

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

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

**For the year ended**  
**June 30, 2013**

BERMAN HOPKINS  
WRIGHT & LAHAM  
CPAS AND ASSOCIATES, LLP

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' 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	28
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	29
Note to Required Supplemental Information	30
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>	31
MANAGEMENT LETTER	33
FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS	35

## INDEPENDENT AUDITORS' 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, 2013, 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.

### ***Auditors' 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 auditors' 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 information of the School, as of June 30, 2013, 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, 2013, and the results of its operation for the year then ended, and is not intended to be a complete presentation of the Charterholder.

As discussed in Note A-13 to the financial statements, the School adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

## **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 September 10, 2013 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 10, 2013  
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, 2013 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 \$437,355 (net position).
- The government's total net position increased by \$64,174.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$241,109.
- At the end of the current fiscal year, the School's total debt decreased by \$2,523 due to principal expenditures made during the year.

### **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 government'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 28 - 30 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>2013</u>	<u>2012</u>	<u>Change</u>
Current assets	\$ 278,477	\$ 233,126	\$ 45,351
Capital assets—net	196,246	155,443	40,803
Total assets	<u>474,723</u>	<u>388,569</u>	<u>86,154</u>
Current liabilities	<u>37,368</u>	<u>15,388</u>	<u>21,980</u>
Net assets consist of:			
Invested in capital assets—net	196,246	152,920	43,326
Restricted net assets	10,531	47,067	(36,536)
Unrestricted net assets	<u>230,578</u>	<u>173,194</u>	<u>57,384</u>
Net assets	<u>\$ 437,355</u>	<u>\$ 373,181</u>	<u>\$ 64,174</u>

Current assets increased approximately \$45,000 due to an increase in cash caused by timing of inflows and outflows, as well as an overall increase in net position during the current year. The increase in current liabilities is related to payroll liabilities. The increase in unrestricted net position is primarily due to the overall increase in net position.

The School's revenues were as follows:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Program revenues			
Operating grants	\$ 31,351	\$ 36,268	\$ (4,917)
Capital grants	55,380	67,293	(11,913)
General revenues	1,123,290	952,932	170,358
Other revenues	<u>2,040</u>	<u>-</u>	<u>2,040</u>
	<u>\$1,212,061</u>	<u>\$1,056,493</u>	<u>\$ 155,568</u>

Operating grants decreased \$4,917 due to a decrease in Title 1 funding at the School level. Capital grants decreased \$11,913 due a reduction in the state funding per student in charter school capital outlay. The increase in general revenues was due to an increase in FEFP funding.

The School's activities were as follows:

	2013	2012	Change
Basic instruction	\$ 394,336	\$ 343,212	\$ 51,124
Exceptional instruction	37,618	31,333	6,285
Curriculum development	16,250	15,000	1,250
Staff development	800	-	800
Board of directors	8,135	8,757	(622)
General administration	72,674	43,654	29,020
School administration	252,888	224,011	28,877
Facilities	69,323	80,963	(11,640)
Fiscal services	89,969	72,785	17,184
Food services	380	246	134
Staff services	83,476	63,496	19,980
Transportation	3,981	15,604	(11,623)
Operation of plant	102,108	46,385	55,723
Maintenance of plant	13,880	967	12,913
Interest on long-term debt	29	964	(935)
Total expenses	<u>\$ 1,145,847</u>	<u>\$ 947,377</u>	<u>\$ 198,470</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 professional services and personnel 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 \$437,355 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 \$241,109.



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 \$212,583.

During the current fiscal year, the fund balance of the School's general fund increased by \$57,384.

### **General Fund Budgetary Highlights**

Actual revenues exceeded budgeted revenues by \$540 and budgeted expenditures exceeded actual expenditures by \$54,305.

