services	346	-	-	346
Staff services	97,998	-	-	97,998
Transportation	2,340	-	-	2,340
Operation of plant	88,193	-	-	88,193
Maintenance of plant	12,606	-	-	12,606
Administrative technology	17,467	-	-	17,467
Fixed capital outlay	-	38,315	-	38,315
<b>Total expenditures</b>	<b>1,206,744</b>	<b>79,028</b>	<b>38,054</b>	<b>1,323,826</b>
Net change in fund balances	(11,460)	14,701	-	3,241
Fund balances at July 1, 2013	230,578	10,531	-	241,109
<b>Fund balances at June 30, 2014</b>	<b>\$ 219,118</b>	<b>\$ 25,232</b>	<b>\$ -</b>	<b>\$ 244,350</b>

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

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

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

**For the year ended June 30, 2014**

Net change in fund balances - total government funds \$ 3,241

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

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the costs of  
those assets are allocated over their estimated useful  
lives and reported as depreciation expense.

Fixed capital outlay	\$ 38,315	
Depreciation	<u>(51,253)</u>	
		(12,938)

Change in net position of governmental activities \$ (9,697)

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

1. Reporting entity

Walton Academy (the "School") is a division of Walton Academy, Inc. (the "Charterholder"), which is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The School provides at-risk students in grades six through twelve a School of Choice. The governing body of the School is the Board of Directors, which is composed of four members. The financial information presented is that of Walton Academy only and is not intended to be a complete presentation of the Charterholder.

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 School Board of Walton County, Florida (the "District"). The current charter is effective through June 30, 2015. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Walton Academy is considered a component unit of the School Board of Walton County, Florida.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net 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 the governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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. Reconciliations are provided that convert 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 end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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

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

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

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

4. Cash

Cash is made up of 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 accounts receivable and amounts due from related parties, at June 30, 2014. After reviewing the individual account balances, the School's management has determined that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

6. 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. The capital outlay fund has recorded a total receivable of \$25,232, which relates to the capital outlay for amounts that have not been spent.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

**7. Capital assets**

Capital assets are reported in the 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 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

**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 the actual weighted FTE students reported by the School during the designated FTE student survey periods.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

9. Revenue sources (continued)

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.

10. 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.

11. 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 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 for years ending before June 30, 2011.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

12. Fund balance classification

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 expense) 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.

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.

**NOTE B - CASH**

*Custodial credit risk* - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The bank balances of the School's deposits were \$342,248 at June 30, 2014. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. As of June 30, 2014, none of the School's balances held in banks were exposed to custodial credit risk.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE C - CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets not being depreciated				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Construction in progress	5,400	-	5,400	-
Total assets not being depreciated	<u>18,813</u>	<u>\$ -</u>	<u>\$ 5,400</u>	<u>13,413</u>
Capital assets depreciated				
Buildings	167,100	\$ -	\$ -	167,100
Improvements other than buildings	213,615	38,315	-	257,330
Furniture, fixtures and equipment	82,424	-	-	82,424
Vehicles	9,750	-	-	9,750
Total assets depreciated	<u>472,889</u>	<u>\$ 38,315</u>	<u>\$ -</u>	<u>516,604</u>
Less accumulated depreciation				
Buildings	117,868	\$ 14,979	\$ -	132,847
Improvements other than buildings	107,481	29,684	-	137,165
Furniture, fixtures and equipment	64,757	4,940	-	69,697
Vehicles	5,350	1,650	-	7,000
Total accumulated depreciation	<u>295,456</u>	<u>\$ 51,253</u>	<u>\$ -</u>	<u>346,709</u>
Total governmental activities capital assets, net	<u>\$ 196,246</u>			<u>\$ 183,308</u>

Depreciation expense for the year ended June 30, 2014 was charged to functions of the School as follows:

Facilities	\$ 48,447
Transportation	1,650
Basic instruction	863
Food services	293
Total depreciation	<u>\$ 51,253</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE D - COMMITMENTS AND CONTINGENCIES**

1. Operating leases

The Charterholder entered into a third party non-cancelable lease agreement for facilities, commencing on July 1, 2009. The contract requires monthly payments of \$4,217 and expires on December 3, 2014. The lease has an option to renew at an increase of the Consumer Price Index.

The Charterholder entered into a third party non-cancelable lease agreement for two modular classroom units, commencing on May 29, 2012. The contract requires monthly payments of \$448 and expires on May 29, 2015. During the year ending, June 30, 2014, the School's operating expense for the two modular classroom units was \$5,376. The agreement includes initial set up charges of \$6,786 that are amortized over the life of the lease. Amortization expense charged to operations for the year ended June 30, 2014 was \$2,262. During the year ending, June 30, 2014, the School entered into another non-cancelable lease agreement for one modular classroom unit, commencing on September 1, 2013. The contract requires monthly payments of \$250 and expires on September 1, 2015. During the year ending, June 30, 2014, the School's operating expense for the modular classroom was \$2,500.

