

**LIZA JACKSON
PREPARATORY
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

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

**BERMAN HOPKINS
WRIGHT & LAHAM**
CPAS AND ASSOCIATES, LLP

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Statement of Fiduciary Assets and Liabilities - Agency Fund	14
Notes to Financial Statements	15
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	28
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Outlay Fund	30
Note to Required Supplemental Information	31
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32
MANAGEMENT LETTER	34
FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS	36

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and each fiduciary fund type of Liza Jackson Preparatory School, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund information, the aggregate remaining fund information, and each fiduciary fund type of the School as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 6, 2013
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 the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2013 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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 8.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$674,946 (net position).
- The School's total net position decreased by \$77,301.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$505,124, a decrease of \$49,300 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$331,607.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (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.

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

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

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

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

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

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

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

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.

The School maintains several 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. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 - 15 of this report.

The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

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 15 of this report.

Government-wide financial analysis

As previously noted, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, assets exceeded liabilities by \$674,946 and \$752,247 (net position) for the years ended June 30, 2013 and 2012, respectively.

The largest portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its investment in capital assets (e.g., improvements other than buildings). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The investment in capital assets totaled \$169,822 at June 30, 2013.

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

	<u>2013</u>	<u>2012</u>	<u>Change</u>
ASSETS			
Current assets	\$ 623,066	\$ 673,649	\$ (50,583)
Capital assets - net	169,822	197,823	(28,001)
Total assets	<u>792,888</u>	<u>871,472</u>	<u>(78,584)</u>
LIABILITIES			
Current liabilities	<u>117,942</u>	<u>119,225</u>	<u>(1,283)</u>
NET POSITION			
Invested in capital assets, net of related debt	169,822	197,823	(28,001)
Unrestricted	<u>505,124</u>	<u>554,424</u>	<u>(49,300)</u>
Total net position	<u>\$ 674,946</u>	<u>\$ 752,247</u>	<u>\$ (77,301)</u>

The decrease in current and other assets is primarily due to an decrease in the School's cash balance at year end. The decrease in the current and other liabilities is due to the decrease in the accrued payroll and related expenses at year end.

The change in the invested in capital assets decreased in proportion to the change in the capital assets. The unrestricted net position decreased due to a negative current year change in net position.

Changes in the School's revenues were as follows:

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 302,776	\$ 305,645	\$ (2,869)
Operating grants and contributions	471,458	439,944	31,514
General revenues:			
State passed through local school district	4,827,105	4,686,680	140,425
Federal impact aid	72,378	65,747	6,631
Other revenues	<u>75,552</u>	<u>69,246</u>	<u>6,306</u>
Total revenues	<u>\$ 5,749,269</u>	<u>\$ 5,567,262</u>	<u>\$ 182,007</u>

The state passed through local school district increased mainly as a result of the increase in the amount of per student funding. The increase in the operating grants and contributions is attributable an increase in A+ bonus funds and capital outlay funding.

Changes in the Schools expenses were as follows:

	2013	2012	Change
Expenses:			
Basic instruction	\$3,103,820	\$2,952,372	\$ 151,448
Exceptional instruction	109,132	96,123	13,009
Guidance services	34,890	-	34,890
Health services	52,619	51,247	1,372
Psychological services	-	33,487	(33,487)
Media services	57,211	31,331	25,880
Curriculum development	160,398	209,922	(49,524)
Staff development	22,500	15,485	7,015
Board	29,933	27,731	2,202
General administration	78,754	70,107	8,647
School administration	397,592	322,915	74,677
Facilities	54,860	50,281	4,579
Fiscal services	89,583	83,925	5,658
Food services	254,758	235,636	19,122
Staff services	23,509	22,319	1,190
Data processing	343	2,251	(1,908)
Transportation	166,064	212,912	(46,848)
Operation of plant	1,082,564	1,071,023	11,541
Maintenance of plant	10,194	8,123	2,071
Community services	97,846	90,531	7,315
Total expenses	<u>\$5,826,570</u>	<u>\$5,587,721</u>	<u>\$ 238,849</u>