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

**Capital Assets.** The School's investment in capital assets for its governmental type activities as of June 30, 2013, amounts to \$196,246 (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 total debt decreased by \$2,523 due to principal payments made during 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 200 students for the 2013-14 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, 2013**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 255,834
Accounts receivable	27
Due from management company	4,022
Due from related schools	1,399
Prepaid expenses	11,175
Deposits	6,020
Total current assets	<u>278,477</u>
<b>CAPITAL ASSETS</b>	
Capital assets not being depreciated	
Land	13,413
Construction in progress	5,400
Capital assets, net of accumulated depreciation	
Buildings	49,232
Improvements other than buildings	106,134
Furniture, fixtures and equipment	17,667
Vehicles	4,400
Total capital assets	<u>196,246</u>
Total assets	<u>474,723</u>
<b>LIABILITIES</b>	
<b>LIABILITIES</b>	
Accounts payable	7,753
Accrued payroll and related expenses	29,615
Total liabilities	<u>37,368</u>
<b>NET POSITION</b>	
Investment in capital assets	196,246
Restricted for:	
Capital outlay	10,531
Unrestricted	230,578
Total net position	<u>\$ 437,355</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, 2013

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	\$ 394,336	\$ -	\$ 31,351	\$ -	\$ (362,985)
Exceptional instruction	37,618	-	-	-	(37,618)
Curriculum development	16,250	-	-	-	(16,250)
Staff development	800	-	-	-	(800)
Board of directors	8,135	-	-	-	(8,135)
General administration	72,674	-	-	-	(72,674)
School administration	252,888	-	-	-	(252,888)
Facilities	69,323	-	-	55,351	(13,972)
Fiscal services	89,969	-	-	-	(89,969)
Food services	380	-	-	-	(380)
Staff services	83,476	-	-	-	(83,476)
Transportation	3,981	-	-	-	(3,981)
Operation of plant	102,108	-	-	-	(102,108)
Maintenance of plant	13,880	-	-	-	(13,880)
Interest on long-term debt	29	-	-	29	-
<b>Total governmental activities</b>	<b>\$ 1,145,847</b>	<b>\$ -</b>	<b>\$ 31,351</b>	<b>\$ 55,380</b>	<b>(1,059,116)</b>
			General revenues		
			State passed through local		1,121,250
			Other revenues		2,040
			Total general revenues		1,123,290
			Change in net position		64,174
			Net position at July 1, 2012		373,181
			Net position at June 30, 2013		\$ 437,355

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, 2013**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 255,834	\$ -	\$ -	\$ 255,834
Accounts receivable	27	-	-	27
Due from management company	4,022	-	-	4,022
Due from related schools	1,399	-	-	1,399
Due from other funds	-	10,531	-	10,531
Prepaid expenses	11,175	-	-	11,175
Deposits	6,020	-	-	6,020
Total assets	\$ 278,477	\$ 10,531	\$ -	\$ 289,008
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 7,753	\$ -	\$ -	\$ 7,753
Accrued payroll and related expenses	29,615	-	-	29,615
Due to other funds	10,531	-	-	10,531
Total liabilities	47,899	-	-	47,899
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid expenses	11,175	-	-	11,175
Deposits	6,020	-	-	6,020
Restricted for				
Capital outlay	-	10,531	-	10,531
Assigned	800	-	-	800
Unassigned	212,583	-	-	212,583
Total fund balances	230,578	10,531	-	241,109
Total liabilities and fund balances	\$ 278,477	\$ 10,531	\$ -	\$ 289,008

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, 2013**

Fund balances - total governmental funds	\$ 241,109
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
Construction in progress	5,400
Buildings, net	49,232
Improvements other than buildings, net	106,134
Furniture, fixtures and equipment, net	17,667
Vehicles, net	<u>4,400</u>
Total capital assets	<u>196,246</u>
Total net position of governmental activities	<u><u>\$ 437,355</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, 2013

