

**LIZA JACKSON
PREPARATORY
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2011**

BERMAN & HOPKINS
WRIGHT & LAHAM
CPAS AND ASSOCIATES, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Liza Jackson Preparatory School, Inc.
Ft. Walton Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liza Jackson Preparatory School, Inc. (the "School"), a component unit of the School Board of Okaloosa County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2011, 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-12 to the financial statements, the School adopted the provisions of Government Auditing Standard ("GASB") No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2011 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* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any on them.

September 10, 2011
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

Management's Discussion and Analysis

As management of the Liza Jackson Preparatory School, Inc., (the "School") we offer readers of Liza Jackson Preparatory School, Inc.'s financial statements this narrative overview and analysis of the financial activities of the Liza Jackson Preparatory School, Inc. for the fiscal year ended June 30, 2011 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.

Because 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 starting on page 9.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$772,706.
- The government's total net assets increased by \$24,117.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$556,199, an increase of \$50,247 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Liza Jackson Preparatory School, Inc.'s financial statements. Liza Jackson Preparatory School, Inc.'s financial statements comprise 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.

The School as a Whole

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 assets (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, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc, to assess the overall health of the School.

Changes in the School's net assets were as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current and other assets	\$ 646,759	\$ 593,638	\$ 53,121
Capital assets, net of accumulated depreciation	<u>216,507</u>	<u>242,637</u>	<u>(26,130)</u>
Total assets	<u>863,266</u>	<u>836,275</u>	<u>26,991</u>
Current and other liabilities	<u>90,560</u>	<u>87,686</u>	<u>2,874</u>
Net assets consisted of :			
Invested in capital assets	216,507	242,637	(26,130)
Unrestricted	<u>556,199</u>	<u>505,952</u>	<u>50,247</u>
Net assets	<u>\$ 772,706</u>	<u>\$ 748,589</u>	<u>\$ 24,117</u>

The increase in current and other assets is primarily due to an increase in the School's cash and due from other agencies accounts. The decrease in capital assets is due to depreciation expense less capital outlay additions. The capital assets consist primarily of improvements other than buildings, furniture, fixtures and equipment, information technology equipment, and motor vehicles.

The change in the invested in capital assets decreased in portion to the capital assets. The unrestricted net assets increased due to a positive current year change in net assets.

Changes in the School's revenues were as follows:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 306,924	\$ 379,694	\$ (72,770)
Operating grants and contributions	633,239	565,616	67,623
General revenues:			
State passed through local school district	4,815,594	4,469,668	345,926
Federal impact aid	87,978	66,539	21,439
Other revenues	<u>41,846</u>	<u>40,329</u>	<u>1,517</u>
Total revenues	<u>\$ 5,885,581</u>	<u>\$ 5,521,846</u>	<u>\$ 363,735</u>

The state passed through local school district increased mainly as a result of the increase in the number of students enrolled. Charges for services decreased in the current year because the School eliminated the pre-kindergarten class. The increase in the operating grants and contributions is a direct result of educational job funds received for that payment of basic instructional salaries and benefits.

Changes in the Schools expenses were as follows:

	2011	2010	Change
Basic instruction	\$ 3,148,096	\$ 2,892,960	\$ 255,136
Exceptional instruction	115,161	65,378	49,783
Other instruction	74	70,391	(70,317)
Health services	53,320	48,851	4,469
Psychological services	30,326	50,621	(20,295)
Media services	36,174	35,453	721
Curriculum development	221,886	215,491	6,395
Staff development	38,867	26,688	12,179
Board	28,211	18,793	9,418
General administration	88,513	83,687	4,826
School administration	420,760	399,878	20,882
Facilities	46,947	25,625	21,322
Fiscal services	88,999	81,477	7,522
Food services	246,197	240,662	5,535
Staff services	17,051	26,528	(9,477)
Transportation	203,807	196,902	6,905
Operation of plant	995,591	948,742	46,849
Maintenance of plant	8,155	15,677	(7,522)
Before / after care	73,329	93,133	(19,804)
Total expenses	<u>\$ 5,861,464</u>	<u>\$ 5,536,937</u>	<u>\$ 324,527</u>

The increase in expenses related to basic instruction was primarily the result of additional funding and the raises in the current year. The decrease in the other instruction is mainly due to the discontinuation of the pre-kindergarten class. The overall increase is related to the increase in the number of students and the related funding.

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

The statement of net assets presents information on all of Liza Jackson Preparatory School, Inc.'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Liza Jackson Preparatory School, Inc. is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected funding and earned but unused vacation leave).

