

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

Basic Financial Statements and
Supplemental Information

For the year ended
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Walton Academy
DeFuniak Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Walton Academy (the "School"), a 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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note A-12 to the financial statements, in 2015, the School implemented GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* for reporting the School's pension associated with the active employee members of the Florida Retirement System and the primary activity associated with the pension arrangements reflective for the year ending June 30, 2015 (Note F - H).

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

October 27, 2015
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, 2015 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 \$63,529 (net position).
- The government's total net position increased by \$123,043.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$348,906.
- As of the close of the current fiscal year, the School's governmental funds combined fund balance increased by \$104,556.

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 39 - 40 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 was as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current assets	\$ 363,877	\$ 349,318	\$ 14,559
Capital assets—net	159,672	183,308	(23,636)
Total assets	<u>523,549</u>	<u>532,626</u>	<u>(9,077)</u>
Deferred outflows of resources	108,509	37,200	71,309
Current liabilities	14,971	104,968	(89,997)
Noncurrent Liabilities	<u>292,191</u>	<u>524,372</u>	<u>(232,181)</u>
Total liabilities	<u>307,162</u>	<u>629,340</u>	<u>(322,178)</u>
Deferred inflows of resources	261,367	-	261,367
Net position consist of:			
Net investment in capital assets	159,672	183,308	(23,636)
Restricted net position	33,181	25,232	7,949
Unrestricted net position	<u>(129,324)</u>	<u>(268,054)</u>	<u>138,730</u>
Net assets	<u>\$ 63,529</u>	<u>\$ (59,514)</u>	<u>\$ 123,043</u>

Current assets increased due to an increase in cash caused by timing of inflows and outflows. The increase of deferred outflows of resource is due to contribution made to the pension plan subsequent to the measurement period along with other timing differences. The decrease in current liabilities is related to payroll liabilities and accounts payable decrease due to decreases caused by timing of inflows and outflows of resources. The decrease in noncurrent liabilities is the result of reduced pension obligations. The increase in deferred inflows of resources are the timing of net pension liability not included in pension expense. The increase in unrestricted net position is primarily due to the overall increase in net position.

The School's revenues were as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues:			
Program revenues			
Operating grants	\$ 54,438	\$ 39,256	\$ 15,182
Capital grants	73,026	93,729	(20,703)
General revenues	1,382,110	1,186,340	195,770
Other revenues	<u>19,814</u>	<u>7,742</u>	<u>12,072</u>
Total Revenues	<u>\$ 1,529,388</u>	<u>\$ 1,327,067</u>	<u>\$ 202,321</u>

Operating grants increased by \$15,182 due to an increase in Title 1 funding at the School level. Capital grants decreased \$20,703 due a decrease in the state funding per student in charter school capital outlay. The increase in general revenues was due to an overall increase in funding caused by student population increases and student referrals.

The School's expenses were as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Basic instruction	\$ 599,431	\$ 595,824	\$ 3,607
Exceptional instruction	-	927	(927)
Psychological services	58,127	-	58,127
Instructional media services	20	-	20
Curriculum development	15,000	15,000	-
Staff development	379	4,595	(4,216)
Board of directors	8,779	9,411	(632)
School administration	281,840	293,148	(11,308)
Facilities	94,316	89,160	5,156
Fiscal services	106,860	107,806	(946)
Food services	292	639	(347)
Staff services	100,583	97,998	2,585
Transportation	4,715	3,990	725
Operation of plant	106,635	88,193	18,442
Maintenance of plant	10,635	12,606	(1,971)
Administrative technology	18,733	17,467	1,266
Total expenditures	<u>1,406,345</u>	<u>1,336,764</u>	<u>69,581</u>
Change in net position	123,043	(9,697)	132,740
Net position - beginning	<u>(59,514)</u>	<u>(49,817)</u>	<u>(9,697)</u>
Net position - ending	<u>\$ 63,529</u>	<u>\$ (59,514)</u>	<u>\$ 123,043</u>

The School's expenses increased mainly due to expanding of the student population and additional insurance premium and electricity costs due to expansion. The main areas that caused the change in total expenses were increases in psychological services and operation of plant.