Future minimum lease payments for the three modular classroom units for the year ended June 30, 2015 is \$10,304.

2. Sublease

The School is subleasing a portion of the above stated leased facilities for monthly installments of \$843. The management company also leases a portion of this facility for \$2,530 monthly. Additionally, a related school under the same management company is leasing a portion of this facility for \$843 monthly installments. On behalf of the Charterholder and other subleases mentioned above the School is paying the total monthly lease payment of \$4,217. Once the total monthly installment is made the management company and other related subleases reimburse the School \$3,373 for their portion of the lease agreement. During the year ending, June 30, 2014, the School's operating facilities expense was \$10,120.

Future minimum lease payments for facilities for the year ended June 30, 2015 is \$15,180.

3. Management agreement

The School entered into management agreement with a third party to provide management, financial, personnel and other school related assistance to the School at a fixed rate of \$83.88 per enrolled student per month. Additionally, per the agreement, the management company provides curriculum and instruction services for \$1,250 per month. As of July 1, 2011, the fee for curriculum and instruction services will increase or decrease at the same percentage of the change in the annual FEFP funding. The contract expires on June 30, 2015 and may be terminated by either party by giving ninety days' notice. Current year management fees charged to operations totaled \$205,381.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE E - CONCENTRATIONS**

Revenue sources

As stated in Note A-9, 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:

Sources	Amounts
Revenue sources passed through the School Board of Walton County, Florida	
Base funding	\$ 615,224
Discretionary local effort	168,661
Class size reduction	147,478
Voted discretionary millage	111,109
Prior year adjustment	15,534
Supplemental academic instruction	28,507
ESE guaranteed allocation	16,060
Instructional materials allocation	13,085
Additional allocation	547
Safe schools	4,212
Discretionary lottery	1,505
Teacher salary allocation	26,732
Proration of available funds	(2,829)
Administration fee withheld (5%)	(56,515)
Additional earned allocation	95,003
Lead teacher funds	2,027
Subtotal	1,186,340
Capital outlay funds	93,729
Title one funding	38,054
Total revenue sources passed through the School Board of Walton County, Florida	1,318,123
Other financing sources	
Bandwidth grant	1,202
Other revenues	
Miscellaneous revenue	7,742
	\$ 1,327,067



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE F - RETIREMENT PLAN**

1. Participation

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

2. Contributions

Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During the 2013-2014 school year, the School contributed an average of 6.65% of each qualified regular employee's gross salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year. The School's contribution for the years ended June 30, 2014, 2013, and 2012 were \$44,998, \$25,710, and \$20,980, respectively, equal to the total required contributions for each year. Contributions represented 6.65%, 5.04%, and 4.53% of covered payroll for the years ended June 30, 2014, 2013, and 2012, respectively.

3. Benefit provisions

The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Retirement benefits are based upon age, average compensation and number of years of creditable service where average compensation is computed as discussed below based on enrollment date.

a. Members enrolled before July 1, 2011

Average final compensation for members is the average of the five highest fiscal years of earnings. FRS provides vesting of benefits for members initially enrolled before July 1, 2011 after six years. Employees are eligible for normal retirement at age 62.

b. Members enrolled on or after July 1, 2011

FRS provides vesting of benefits for members after eight years of creditable service. Employees are eligible for normal retirement at age 65. Average final compensation for is the average of the eight highest fiscal years of earnings.

Early retirement may be taken after an employee is vested and is within 20 years of their normal retirement age; however, there is a 5 percent benefit reduction for each year prior to normal retirement.

For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**NOTE F - RETIREMENT PLAN (continued)**

4. Financial report of the plan

The FRS issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

**NOTE G - RELATED PARTY**

1. Management agreement

The management company provides oversight and management services based on a contractual arrangement with the School. The management company manages the finances and operations and makes recommendations to the School's independent Board of Directors, which makes the final determinations regarding policies and contracts. Total management fees charged to operations for the year ended June 30, 2014 are \$205,381 (see Note D-3).

**NOTE H - 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 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the past three years.

**NOTE I - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 11, 2014 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.