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

The government-wide financial statements include only Liza Jackson Preparatory School, Inc. itself, which is a component unit of the School Board of Okaloosa County, Florida. The School Board of Okaloosa County includes the operations of Liza Jackson Preparatory School, Inc. in their operations.

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

Government funds. Government 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 government'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.

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

Liza Jackson Preparatory School, Inc. adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 - 15 of this report.

Notes to the 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 16 of this report.

Government-wide financial analysis

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of Liza Jackson Preparatory School, Inc., assets did exceed liabilities by \$772,706 and \$748,589 for the years ended June 30, 2011 and 2010, respectively.

Governmental activities. Governmental activities increased Liza Jackson Preparatory School, Inc. net assets by \$24,117 for fiscal year ended 2011.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Liza Jackson Preparatory School, Inc.'s governmental funds reported a combined ending fund balance of \$556,199. This total amount includes \$405,797 of unassigned fund balance, which is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of Liza Jackson Preparatory School, Inc. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$405,797.

The fund balance of Liza Jackson Preparatory School, Inc.'s general fund increased by \$50,247 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$36,754 while budgeted expenditures exceed actual expenditures by \$53,721.

Capital Asset and Debt Administration

Capital assets. Liza Jackson Preparatory School, Inc.'s investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$216,507 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, furniture, fixtures, and equipment, information technology equipment, and motor vehicles.

Debt. At the end of the current fiscal year, Liza Jackson Preparatory School, Inc. did not have any outstanding long-term liabilities.

Economic Factors

A majority of the School's funding is determined by the number of enrolled students. The enrollment for the 2010/2011 school year increased by approximately 6%, from the prior year. In addition, the School is forecasting approximately 4% increase in enrollment for the 2011/2012 school year.

Request for Information

This financial report is designed to provide a general overview of Liza Jackson Preparatory School, Inc. finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Liza Jackson Preparatory School, Inc., 546 Mary Esther, Ft. Walton Beach, FL 32548.

Liza Jackson Preparatory School, Inc.

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 456,344
Accounts receivable	9,692
Due from other agencies	30,321
Prepaid expenses	105,402
Deposits	<u>45,000</u>
Total current assets	<u>646,759</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Improvements other than buildings	173,011
Furniture, fixtures and equipment	34,612
Information technology equipment	4,484
Motor vehicles	<u>4,400</u>
Total capital assets	<u>216,507</u>
Total assets	<u>863,266</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	10,354
Accrued payroll and related expenses	74,847
Due to agency fund	<u>5,359</u>
Total liabilities	<u>90,560</u>
NET ASSETS	
Investment in capital assets	216,507
Unrestricted	<u>556,199</u>
Total net assets	<u>\$ 772,706</u>

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

Liza Jackson Preparatory School, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,148,096	\$ -	\$ 229,366	\$ -	\$ (2,918,730)
Exceptional instruction	115,161	-	-	-	(115,161)
Other instruction	74	-	-	-	(74)
Health services	53,320	-	-	-	(53,320)
Psychological services	30,326	-	-	-	(30,326)
Media services	36,174	-	-	-	(36,174)
Curriculum development	221,886	-	-	-	(221,886)
Staff development	38,867	-	-	-	(38,867)
Board	28,211	-	-	-	(28,211)
General administration	88,513	-	-	-	(88,513)
School administration	420,760	-	-	-	(420,760)
Facilities	46,947	-	-	-	(46,947)
Fiscal services	88,999	-	-	-	(88,999)
Food services	246,197	152,511	68,847	-	(24,839)
Staff services	17,051	-	-	-	(17,051)
Transportation	203,807	-	-	-	(203,807)
Operation of plant	995,591	-	335,026	-	(660,565)
Maintenance of plant	8,155	-	-	-	(8,155)
Before / after care	73,329	154,413	-	-	81,084
Total governmental activities	<u>\$ 5,861,464</u>	<u>\$ 306,924</u>	<u>\$ 633,239</u>	<u>\$ -</u>	<u>(4,921,301)</u>
General revenues:					
State passed through local school district					
					4,815,594
					87,978
					24,999
					2,110
					14,737
Total general revenues					<u>4,945,418</u>
Change in net assets					24,117
Net assets at July 1, 2010					<u>748,589</u>
Net assets at June 30, 2011					<u>\$ 772,706</u>