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 \$63,529 at the close of the most recent fiscal year.

A portion of the School's net position is reflected in its net 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 \$348,906.

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 \$301,200.

During the current fiscal year, the fund balance of the School's general fund increased by \$96,607.

General Fund Budgetary Highlights

Actual revenues were less than budgeted revenues by \$2,594 and actual expenditures were less than budgeted expenditures by \$54,476.

Capital Asset and Debt Administration

Capital assets. The School's net investment in capital assets for its governmental type activities as of June 30, 2015, amounts to \$159,672 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, and vehicles.

Debt. The Schools 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 2015-16 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, 2015

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 335,678
Accounts receivable	148
Due from other agencies	7,724
Due from management company	4,351
Due from related schools	1,451
Prepaid expenses	8,504
Deposits	6,021
Total current assets	<u>363,877</u>
CAPITAL ASSETS	
Capital assets not being depreciated	
Land	13,413
Capital assets, net of accumulated depreciation	
Buildings	24,737
Improvements other than buildings	111,983
Furniture, fixtures and equipment	8,439
Vehicles	1,100
Total capital assets	<u>159,672</u>
Total assets	<u>523,549</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred assumptions, contributions, and experience	<u>108,509</u>
Total deferred outflow of resources	<u>108,509</u>
LIABILITIES	
LIABILITIES	
Accounts payable	7,261
Accrued payroll and related expenses	7,710
Noncurrent Liabilities	
Net pension liability	<u>292,191</u>
Total liabilities	<u>307,162</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPL), contributions, experience, and investments	<u>261,367</u>
Total deferred inflow of resources	<u>261,367</u>
NET POSITION	
Net investment in capital assets	159,672
Restricted for:	
Capital outlay	33,181
Unrestricted	<u>(129,324)</u>
Total net position	<u>\$ 63,529</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, 2015

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	\$ 599,431	\$ -	\$ 54,438	\$ -	\$ (544,993)
Psychological services	58,127	-	-	-	(58,127)
Instructional media services	20	-	-	-	(20)
Curriculum development	15,000	-	-	-	(15,000)
Staff development	379	-	-	-	(379)
Board of directors	8,779	-	-	-	(8,779)
School administration	281,840	-	-	-	(281,840)
Facilities	94,316	-	-	73,026	(21,290)
Fiscal services	106,860	-	-	-	(106,860)
Food services	292	-	-	-	(292)
Staff services	100,583	-	-	-	(100,583)
Transportation	4,715	-	-	-	(4,715)
Operation of plant	106,635	-	-	-	(106,635)
Maintenance of plant	10,635	-	-	-	(10,635)
Administrative technology	18,733	-	-	-	(18,733)
Total governmental activities	<u>\$ 1,406,345</u>	<u>\$ -</u>	<u>\$ 54,438</u>	<u>\$ 73,026</u>	<u>\$ (1,278,881)</u>
			General revenues		
			State passed through local		1,382,110
			Other revenues		<u>19,814</u>
			Total general revenues		<u>1,401,924</u>
			Change in net position		123,043
			Net position at July 1, 2014		<u>(59,514)</u>
			Net position at June 30, 2015		<u>\$ 63,529</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, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 335,678	\$ -	\$ -	\$ 335,678
Accounts receivable	148	-	-	148
Due from other agencies	7,724	-	-	7,724
Due from management company	4,351	-	-	4,351
Due from related schools	1,451	-	-	1,451
Due from other funds	-	33,181	-	33,181
Prepaid expenses	8,504	-	-	8,504
Deposits	6,021	-	-	6,021
Total assets	<u>363,877</u>	<u>33,181</u>	<u>-</u>	<u>397,058</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,261	\$ -	\$ -	\$ 7,261
Accrued payroll and related expenses	7,710	-	-	7,710
Due to other funds	33,181	-	-	33,181
Total liabilities	<u>48,152</u>	<u>-</u>	<u>-</u>	<u>48,152</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	8,504	-	-	8,504
Deposits	6,021	-	-	6,021
Restricted for:				
Capital outlay	-	33,181	-	33,181
Unassigned	301,200	-	-	301,200
Total fund balances	<u>315,725</u>	<u>33,181</u>	<u>-</u>	<u>348,906</u>
Total liabilities and fund balances	<u>\$ 363,877</u>	<u>\$ 33,181</u>	<u>\$ -</u>	<u>\$ 397,058</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, 2015