**REQUIRED SUPPLEMENTAL INFORMATION**

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

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

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FTE revenue	\$ 1,160,583	\$ 1,185,700	\$ 1,089,310	\$ (96,390)
FEFP Transfers	90,000	90,000	95,003	5,003
Lead teacher funds	25,143	2,027	2,027	-
Bandwidth grant	-	1,202	1,202	-
Miscellaneous	512	6,850	7,142	292
Donations	1,000	1,000	600	(400)
Total revenues	<u>1,277,238</u>	<u>1,286,779</u>	<u>1,195,284</u>	<u>(91,495)</u>
<b>Expenditures</b>				
Salaries	636,475	644,164	631,274	12,890
Retirement	42,610	46,716	44,998	1,718
Social security	46,767	52,186	50,602	1,584
Group insurance	85,993	70,000	66,903	3,097
Worker's compensation	4,500	4,500	2,724	1,776
Unemployment compensation	12,000	12,000	9,803	2,197
Management services	196,180	205,382	205,381	1
Auditing services	10,700	10,700	10,700	-
School resource officer	20,600	20,600	20,600	-
Staff development	10,000	10,000	3,300	6,700
Other professional services	30,500	1,000	10,850	(9,850)
Insurance	21,000	13,000	11,633	1,367
In-county travel	-	300	88	212
Out-of-county travel	2,250	4,000	1,402	2,598
Repairs and maintenance	400	400	5	395
Vehicle repairs	4,500	500	500	-
Computer repairs	7,500	17,000	15,819	1,181
Fire alarm inspections	250	650	644	6
Copier lease	5,500	5,500	4,157	1,343
Radios lease	5,500	5,500	5,457	43
Miscellaneous rental	750	3,000	2,486	514
Out-county travel	-	-	1,567	(1,567)
Postage	1,200	2,500	2,228	272
Telephone	9,000	6,000	2,338	3,662
Internet	1,200	3,750	3,742	8
Water and sewer	3,200	2,800	2,287	513
Garbage	2,400	2,800	2,603	197
Advertising	500	750	560	190
Printing	300	300	246	54
Pest control	1,000	1,100	1,015	85
Alarm monitoring	500	500	435	65
Lawn service	3,000	3,000	995	2,005
Non-professional service	5,000	7,000	5,443	1,557
Electricity	28,000	28,000	25,583	2,417
Supplies	30,000	41,000	39,652	1,348
Textbooks	15,000	15,000	5,779	9,221
Lunches	400	400	100	300
Computer equipment	5,000	1,000	43	957
Software	12,200	10,500	506	9,994
Dues and fees	2,000	3,000	4,591	(1,591)
Substitutes	10,000	10,000	7,705	2,295
Total expenditures	<u>1,273,875</u>	<u>1,266,498</u>	<u>1,206,744</u>	<u>59,754</u>
Net change in fund balance	3,363	20,281	(11,460)	(31,741)
Fund balance at July 1, 2013	230,578	230,578	230,578	-
Fund balance at June 30, 2014	<u>\$ 233,941</u>	<u>\$ 250,859</u>	<u>\$ 219,118</u>	<u>\$ (31,741)</u>

See note to required supplemental information.

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

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

**For the year ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay	\$ 82,500	\$ 88,000	\$ 93,729	\$ 5,729
Total revenues	<u>82,500</u>	<u>88,000</u>	<u>93,729</u>	<u>5,729</u>
Expenditures				
Insurance	-	8,100	8,055	45
Repairs and maintenance	15,000	10,000	6,980	3,020
Lease - facility	21,000	21,000	18,319	2,681
Supplies	-	2,000	1,245	755
Equipment	-	3,500	3,402	98
Computer equipment	-	4,000	1,882	2,118
Improvements	5,000	20,000	15,260	4,740
Remodeling/renovations	40,000	35,000	23,885	11,115
Total expenditures	<u>81,000</u>	<u>103,600</u>	<u>79,028</u>	<u>24,572</u>
Net change in fund balance	1,500	(15,600)	14,701	30,301
Fund balance at July 1, 2013	<u>10,531</u>	<u>10,531</u>	<u>10,531</u>	<u>-</u>
Fund balance at June 30, 2014	<u>\$ 12,031</u>	<u>\$ (5,069)</u>	<u>\$ 25,232</u>	<u>\$ 30,301</u>

See note to required supplemental information.

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

**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2014**

**NOTE A - BUDGETARY INFORMATION**

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for all governmental fund activities and may be amended by the Board of Directors (the "Board"). The budgets presented for fiscal year ended June 30, 2014, have been amended according to the Board's procedures.

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

**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 division of Walton Academy, Inc. (the "Charterholder"), and a component unit of the School Board of Walton County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 over. 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 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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and other matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 11, 2014  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



## 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, a division of Walton Academy, Inc. (the "Charterholder"), and a component unit of the School Board of Walton County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 11, 2014.

### 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.

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

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 is dated September 11, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida.

### Prior Audit Findings

Section 10.854(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. There were no finding or recommendations made in the preceding annual financial report.

### Financial Condition

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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, require that we apply appropriate procedures to determine 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 such recommendations.

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.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *Walton Academy, Inc.*

### **Purpose of this Letter**

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

September 11, 2014  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*

## **FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS**

For the year ended June 30, 2013 there are no findings, management recommendations and other matters.

For the year ended June 30, 2014 there are no findings, management recommendations and other matters.