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

Liza Jackson Preparatory School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 456,344	\$ -	\$ -	\$ 456,344
Accounts receivable	9,692	-	-	9,692
Due from other funds	22,247	-	-	22,247
Due from other agencies	8,074	17,069	5,178	30,321
Prepaid expenses	105,402	-	-	105,402
Deposits	45,000	-	-	45,000
Total assets	<u>\$ 646,759</u>	<u>\$ 17,069</u>	<u>\$ 5,178</u>	<u>\$ 669,006</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,354	\$ -	\$ -	\$ 10,354
Accrued payroll and related expenses	74,847	-	-	74,847
Due to other funds	-	17,069	5,178	22,247
Due to agency fund	5,359	-	-	5,359
Total liabilities	<u>90,560</u>	<u>17,069</u>	<u>5,178</u>	<u>112,807</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	105,402	-	-	105,402
Deposits	45,000	-	-	45,000
Unassigned	405,797	-	-	405,797
Total fund balances	<u>556,199</u>	<u>-</u>	<u>-</u>	<u>556,199</u>
Total liabilities and fund balances	<u>\$ 646,759</u>	<u>\$ 17,069</u>	<u>\$ 5,178</u>	<u>\$ 669,006</u>

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

Liza Jackson Preparatory School, Inc.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011

Fund balances - total governmental funds \$ 556,199

The net assets reported for governmental activities in the statement of net assets is 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:

Improvements other than buildings, net	\$ 173,011	
Furniture, fixtures and equipment, net	34,612	
Information technology equipment, net	4,484	
Motor vehicles, net	4,400	
	<hr/>	
Total capital assets		<u>216,507</u>
Total net assets of governmental activities		<u>\$ 772,706</u>

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

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2011

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 68,847	\$ 68,847
Federal passed through local school district	-	-	156,660	156,660
State passed through local school district	4,888,300	335,026	-	5,223,326
Federal impact aid	87,978	-	-	87,978
Lunch program	-	-	152,511	152,511
Student fees	154,413	-	-	154,413
Donations	24,999	-	-	24,999
Interest income	2,110	-	-	2,110
Other revenues	14,737	-	-	14,737
Total revenues	5,172,537	335,026	378,018	5,885,581
Expenditures				
Current:				
Basic instruction	2,980,717	-	156,660	3,137,377
Exceptional instruction	114,291	-	-	114,291
Other instruction	74	-	-	74
Health services	53,320	-	-	53,320
Psychological services	30,326	-	-	30,326
Media services	36,174	-	-	36,174
Curriculum development	221,886	-	-	221,886
Staff development	38,867	-	-	38,867
Board	28,211	-	-	28,211
General administration	88,513	-	-	88,513
School administration	419,836	-	-	419,836
Facilities	25,595	-	-	25,595
Fiscal services	88,833	-	-	88,833
Food services	475	-	242,398	242,873
Staff services	17,051	-	-	17,051
Transportation	202,707	-	-	202,707
Operation of plant	655,443	335,026	-	990,469
Maintenance of plant	8,155	-	-	8,155
Before / after care	73,329	-	-	73,329
Fixed capital outlay	17,447	-	-	17,447
Total expenditures	5,101,250	335,026	399,058	5,835,334
Excess (deficiency) of revenues over (under) expenditures	71,287	-	(21,040)	50,247
Other financing sources and (uses)				
Transfer in	-	-	21,040	21,040
Transfer out	(21,040)	-	-	(21,040)
Net changes in fund balances	50,247	-	-	50,247
Fund balances at July 1, 2010	505,952	-	-	505,952
Fund balances at June 30, 2011	\$ 556,199	\$ -	\$ -	\$ 556,199

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

Liza Jackson Preparatory School, 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, 2011

Net change in fund balances - total governmental funds \$ 50,247

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

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

Fixed capital outlay	\$ 17,447	
Depreciation	<u>(43,577)</u>	<u>(26,130)</u>
Change in net assets of governmental activities		<u>\$ 24,117</u>

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

Liza Jackson Preparatory School, Inc.

**STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUND**

June 30, 2011

	<u>Internal Activity Fund</u>
ASSETS	
Due from general fund	<u>\$ 5,359</u>
Total assets	<u><u>\$ 5,359</u></u>
LIABILITIES	
Due to internal activities	<u>\$ 5,359</u>
Total liabilities	<u><u>\$ 5,359</u></u>

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Liza Jackson Preparatory School, Inc. (a Charter School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School provides education services to students in grades K-9. The governing body of the School is the Board of Directors, which is composed of five members.