Fund balances - total governmental funds	\$ 348,906
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:	
	6021
Land	\$ 13,413
Buildings, net	24,737
Improvements other than buildings, net	111,983
Furniture, fixtures and equipment, net	8,439
Vehicles, net	<u>1,100</u>
Total capital assets	159,672
Deferred amounts are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds. Those deferred amounts consist of:	
Deferred assumptions, contributions, and experience	108,509
Deferred change in proportion (NPL), contributions, experience, and investments	<u>(261,367)</u>
Total deferred outflows(inflows)	(152,858)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Net pension liability	<u>(292,191)</u>
Total net position of governmental activities	<u><u>\$ 63,529</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, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ -	\$ -	\$ 54,438	\$ 54,438
State passed through local school district	1,382,110	73,026	-	1,455,136
Other revenues	11,406	8,408	-	19,814
Total revenues	1,393,516	81,434	54,438	1,529,388
Expenditures				
Current				
Basic instruction	565,737	-	54,438	620,175
Psychological services	61,959	-	-	61,959
Instructional media services	20	-	-	20
Curriculum development	15,000	-	-	15,000
Staff development	379	-	-	379
Board of directors	8,779	-	-	8,779
School administration	296,705	-	-	296,705
Facilities	-	48,431	-	48,431
Fiscal services	106,860	-	-	106,860
Staff services	100,583	-	-	100,583
Transportation	3,065	-	-	3,065
Operation of plant	107,867	-	-	107,867
Maintenance of plant	11,222	-	-	11,222
Administrative technology	18,733	-	-	18,733
Fixed capital outlay	-	25,054	-	25,054
Total expenditures	1,296,909	73,485	54,438	1,424,832
Net change in fund balances	96,607	7,949	-	104,556
Fund balances at July 1, 2014	219,118	25,232	-	244,350
Fund balances at July 1, 2015	\$ 315,725	\$ 33,181	\$ -	\$ 348,906

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, 2015

Net change in fund balances - total government funds \$ 104,556

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	\$ 25,054	
Depreciation	<u>(48,690)</u>	
		(23,636)

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

Increase in pension expense	<u>\$ 42,123</u>	
		<u>42,123</u>

Change in net position of governmental activities \$ 123,043

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, 2015

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, 2020. 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 is 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, 2015

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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, 2015. 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 \$33,181, which relates to the capital outlay for amounts that have not been spent.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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.

9. Use of estimates

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

10. Income taxes

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

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. 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.

12. Accounting and financial reporting for pensions

GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, was issued June 2012 and effective for periods beginning after June 15, 2014. The School's active pension employees are members of the Florida Retirement System and the primary activity associated with the pension arrangements are to be reflective for the year ending June 30, 2015 (Note F - H).

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Restatement of prior year balances

As of June 30, 2015, beginning net position of the governmental activities was restated due to the implementation of GASB Statement No. 68, *Accounting for Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. This restatement was the result of the cumulative effect in prior years for recognizing pension obligations, expenses, and deferred outflows or inflows of resources.

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 \$349,065 at June 30, 2015. The deposits are insured by the Federal Deposit Insurance Corporation ("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, 2015, none of the School's balances held in banks were exposed to custodial credit risk.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Total assets not being depreciated	13,413	\$ -	\$ -	13,413
Capital assets depreciated				
Buildings	167,100	\$ 4,650	\$ -	171,750
Improvements other than buildings	257,330	20,404	-	277,734
Furniture, fixtures and equipment	82,424	-	12,579	69,845
Vehicles	9,750	-	-	9,750
Total assets depreciated	516,604	\$ 25,054	\$ 12,579	529,079
Less accumulated depreciation				
Buildings	132,847	\$ 14,166	\$ -	147,013
Improvements other than buildings	137,165	28,586	-	165,751
Furniture, fixtures and equipment	69,697	4,288	12,579	61,406
Vehicles	7,000	1,650	-	8,650
Total accumulated depreciation	346,709	\$ 48,690	\$ 12,579	382,820
Total governmental activities capital assets, net	\$ 183,308			\$ 159,672