The increase in expenses related to basic instruction, media services, school administration and food services were primarily the result of increase in salaries and related expenses in the current year. The increase in salaries and related expenses is attributable to raises and the allocation of personnel expenses from transportation in the current year. The decrease in the psychological services is due to the coding of personnel expenses being moved to guidance services. The change in curriculum development is related to the decrease in personnel expenses as a position was temporarily unfilled during the year. The overall increase is related to the increase in the funding received from the state.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$505,124. This total amount includes \$331,607 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 the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$331,607.

The fund balance of the School's general fund decreased by \$49,300 during the current fiscal year.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$12,572 while budgeted expenditures exceeded actual expenditures by \$225,844.

The budgetary information can be found pages 28 through 32 of this report.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$169,822 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, furniture, fixtures and equipment, information technology equipment, and construction in progress.

Debt. At the end of the current fiscal year, the School 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 School is forecasting enrollment to remain static approximately 830 students for the 2013/2014 school year.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the 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, Fort Walton Beach, FL 32548.

Liza Jackson Preparatory School, Inc.

STATEMENT OF NET POSITION

June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 422,487
Accounts receivable	10,780
Due from other agencies	16,282
Prepaid expenses	128,517
Deposits	45,000
Total current assets	<u>623,066</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Improvements other than buildings	142,498
Furniture, fixtures and equipment	14,988
Information technology equipment	8,276
Construction in progress	4,060
Total capital assets	<u>169,822</u>
Total assets	<u>792,888</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	10,952
Accrued payroll and related expenses	91,895
Due to agency fund	15,095
Total liabilities	<u>117,942</u>
NET POSITION	
Investment in capital assets	169,822
Unrestricted	505,124
Total net position	<u>\$ 674,946</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,103,820	\$ -	\$ 87,492	\$ -	\$ (3,016,328)
Exceptional instruction	109,132	-	-	-	(109,132)
Guidance services	34,890	-	-	-	(34,890)
Health services	52,619	-	-	-	(52,619)
Media services	57,211	-	-	-	(57,211)
Curriculum development	160,398	-	-	-	(160,398)
Staff development	22,500	-	-	-	(22,500)
Board	29,933	-	-	-	(29,933)
General administration	78,754	-	-	-	(78,754)
School administration	397,592	-	-	-	(397,592)
Facilities	54,860	-	-	-	(54,860)
Fiscal services	89,583	-	-	-	(89,583)
Food services	254,758	138,699	76,687	-	(39,372)
Staff services	23,509	-	-	-	(23,509)
Data processing	343	-	-	-	(343)
Transportation	166,064	-	-	-	(166,064)
Operation of plant	1,082,564	-	307,279	-	(775,285)
Maintenance of plant	10,194	-	-	-	(10,194)
Community services	97,846	164,077	-	-	66,231
Total governmental activities	<u>\$ 5,826,570</u>	<u>\$ 302,776</u>	<u>\$ 471,458</u>	<u>\$ -</u>	<u>(5,052,336)</u>
General revenues:					
State passed through local					4,827,105
Federal impact aid					72,378
Donations					29,832
Interest income					195
Other revenues					37,655
Loss on sale of fixed assets					(850)
Insurance loss recovery					8,720
Total general revenues					<u>4,975,035</u>
Change in net position					(77,301)
Net position at July 1, 2012					<u>752,247</u>
Net position at June 30, 2013					<u>\$ 674,946</u>