The general operating authority of the Liza Jackson Preparatory School, Inc. (the "School") is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, which is the Okaloosa County District School Board (the "District"). The current charter is effective until June 30, 2021, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. Liza Jackson Preparatory School, Inc. is considered a component unit of the Okaloosa County District School Board. The financial information presented is that of Liza Jackson Preparatory School, Inc. only.

2. Government-wide and fund financial statements

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

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net assets 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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 accordance with U.S. generally accepted accounting principles 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 - in accordance with guidelines established by the Okaloosa County District School Board, this fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

Additionally, the Government reports the following fiduciary fund type:

Agency Fund - the Internal Activity Fund, which accounts for the student activities, fundraisers, and other monies collected and maintained on behalf of the students at the School. Fiduciary funds are not included in the government-wide financial statements.

Agency (fiduciary) funds are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

4. Cash

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

5. Receivables

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between 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.

Transfers are used to move unrestricted general fund revenues to finance programs (i.e. national school lunch program) that the School must account for in other funds.

7. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid expenses in both government-wide and fund financial statements.

8. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$750 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Improvements other than buildings	10 - 15
Furniture, fixtures and equipment	5 - 10
Information technology equipment	3 - 5
Computer software	3
Motor vehicles	5

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

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

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

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

Liza Jackson Preparatory School, Inc. is a non-profit charter school, which qualifies as a tax-exempt organization, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classifications

For the year ending June 30, 2011, the School implemented Government Auditing Standard ("GASB") No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE B - INTERFUND ACTIVITY

1. Interfund receivable and payable

Activities 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.

	Due from other funds	Due to other funds
General fund	\$ 22,247	\$ -
Capital outlay fund	-	17,069
Other governmental funds	-	5,178
	\$ 22,247	\$ 22,247

2. Interfund transfers

Interfund transfers for the year ended June 30, 2011 are as follows:

	Transfer in	Transfer out
General fund	\$ -	\$ 21,040
Other governmental funds	21,040	-
	\$ 21,040	\$ 21,040

For the year ended June 30, 2011, the above transfer was completed from the general fund to the lunch fund. Transfers are used to move unrestricted general fund revenues to finance programs that the School accounts for in other funds.

NOTE C - 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 balance of the School's deposits were \$644,427 at June 30, 2011. 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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
Capital assets depreciated:				
Improvements other than buildings	\$ 290,773	\$ 9,305	\$ -	\$ 300,078
Furniture, fixtures and equipment	150,805	-	-	150,805
Information technology equipment	164,129	2,642	-	166,771
Computer software	15,636	-	-	15,636
Motor vehicles	78,843	5,500	-	84,343
Total assets depreciated	700,186	<u>\$ 17,447</u>	<u>\$ -</u>	<u>717,633</u>
Less accumulated depreciation:				
Improvements other than buildings	102,853	\$ 24,214	\$ -	127,067
Furniture, fixtures and equipment	101,585	14,608	-	116,193
Information technology equipment	158,632	3,655	-	162,287
Computer software	15,636	-	-	15,636
Motor vehicles	78,843	1,100	-	79,943
Total accumulated depreciation	457,549	<u>\$ 43,577</u>	<u>\$ -</u>	<u>501,126</u>
Total governmental activities capital assets, net	<u>\$ 242,637</u>			<u>\$ 216,507</u>

Depreciation expense for the year ended June 30, 2011 was charged to functions of the School as follows:

Basic instruction	\$ 10,719
Exceptional instruction	870
School administration	924
Facilities	21,352
Fiscal services	166
Food services	3,324
Transportation	1,100
Operation of plant	5,122
	<u>\$ 43,577</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE E - OPERATING LEASES

In 2001, the School entered into a lease agreement for facilities which expires on July 14, 2021. The terms of the lease are an annual base payment for years 1-5 and for years 6-15 the rent is adjusted at the beginning of each lease year based on the change in the Consumer Price Index (CPI). Current year facilities expense charged to operations totaled \$774,064 and of that amount, \$335,026 was funded by capital outlay.

The School entered into lease for the use of land for their playground and equipment in 2001. Per the lease agreement, the term of the lease automatically renews on an annual basis. In the current year, there was an addendum to the lease to increase the amount charged for the use of the land. The current expense for the use of the land totaled \$25,000. (See Note J-1).