Depreciation expense for the year ended June 30, 2015 was charged to functions of the School as follows:

Facilities	\$ 45,885
Transportation	1,650
Basic instruction	863
Food services	292
Total depreciation	\$ 48,690

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 for which the School pays a twenty percent portion amounting to \$843. As of December 3, 2014, the lease has reverted to a month-to-month rental agreement while the property remains in probate. For June 30, 2015, total payments on the lease were \$10,120.

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. On June 26, 2015, a lease renewal was executed for monthly payment of \$448 effective July 10, 2015 through July 9, 2017. For June 30, 2015, 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 was \$2,262. In 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. After August 1, 2015, an amendment to the contact will take place requiring a price increase of \$75 for changing market conditions and rising costs for the next 12 month resulting in monthly payments of \$325. As of June 30, 2015, the School's operating expense only required \$250 monthly payment for the modular classroom amounting to \$3,000.

Future minimum lease payments for the three modular classroom units for the year ended after June 30, 2015 are:

2016	\$	9,276
2017		5,701
2018		5,376
2019		5,376
2020		5,376
		<u>5,376</u>
	\$	<u>31,105</u>

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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE D - COMMITMENTS AND CONTINGENCIES (continued)

2. Sublease (continued)

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, 2015, the School's operating facilities expense was \$15,180. As of December 3, 2014, the lease has reverted to a month-to-month rental agreement while the property remains in probate.

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 \$86 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 FEFPP funding. The contract expires on June 30, 2015, and may be terminated by either party by giving ninety days' notice. As of July 1, 2015, the School entered into a new management agreement with the same third party to provide management, financial, personnel and other school related assistance to the School. Based on the terms of the new agreement, the management fee will be established annually by the Board of Director through the annual and amended budget. Current year management fees charged to operations totaled \$201,076.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E - CONCENTRATIONS

Revenue sources

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the local school district. The following is a schedule of revenue sources and amounts:

Sources	Amounts
Revenue sources passed through the School Board of Walton County, Florida	
Base funding	\$ 783,816
Other FEFP	4,587
Discretionary local effort	197,305
Class size reduction	158,306
Discretionary millage	134,441
Supplemental academic instruction	30,087
ESE guaranteed allocation	17,363
Instructional materials allocation	15,460
Discretionary lottery	587
Digital classroom allocation	6,865
Proration of available funds	(6,168)
Administration fee withheld (5%)	(63,386)
Additional earned allocation	100,739
Lead teacher funds	2,108
Subtotal	1,382,110
Capital outlay funds	73,026
Title one funding	54,438
Total revenue sources passed through the School Board of Walton County, Florida	1,509,574
Other revenues	
Miscellaneous revenue	19,814
	\$ 1,529,388

Walton Academy
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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RETIREMENT PLAN

1. Plan description

Each qualified and participating employee of the School is included in the Florida Retirement System (FRS) Pension and Retiree Health Savings Plans (the "Plans"). The Florida Department of Management Services, Division of Retirement (division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (system).

2. 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.

3. 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 2014-2015 school year, the School contributed an average of 7.37% 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, 2015, 2014, and 2013 were \$49,502, \$44,998, and \$25,710, respectively, equal to the total required contributions for each year. Contributions represented 7.37%, 6.65%, and 5.04% of covered payroll for the years ended June 30, 2015, 2014, and 2013, respectively.

4. 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.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RETIREMENT PLAN (continued)

4. Benefit provisions(continued)

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.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2014, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

5. Financial report of the plan

The FRS issues a stand-alone financial report. Audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer, is located in the Florida CAFR for the fiscal year ended June 30, 2013, and in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2014. The Florida CAFR is available on line at:

<http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

The system's CAFR and the actuarial valuation reports as of July 1, 2014, are available online at:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RETIREMENT PLAN (continued)

5. Financial report of the plan (continued)

The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P. O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

6. Fiduciary net position

See note F-5 to obtain the financial report of the pension plan's fiduciary net position.