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ -	\$ 31,351	\$ 31,351
State passed through local school district	1,121,250	55,380	-	1,176,630
Other revenues	2,040	-	-	2,040
<b>Total revenues</b>	<b>1,123,290</b>	<b>55,380</b>	<b>31,351</b>	<b>1,210,021</b>
<b>Expenditures</b>				
<b>Current</b>				
Basic instruction	362,350	-	31,351	393,701
Exceptional instruction	37,618	-	-	37,618
Curriculum development	16,250	-	-	16,250
Staff development	800	-	-	800
Board of directors	8,135	-	-	8,135
General administration	72,674	-	-	72,674
School administration	252,888	-	-	252,888
Facilities	-	28,616	-	28,616
Fiscal services	89,969	-	-	89,969
Food services	112	-	-	112
Staff services	83,476	-	-	83,476
Transportation	2,206	-	-	2,206
Operation of plant	102,108	-	-	102,108
Maintenance of plant	13,880	-	-	13,880
<b>Debt service</b>				
Principal	-	2,523	-	2,523
Interest	-	29	-	29
Fixed capital outlay	23,440	60,748	-	84,188
<b>Total expenditures</b>	<b>1,065,906</b>	<b>91,916</b>	<b>31,351</b>	<b>1,189,173</b>
Net change in fund balances	57,384	(36,536)	-	20,848
Fund balances at July 1, 2012	173,194	47,067	-	220,261
<b>Fund balances at June 30, 2013</b>	<b>\$ 230,578</b>	<b>\$ 10,531</b>	<b>\$ -</b>	<b>\$ 241,109</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, 2013**

Net change in fund balances - total government funds \$ 20,848

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	\$ 84,188	
Depreciation	<u>(43,385)</u>	
		40,803

The issuance of long-term debt (e.g. capital leases) provides  
current financial resources to governmental funds, while  
the repayment of the principal of long-term debt consumes  
the current financial resources of governmental funds.  
Neither transaction, however, has any effect on net position.  
The net effect of these differences in the treatment of  
long-term debt and related items increase net position.

Principal payments on capital leases		<u>2,523</u>
--------------------------------------	--	--------------

Change in net position of governmental activities		<u><u>\$ 64,174</u></u>
---	--	-------------------------

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, 2013**

**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, 2013**

**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, 2013**

**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, 2013. 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 \$10,531, 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, 2013**

**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. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures.

**9. 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, 2013**

**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 (UBIT). 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, 2010.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**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. Positive amounts are reported only in the general fund.

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.

13. New accounting pronouncements

GASB Statement No. 63 - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources as defined by GASB's Concepts Statement No. 4. It also amends the net asset reporting requirements in Statement no. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows and deferred inflows of resources into the definition of net assets and by renaming it as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation and their effects on a government's net position. The provisions of this Statement will be effective for the fiscal year ending June 30, 2013.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**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 \$267,670 at June 30, 2013. 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, 2013, none of the School's balances held in banks were exposed to custodial credit risk.

**NOTE C - CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets not being depreciated				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Construction in progress	-	5,400	-	5,400
Total assets not being depreciated	<u>13,413</u>	<u>\$ 5,400</u>	<u>\$ -</u>	<u>18,813</u>
Capital assets depreciated				
Buildings	157,861	\$ 9,239	\$ -	167,100
Improvements other than buildings	159,342	54,273	-	213,615
Furniture, fixtures and equipment	67,148	15,276	-	82,424
Vehicles	9,750	-	-	9,750
Total assets depreciated	<u>394,101</u>	<u>\$ 78,788</u>	<u>\$ -</u>	<u>472,889</u>
Less accumulated depreciation				
Buildings	102,747	\$ 15,121	\$ -	117,868
Improvements other than buildings	83,456	24,025	-	107,481
Furniture, fixtures and equipment	62,293	2,464	-	64,757
Vehicles	3,575	1,775	-	5,350
Total accumulated depreciation	<u>252,071</u>	<u>\$ 43,385</u>	<u>\$ -</u>	<u>295,456</u>
Total governmental activities capital assets, net	<u>\$ 155,443</u>			<u>\$ 196,246</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE C - CAPITAL ASSETS (continued)**

Depreciation expense for the year ended June 30, 2013 was charged to functions of the School as follows:

Facilities	\$	40,707
Transportation		1,775
Basic instruction		635
Food services		268
		268
Total depreciation	\$	43,385

**NOTE D - LONG-TERM LIABILITIES**

1. Changes in long-term liabilities

Changes in long-term liabilities were as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Due within one year
Capital leases	\$ 2,523	\$ -	\$ 2,523	\$ -	\$ -

2. Capital lease

The School entered into a lease agreement January 27, 2007 as a lessee for financing the acquisition of a modular building. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, is recorded at the present value of the future minimum lease payments at the inception date. The lease requires monthly installments of \$1,277 with an interest rate of approximately 9.5% and expired August 2012. Current year principal and interest payments were \$2,523 and \$29, respectively.