The following is a schedule of future minimum lease payments for the year ended June 30:

2012	\$	808,990
2013		808,990
2014		808,990
2015		808,990
2016		808,990
		<hr/>
	\$	<u>4,044,950</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 Okaloosa County, Florida	
Base funding	\$ 2,896,525
ESE allocation	88,393
SAI funds	235,066
Safe schools	15,510
Discretionary local effort	299,531
Discretionary lottery	2,816
Discretionary tax compression	4,471
Instructional materials allocation	62,578
Science lab materials	9
Stabilization fund entitlement	244,708
Transportation	173,892
Class size reduction	865,653
Administration fee withheld	(73,558)
Subtotal	4,815,594
Capital outlay funds	335,026
Florida teachers lead program	10,145
Education job funds	156,660
Excellent teaching program	5,900
A+ bonus	56,661
	5,379,986
Total revenue sources passed through the School Board of Okaloosa County, Florida	5,379,986
National school lunch program	68,847
Federal impact aids	87,978
Lunch program	152,511
Student fees	154,413
Donations	24,999
Interest income	2,110
Other revenues	14,737
	\$ 5,885,581

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE G - RETIREMENT PLAN

1. Participation

Effective July 1, 2001, employees of the School began participating 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 2010 - 2011 school year, the School contributed an average of 10.65% of each qualified regular employee's gross salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year. The School's contribution for the years ended June 30, 2011, 2010, and 2009 were \$341,790, \$308,255, and \$294,878, respectively. Contributions represented 10.65%, 9.46%, and 9.54% of covered payroll for the years ended June 30, 2011, 2010, and 2009, respectively.

3. Benefit provisions

The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age.

Retirement benefits are based upon age, average compensation and number of years of creditable service where average compensation is computed as the average of an individual's five highest years of earnings. 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.

4. Financial report of the plan

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE H - RELATED PARTY

1. Shared employees

The School shares employees with other related entities. A portion of their salaries are allocated to each School on a cost reimbursement basis. During the year, the School was reimbursed for shared expenses of approximately \$65,800.

2. Services provided by school district

The School Board of Okaloosa County, Florida provided staffing and psychological services to the School. The District valued these services at approximately \$19,000. These services are related to funding received by the District for the services listed above and can only be valued by the District. Therefore, the revenues and related expenses are recorded only at the District level.

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 \$2,500 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2011. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE J - SUBSEQUENT EVENTS

1. Addendum to playground lease

The School extended the playground lease for one year through July 2012. The fee for the year will be \$25,000.

2. Florida retirement system

On July 1, 2011, the policies and eligibility requirements of Florida retirement system (FRS) were amended (see Note G). The overall anticipated impact on the School is an expected three percent reduction in the employer's portion of the annual contribution to the plan. Further details on the modifications can be found in Chapter 121 Florida State Statutes.

3. Subsequent evaluations

The School has evaluated subsequent events through September 10, 2010 the date which the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Federal impact aid	\$ 70,000	\$ 87,978	\$ 87,978	\$ -
FTE revenue	4,860,225	4,815,594	4,815,594	-
Lead teacher fund	9,868	9,500	10,145	645
A+ bonus funds	-	56,661	56,661	-
Excellent teaching program	-	5,900	5,900	-
Rent	-	-	2,866	2,866
Interest	3,000	150	2,110	1,960
Before/after school program	155,000	145,000	154,413	9,413
Donations	-	-	24,999	24,999
Miscellaneous	15,000	15,000	11,871	(3,129)
Total revenues	5,113,093	5,135,783	5,172,537	36,754
Expenditures				
Current				
Salaries	3,133,470	2,986,859	3,008,443	(21,584)
Bonus funds	-	59,183	74,815	(15,632)
Retirement	344,958	345,000	320,146	24,854
FICA	246,442	254,855	237,101	17,754
Health/dental/life insurance	255,589	270,500	252,734	17,766
Workers compensation	25,000	22,000	17,051	4,949
Unemployment compensation	18,000	25,500	14,266	11,234
Contracted services	16,200	12,000	11,106	894
Accounting/auditing services	10,500	10,500	10,250	250
Staff development (SFA)	18,800	18,800	18,800	-
Legal services	3,000	2,490	2,490	-
Staff development (Inc IB)	12,550	6,000	5,589	411
Other contracted services	2,000	3,700	3,686	14
Insurance	40,000	39,000	38,783	217
Field trips	5,000	-	-	-
Travel	20,950	16,500	14,552	1,948
Repairs and maintenance	22,000	15,000	11,647	3,353
Bus maintenance	30,000	32,000	30,193	1,807
Inspections/fire alarm	2,000	2,000	1,926	74
Copier lease	18,000	15,000	14,200	800
Rent	423,115	439,038	439,038	-
Land lease	36,000	25,000	25,000	-
Storage facility lease	6,100	6,100	5,618	482
Water cooler lease	1,300	1,150	825	325
Pool lease	1,540	1,540	300	1,240
Miscellaneous rental	3,500	1,689	1,689	-
Postage	4,000	4,000	3,889	111
Telephone	3,500	2,200	2,339	(139)