NOTE G - NET PENSION LIABILITY

1. Net pension liability

At June 30, 2015, the School reported a liability of \$292,191 for its net pension liability. The components of the collective net pension liability of the School for each defined benefit plan for the measurement date of June 30, 2014, are shown below (in thousands):

	FRS	HIS	Total
Total Pension Liability	\$ 2,102,892	\$ 212,101	\$ 2,314,992
Plan Fiduciary Net Position	(2,020,705)	(2,097)	(2,022,802)
Net Pension Liability	\$ 82,187	\$ 210,004	\$ 292,191

Plan Fiduciary Net Position as a			
Percentage of the Total Pension Liability	96.09%	0.99%	87.38%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2014. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

2. Basis for allocation

The School's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2012-2013 and 2013-2014. Although GASB 68 encourages the use of the employer projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for the fiscal year ended June 30, 2013, agree to the employer contribution amounts reported in the Florida CAFR.

This report is available online (See Note F-5). The aggregate employer contribution amounts for the fiscal year ended June 30, 2014, agree to the employer contribution amounts reported in the system's 2014 CAFR. The fiscal year ended June 30, 2014, was the first year for which a separately-issued CAFR was published for the system.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

The School's proportionate share amount of the collective pension liability is .001347008% for FRS and .002245976% for HIS.

3. Actuarial methods and assumptions

Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

4. Actuarial methods and assumptions (continued)

The measurement date used by the School for determining the pension liability is June 30, 2014. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information - See Note F-5).

The following changes in actuarial assumptions occurred in 2014:

- FRS: As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

The long-term expected rate of return on pension plan investment was determined using a building block method in which best-estimate ranges of expected future real rate of return (expected returns, net pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimated of arithmetic real rates of return for each major asset class are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

4. Actuarial methods and assumptions (continued)

Allocation of Assets at Market Values
Florida Retirement System

Asset Category	Target Allocation July 1, 2014	Long-Term Expected Real Rate of Return
Stocks	70.95%	*
Bonds	22.69%	*
Real Estate	6.61%	*
Temporary Investments	3.09%	*
Cash	1.15%	*
Other (included receivables & payables)	-4.49%	*
Total Percentage	100%	*

* Information was not provided in actuarial information

Because HIS is essentially funded on a pay-as-you-go basis, the depletion date is considered immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

5. Sensitivity analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the School if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2014.

FRS Net Pension Liability (Surplus)

1% Decrease	Current Discount Rate	1% Increase
6.65%	7.65%	8.65%
\$ 351,526	\$ 82,187	\$ (141,851)

HIS Net Pension Liability

1% Decrease	Current Discount Rate	1% Increase
6.65%	7.65%	8.65%
\$ 238,863	\$ 210,004	\$ 185,916

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H - PENSION EXPENSE AND DEFERRED OUTFLOW / (INFLOWS) OF RESOURCES

In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Contributions to the pension plans from employers are not included in collective pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2014, was 6.3 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2014, are presented below for each plan.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H - PENSION EXPENSE AND DEFERRED OUTFLOW / (INFLOWS) OF RESOURCES
(continued)

Florida Retirement System

	Recognized in Expense Reporting Period Ended June 30, 2015	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 30,398	Current	\$ -	\$ -	\$ 30,398
Interest cost	154,770	Current	-	-	154,770
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains of losses (difference between expected and actual experience)	(960)	6.3 years	-	(5,086)	(6,046)
Effect of assumptions changes or inputs	2,686	6.3 years	14,233	-	16,919
Member contributions	(9,193)	Current	-	-	(9,193)
Projected investment earnings	(135,906)	Current	-	-	(135,906)
Changes in proportion and difference between contributions and proportionate share of contributions	-	6.3 years	11,356	(11,356)	-
Net difference between projected and actual investment earnings	(34,276)	5 years	-	(137,102)	(171,378)
Administrative expenses	248	Current	-	-	248
Totals	\$ 7,767		\$ 25,589	\$ (153,544)	\$ (120,188)