The assets acquired through the capital lease are recorded in the government-wide statements as follows:

		Governmental Activities:
Asset		
Building	\$	99,009
Less: accumulated depreciation		64,172
	\$	34,837

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE E - 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, 2013, the School's operating expense for the two modular classroom units was \$5,416. 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, 2013 was \$2,262.

Future minimum lease payments for the two modular classroom units for the year ended June 30, 2013 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, 2013, the School's operating facilities expense was \$10,116.

Future minimum lease payments for facilities for the year ended June 30, 2013 is \$15,180.

3. Consulting agreement

The School has a consulting agreement for exceptional student education consulting, training and support. The contract requires monthly payments of \$2,333 and may be terminated by either party with sixty days notice. Current year exceptional student education consulting fees paid to outside consultants totaled \$28,000.



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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE E - COMMITMENTS AND CONTINGENCIES (continued)**

4. 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 \$78 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 \$173,076.

**NOTE F - 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	\$ 583,032
Discretionary local effort	165,826
Class size reduction	145,890
Referral billing	114,275
Voted discretionary millage	112,605
Supplemental academic instruction	27,760
ESE guaranteed allocation	14,813
Instructional materials allocation	13,013
Proration of available funds	(2,665)
Administration fee withheld (5%)	(53,299)
Subtotal	1,121,250
Capital outlay funds	55,380
Education job funds	312
Title one funding	31,039
Total revenue sources passed through the School Board of Walton County, Florida	1,207,981
Other revenues	
Miscellaneous revenue	2,040
	\$ 1,210,021

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**NOTE G - 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 2012-2013 school year, the School contributed an average of 5.04% 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, 2013, 2012, and 2011 were \$25,710, \$20,980, and \$52,226, respectively, equal to the total required contributions for each year. Contributions represented 5.04%, 4.53%, and 10.67% of covered payroll for the years ended June 30, 2013, 2012, and 2011, 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, 2013**

**NOTE G - 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 H - 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, 2013 are \$173,076 (see Note E-4).

2. Operating sublease

The School is party to a sublease with related entities (see Note E-1). As of June 30, 2013, \$843 was due from a related school associated with the sublease.

3. School governance

The school's Executive Director also serves as Executive Director of the contract Dept. of Juvenile Justice program under Walton Academy. Both schools have the same governing board and management company.

4. Payroll

During the year, the School processes certain payroll transactions with a related school. The School is managed by the same management company. All of the payroll transactions are reimbursed by the related school. At June 30, 2013, there were not any amounts due from the related school.

5. Shared employee

The School shared an employee with another school operated by the same management company. A portion of the employee's salary is allocated to the School on a cost reimbursement basis. During the year, the related school was reimbursed for shared expenses of approximately \$13,600. At June 30, 2013, the School did not have any amounts due from the related school.

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

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**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 2013. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the past three years.