Continued on next page

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Cell phones/radios	5,300	4,400	3,987	413
Internet service	2,400	1,420	1,308	112
Water and sewer	7,000	9,400	9,272	128
Garbage	11,000	6,600	6,570	30
Recycling	-	848	848	-
Printing (incl advertising)	7,500	7,500	6,431	1,069
Pest Control	750	750	300	450
Security system	2,100	2,100	1,342	758
Lawn service	5,800	5,500	5,423	77
Other non-professional services	1,600	5,600	4,993	607
Electricity	88,000	88,000	86,439	1,561
Gas	20,000	30,000	26,292	3,708
Supplies	88,185	90,000	89,528	472
Instructional materials	100,610	100,610	100,457	153
Breakfast/lunch/milk	5,000	4,400	4,328	72
Library reference books	2,600	4,000	3,881	119
Audio visual equipment	-	100	55	45
Equipment	36,419	31,800	29,936	1,864
Computers	2,000	17,500	38,210	(20,710)
Bus purchase	5,500	5,500	5,500	-
Remodeling/renovations	7,150	12,339	12,339	-
Software	13,000	15,000	13,594	1,406
Fees	23,500	27,000	19,033	7,967
Substitutes	48,000	67,000	64,708	2,292
Total expenditures	5,186,928	5,154,971	5,101,250	53,721
Excess (deficiency) of revenues over (under) expenditures	(73,835)	(19,188)	71,287	90,475
Other financing sources and (uses)				
Transfer out	-	-	(21,040)	(21,040)
Net changes in fund balances	(73,835)	(19,188)	50,247	69,435
Fund balance at July 1, 2010	505,952	505,952	505,952	-
Fund balance at June 30, 2011	<u>\$ 432,117</u>	<u>\$ 486,764</u>	<u>\$ 556,199</u>	<u>\$ 69,435</u>

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay revenues	\$ 353,601	\$ 353,601	\$ 335,026	\$ (18,575)
Expenditures				
Rent	353,601	353,601	335,026	18,575
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2010	-	-	-	-
Fund balance at June 30, 2011	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2011

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the School's Board of Directors. The budgets presented for the fiscal year ended June 30, 2011, have been amended according to Board procedures.

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

SUPPLEMENTAL INFORMATION

Liza Jackson Preparatory School, Inc.

SCHEDULE OF REVENUES AND EXPENDITURES - CATEGORICAL FUNDS

For the year ended June 30, 2011

Categorical	Prior Year	FY 2010-2011		
	Carryforward	Revenue	Expenditures	Carryforward
Instructional materials	\$ -	\$ 61,611	\$ 61,611	\$ -
Safe schools	-	15,268	15,268	-
Transportation	-	173,892	173,892	-
Total	<u>\$ -</u>	<u>\$ 250,771</u>	<u>\$ 250,771</u>	<u>\$ -</u>

**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
Liza Jackson Preparatory School, Inc.
Ft. Walton Beach, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liza Jackson Preparatory School, Inc., (the "School") a component unit of the School Board of Okaloosa County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures 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 financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the School's management, Board of Directors, others within the entity, the School Board of Okaloosa County, the State of Florida Office of the Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2011
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

To the Board of Directors
Liza Jackson Preparatory School, Inc.
Ft. Walton Beach, Florida

We have audited the financial statements of Liza Jackson Preparatory School, Inc., a component unit of the School Board of Okaloosa County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated September 10, 2011.

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. Disclosures in that report, which are dated September 10, 2011, 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 recommendations in the preceding audit report.
- 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 violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is *Liza Jackson Preparatory School, Inc.*, 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.
- 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 Liza Jackson Preparatory School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, 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 management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Liza Jackson Preparatory School, Inc.'s management, Board of Directors, others within the entity, the School Board of Okaloosa County, the Florida Auditor General, and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

September 10, 2011
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS

For the prior year ended June 30, 2010, there are no management recommendations.

For the current year ended June 30, 2011, there are no management recommendations.