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H - PENSION EXPENSE AND DEFERRED OUTFLOW / (INFLOWS) OF RESOURCES
(continued)

	Recognized in Expense Reporting Period Ended June 30, 2015	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 4,276	Current	\$ -	\$ -	\$ 4,276
Interest cost	9,206	Current	-	-	9,206
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains of losses (difference between expected and actual experience)	-	7.2 years	7,473	-	7,473
Effect of assumptions changes or inputs	1,205	7.2 years	-	-	1,205
Member contributions	-	Current	-	-	-
Projected investment earnings	(131)	Current	4,011	(4,011)	(131)
Changes in proportion and difference between contributions and proportionate share of contributions	-	7.2 years	101	-	101
Net difference between projected and actual investment earnings	25	5 years	-	-	25
Administrative expenses	2	Current	-	-	2
Totals	\$ 14,583		\$ 11,585	\$ (4,011)	\$ 22,157

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

**NOTE H - PENSION EXPENSE AND DEFERRED OUTFLOW / (INFLOWS) OF RESOURCES
(continued)**

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period Ending June 30,	FRS Expense	HIS Expense
2016	\$ (32,550)	\$ 1,230
2017	(32,550)	1,230
2018	(32,550)	1,230
2019	(32,550)	1,230
2020	1,726	1,205
Thereafter	518	1,446
Totals	<u>\$ (127,956)</u>	<u>\$ 7,571</u>

NOTE I - 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, 2015 are \$201,076 (see Note D-3).

2. Related party sublease

The School has an established sublease agreement with the management company and a related school for leasing facilities space (see Note D-2).

NOTE J - 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 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage for the past three years.

Walton Academy
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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K - SUBSEQUENT EVENTS

On July 7, 2015, the School renewed an agreement with the management company to provide management, financial, personnel and other school related assistance to the School at a management fee established annually by the Directors through the annual and amended budget. The term of the agreement will remain in effect during the current term and any subsequent term of the charter contact.

The School has evaluated subsequent events through October 27, 2015 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 SUPPLEMENTARY INFORMATION

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

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School's proportion of the net pension liability (asset)	0.001347008%	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset)	\$ 82,187	-	-	-	-	-	-	-	-	-
School's covered-employee payroll	\$ 676,979	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.14%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	96.09%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 6/30.

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

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note F-5 for reference to FRS CAFR information).

See note to required supplementary information.

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

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
HEALTH ISSUANCE SUBSIDIARY
Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School's proportion of the net pension liability (asset)	0.002245976%	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset)	\$ 210,004	-	-	-	-	-	-	-	-	-
School's covered-employee payroll	\$ 676,979	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.02%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	0.99%	-	-	-	-	-	-	-	-	-

* The amounts presented for each fiscal year were determined as of 6/30.

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

Note 2: The Plan's fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See Note F-5 for reference to FRS CAFR information).