**NOTE J - SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 10, 2013 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
FTE revenue	\$ 954,656	\$ 1,121,250	\$ 1,121,250	\$ -
Miscellaneous	200	500	1,040	540
Donations	500	1,000	1,000	-
Total revenues	<u>955,356</u>	<u>1,122,750</u>	<u>1,123,290</u>	<u>540</u>
<b>Expenditures</b>				
Salaries	486,167	520,000	495,656	24,344
Retirement	24,002	27,000	25,710	1,290
Social security	37,192	41,000	38,550	2,450
Group insurance	51,869	50,500	49,045	1,455
Worker's compensation	4,500	4,500	4,476	24
Unemployment compensation	8,000	12,000	10,831	1,169
ESE services	24,000	28,000	27,996	4
Management services	146,040	173,076	173,076	-
Auditing services	10,500	10,700	10,700	-
School resource officer	20,600	20,600	20,500	100
Staff development	1,000	1,000	800	200
Other professional services	40,000	43,535	43,535	-
Insurance	11,000	20,000	19,550	450
In-county travel	1,500	1,500	-	1,500
Out-of-county travel	3,200	3,500	3,219	281
Repairs and maintenance	400	400	-	400
Vehicle repairs	500	500	36	464
Computer repairs	500	5,000	3,961	1,039
Fire alarm inspections	200	250	248	2
Copier lease	4,500	4,500	3,610	890
Radios lease	3,800	5,000	4,830	170
Miscellaneous rental	500	750	438	312
Postage	1,200	1,200	1,101	99
Telephone	6,500	8,000	6,924	1,076
Internet	1,200	1,200	1,150	50
Water and sewer	3,200	3,200	2,409	791
Garbage	1,500	2,400	2,398	2
Advertising	500	500	142	358
Printing	300	300	114	186
Pest control	750	1,000	852	148
Alarm monitoring	240	500	365	135
Lawn service	2,000	3,000	1,935	1,065
Non-professional service	4,000	5,000	4,178	822
Electricity	25,000	25,000	22,619	2,381
Supplies	20,000	27,000	26,537	463
Textbooks	11,000	8,000	1,960	6,040
Lunches	400	400	100	300
Equipment	-	22,000	21,023	977
Computer equipment	15,000	10,000	9,250	750
Remodeling and renovations	-	8,500	8,414	86
Software	400	2,200	906	1,294
Dues and fees	2,000	2,500	2,342	158
Substitutes	5,000	15,000	14,420	580
Total expenditures	<u>980,160</u>	<u>1,120,211</u>	<u>1,065,906</u>	<u>54,305</u>
Net change in fund balance	(24,804)	2,539	57,384	54,845
Fund balance at July 1, 2012	<u>173,194</u>	<u>173,194</u>	<u>173,194</u>	<u>-</u>
Fund balance at June 30, 2013	<u>\$ 148,390</u>	<u>\$ 175,733</u>	<u>\$ 230,578</u>	<u>\$ 54,845</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, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Capital outlay	\$ 60,564	\$ 55,000	\$ 55,380	\$ 380
Total revenues	<u>60,564</u>	<u>55,000</u>	<u>55,380</u>	<u>380</u>
<b>Expenditures</b>				
Insurance	7,800	-	-	-
Repairs and maintenance	7,500	12,000	11,306	694
Computer repair	7,000	-	-	-
Lease - facility	15,576	18,000	15,532	2,468
Misc. non-professional services	1,000	-	-	-
Supplies	1,000	-	-	-
Building	2,553	7,553	7,552	1
Equipment	15,000	-	-	-
Improvements	1,000	11,000	7,178	3,822
Remodeling/renovations	29,000	52,000	50,348	1,652
Total expenditures	<u>87,429</u>	<u>100,553</u>	<u>91,916</u>	<u>8,637</u>
Net change in fund balance	(26,865)	(45,553)	(36,536)	9,017
Fund balance at July 1, 2012	47,067	47,067	47,067	-
Fund balance at June 30, 2013	<u>\$ 20,202</u>	<u>\$ 1,514</u>	<u>\$ 10,531</u>	<u>\$ 9,017</u>

See note to required supplemental information.

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

**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION**

**June 30, 2013**

**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, 2013, 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.



**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 and each major fund, 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, 2013, 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 10, 2013.

**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 10, 2013  
Melbourne, Florida

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

## MANAGEMENT LETTER

To the Board of Directors  
Walton Academy  
DeFuniak Springs, Florida

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, 2013, and have issued our report thereon dated September 10, 2013.

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. We have issued our Independent Auditors' 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 September 10, 2013 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 the charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- 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 findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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.
- 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.*
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General (for charter schools and centers only), we applied financial condition assessment procedures. 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.

Our management letter is intended solely for the information and use of Walton Academy's management, Board of Directors, others within the entity, the School Board of Walton County, the Florida 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 10, 2013  
Melbourne, Florida

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

**FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS**

For the year ended June 30, 2012 there are no management recommendations.

For the year ended June 30, 2013 there are no management recommendations.