See note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FTE revenue	\$ 1,219,197	\$ 1,279,263	\$ 1,279,263	\$ -
FEFP Transfers	90,000	100,739	100,739	-
Lead teacher funds	2,027	2,108	2,108	-
Miscellaneous	3,000	13,000	11,406	(1,594)
Donations	1,000	1,000	-	(1,000)
Total revenues	<u>1,315,224</u>	<u>1,396,110</u>	<u>1,393,516</u>	<u>(2,594)</u>
Expenditures				
Salaries	659,242	650,815	643,095	7,720
Retirement	48,586	49,674	49,502	172
Social security	51,200	52,101	52,095	6
Group insurance	83,735	83,735	82,472	1,263
Worker's compensation	4,500	8,000	7,262	738
Unemployment compensation	11,000	11,000	8,489	2,511
Management services	206,255	202,000	201,076	924
Auditing services	10,700	12,900	12,900	-
School resource officer	20,600	20,600	20,500	100
Staff development	10,000	3,000	150	2,850
Other professional services	1,000	4,000	30,318	(26,318)
Insurance	21,000	21,000	19,603	1,397
Travel	4,300	5,000	2,886	2,114
Repairs and maintenance	400	1,000	797	203
Vehicle repairs	500	1,000	784	216
Computer services	16,000	16,000	14,310	1,690
Fire alarm inspections	650	650	496	154
Copier lease	6,850	6,850	3,799	3,051
Radios lease	5,500	5,500	4,748	752
Miscellaneous rental	3,000	3,000	2,422	578
Postage	2,500	2,500	2,108	392
Telephone	6,000	6,013	900	5,113
Internet	5,000	4,987	4,987	-
Water and sewer	3,200	3,200	2,120	1,080
Garbage	2,400	2,400	2,603	(203)
Advertising	750	750	270	480
Printing	300	300	1	299
Computer repairs	1,000	-	-	-
Pest control	1,100	1,100	1,100	-
Alarm monitoring	500	500	340	160
Lawn service	3,000	3,000	710	2,290
Non-professional service	7,000	7,000	6,369	631
Electricity	28,000	33,000	31,570	1,430
Vehicle gasoline	-	500	336	164
Supplies	41,000	49,000	48,306	694
Instructional material	15,000	15,000	524	14,476
Lunches	400	400	-	400
Equipment	-	3,500	2,459	1,041
Computer equipment	3,000	15,000	12,108	2,892
Software	25,500	26,000	2,066	23,934
Dues and fees	3,000	3,000	3,918	(918)
Substitutes	10,000	16,410	16,410	-
Total expenditures	<u>1,323,668</u>	<u>1,351,385</u>	<u>1,296,909</u>	<u>54,476</u>
Excess (deficiency) of revenues over (under) expenditures	(8,444)	44,725	96,607	51,882
Fund balance at July 1, 2014	<u>219,118</u>	<u>219,118</u>	<u>219,118</u>	<u>-</u>
Fund balance at June 30, 2015	<u>\$ 210,674</u>	<u>\$ 263,843</u>	<u>\$ 315,725</u>	<u>\$ 51,882</u>

See note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay	\$ 75,000	\$ 73,026	\$ 73,026	\$ -
Insurance loss recovery	-	8,408	8,408	
Total revenues	<u>75,000</u>	<u>81,434</u>	<u>81,434</u>	<u>-</u>
Expenditures				
Repairs and maintenance	10,000	15,000	14,004	996
Lease - facility	20,000	20,000	19,056	944
Misc. non-professional services	-	15,000	15,000	-
Supplies	2,000	2,000	371	1,629
Other professional services	4,000	-	-	-
Equipment	3,500	-	-	-
Improvements	-	2,600	2,600	-
Remodeling/renovations	40,000	25,000	22,454	2,546
Total expenditures	<u>79,500</u>	<u>79,600</u>	<u>73,485</u>	<u>6,115</u>
Excess (deficiency) of revenues over (under) expenditures	(4,500)	1,834	7,949	6,115
Fund balance at July 1, 2014	<u>25,232</u>	<u>25,232</u>	<u>25,232</u>	<u>-</u>
Fund balance at June 30, 2015	<u>\$ 20,732</u>	<u>\$ 27,066</u>	<u>\$ 33,181</u>	<u>\$ 6,115</u>

See note to required supplementary information.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

NOTE A - NET PENSION LIABILITY INFORMATION

1. Changes of benefit terms

Balances reported in 2014 reflect the initial amounts per the implementation of GASB No. 68.

2. Changes of assumptions

Balances reported in 2014 reflect the initial amounts per the implementation of GASB No. 68.

NOTE B - 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, 2015, 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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 27, 2015.

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. 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 27, 2015
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, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated October 27, 2015.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated October 27, 2015, should be considered in conjunction with this management letter.

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. In connection with our audit, the School did not have prior year findings.

Official Title

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.*

Financial Condition

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

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the School's management, Board of Directors, others within the School, the Santa Rosa County School District, 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.

October 27, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

**MANAGEMENT FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS
PRIOR YEAR FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the year ended June 30, 2014 and June 30, 2015, there are no findings, management recommendations and responses