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

Liza Jackson Preparatory School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 422,487	\$ -	\$ -	\$ 422,487
Accounts receivable	10,780	-	-	10,780
Due from other funds	11,350	-	-	11,350
Due from other agencies	4,932	-	11,350	16,282
Prepaid expenses	128,517	-	-	128,517
Deposits	45,000	-	-	45,000
Total assets	\$ 623,066	\$ -	\$ 11,350	\$ 634,416
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 10,952	\$ -	\$ -	\$ 10,952
Accrued payroll and related expenses	91,895	-	-	91,895
Due to other funds	-	-	11,350	11,350
Due to agency fund	15,095	-	-	15,095
Total liabilities	117,942	-	11,350	129,292
FUND BALANCES				
Nonspendable				
Prepaid expenses	128,517	-	-	128,517
Deposits	45,000	-	-	45,000
Unassigned	331,607	-	-	331,607
Total fund balances	505,124	-	-	505,124
Total liabilities and fund balances	\$ 623,066	\$ -	\$ 11,350	\$ 634,416

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 POSITION

June 30, 2013

Fund balances - total governmental funds \$ 505,124

The net position reported for governmental activities in the statement of net position 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	\$ 142,498	
Furniture, fixtures and equipment, net	14,988	
Information technology equipment, net	8,276	
Construction in progress	<u>4,060</u>	
Total capital assets		169,822

Total net position of governmental activities \$ 674,946

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, 2013

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 76,687	\$ 76,687
State passed through local school district	4,914,597	307,279	-	5,221,876
Federal impact aid	72,378	-	-	72,378
Lunch program	-	-	138,699	138,699
Student fees	164,077	-	-	164,077
Donations	29,832	-	-	29,832
Interest income	195	-	-	195
Other revenues	37,655	-	-	37,655
Total revenues	<u>5,218,734</u>	<u>307,279</u>	<u>215,386</u>	<u>5,741,399</u>
Expenditures				
Basic instruction	3,090,773	-	-	3,090,773
Exceptional instruction	108,262	-	-	108,262
Guidance services	34,890	-	-	34,890
Health services	52,619	-	-	52,619
Media services	57,211	-	-	57,211
Curriculum development	160,398	-	-	160,398
Staff development	22,500	-	-	22,500
Board	29,933	-	-	29,933
General administration	78,754	-	-	78,754
School administration	397,103	-	-	397,103
Facilities	33,508	-	-	33,508
Fiscal services	89,318	-	-	89,318
Food services	-	-	254,259	254,259
Staff services	23,509	-	-	23,509
Data processing	343	-	-	343
Transportation	165,514	-	-	165,514
Operation of plant	768,489	307,279	-	1,075,768
Maintenance of plant	10,194	-	-	10,194
Community services	97,846	-	-	97,846
Fixed capital outlay	18,617	-	-	18,617
Total expenditures	<u>5,239,781</u>	<u>307,279</u>	<u>254,259</u>	<u>5,801,319</u>
Excess (deficiency) of revenues over (under) expenditures	(21,047)	-	(38,873)	(59,920)
Other financing sources and (uses)				
Sale of assets	1,900	-	-	1,900
Insurance loss recovery	8,720	-	-	8,720
Transfer in	-	-	38,873	38,873
Transfer out	(38,873)	-	-	(38,873)
Net change in fund balances	(49,300)	-	-	(49,300)
Fund balances at July 1, 2012	554,424	-	-	554,424
Fund balances at June 30, 2013	<u>\$ 505,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,124</u>

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, 2013

Net change in fund balances - total governmental funds		\$	(49,300)
The change in net position 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	\$	18,617	
Depreciation		<u>(43,868)</u>	(25,251)
In the statement of activities, only the gain or loss on the sale of fixed assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the fixed assets sold.			(2,750)
Change in net position of governmental activities			<u>\$ (77,301)</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, 2013

	Internal Activity Fund
ASSETS	
Due from general fund	<u>\$ 15,095</u>
Total assets	<u><u>\$ 15,095</u></u>
LIABILITIES	
Due to internal activities	<u>\$ 15,095</u>
Total liabilities	<u><u>\$ 15,095</u></u>

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Liza Jackson Preparatory School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School provides 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 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. The School 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 position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, 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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds 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.

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 School 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, 2013

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. At the end of the current year, the other governmental funds owed the general fund \$11,350.

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. During the year the general fund transferred \$38,873 to the other governmental fund to cover the loss in the lunch fund.

7. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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 \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
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, 2013

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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Income taxes

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

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

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2010.

12. Fund balance classifications

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

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

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

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

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. Only positive amounts are reported in the general fund.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classifications (continued)

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

13. New accounting pronouncements

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

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 balance of the School's deposits were \$505,135 at June 30, 2013. The deposits are insured by the FDIC up to \$250,000 per entity. Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the School pursuant to Section 280.08, Florida Statutes. At June 30, 2013, the School's deposits were not exposed to custodial credit risk.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 4,060	\$ -	\$ 4,060
Capital assets depreciated:				
Improvements other than buildings	305,975	14,557	-	320,532
Furniture, fixtures and equipment	155,464	-	-	155,464
Information technology equipment	130,261	-	-	130,261
Computer software	6,838	-	-	6,838
Motor vehicles	84,343	-	5,500	78,843
Total assets depreciated	<u>682,881</u>	<u>\$ 14,557</u>	<u>\$ 5,500</u>	<u>691,938</u>
Less accumulated depreciation:				
Improvements other than buildings	151,719	\$ 26,315	\$ -	178,034
Furniture, fixtures and equipment	128,059	12,417	-	140,476
Information technology equipment	117,399	4,586	-	121,985
Computer software	6,838	-	-	6,838
Motor vehicles	81,043	550	2,750	78,843
Total accumulated depreciation	<u>485,058</u>	<u>\$ 43,868</u>	<u>\$ 2,750</u>	<u>526,176</u>
Total governmental activities capital assets, net	<u>\$ 197,823</u>			<u>\$ 169,822</u>

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

Facilities	\$ 21,352
Basic instruction	13,047
Operation of plant	6,796
Exceptional instruction	870
Transportation	550
Food services	499
School administration	489
Fiscal services	265
	<u>\$ 43,868</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE D - 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:

<u>Sources</u>	<u>Amounts</u>
Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 3,057,624
Class size reduction	925,990
Discretionary local effort	282,530
SAI funds	236,264
Transportation	182,614
ESE allocation	90,211
Instructional materials allocation	63,071
Other FEFP	15,947
Discretionary tax compression	15,395
Proration to funds available	(14,505)
Administration fee withheld	(28,036)
Subtotal	4,827,105
Capital outlay funds	307,279
A+ bonus	77,533
Florida teachers lead program	9,959
Total revenue sources passed through the School Board of Okaloosa County, Florida	5,221,876
Student fees	164,077
Lunch program	138,699
National school lunch program	76,687
Federal impact aid	72,378
Other revenues	37,655
Donations	29,832
Interest income	195
	<u>\$ 5,741,399</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 \$820,792 and of that amount, \$307,279 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. The current expense for the use of the land totaled \$25,000.

The following is a schedule of future minimum lease payments for the years ending June 30:

2014	\$ 828,832
2015	830,636
2016	832,477
2017	834,354
2018	836,269
	<hr/>
	\$ 4,162,568

NOTE F - 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 mandatory 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 employee to contribute 3% and for the employer to pay all remaining contributions based upon state-wide rates established by the State of Florida. During the 2012 - 2013 school year, the School contributed an average of 5.1% of each qualified regular employee's gross salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year. The School's contribution for the years ended June 30, 2013, 2012, and 2011 were \$168,114, \$148,115, and \$341,790, respectively. Contributions represented 5.1%, 4.64%, and 10.65% of covered payroll for the years ended June 30, 2013, 2012, and 2011, respectively.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE F - RETIREMENT PLAN (continued)

3. Benefit provisions

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

a. Members enrolled before July 1, 2011

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

b. Members enrolled on or after July 1, 2011

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

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.

NOTE G - RELATED PARTY

The Okaloosa County School District, Florida provided staffing and psychological services to the School. The District valued these services at approximately \$21,000. 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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School's liability is \$2,500 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2013. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 6, 2013, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal impact aid	\$ 65,000	\$ 67,500	\$ 72,378	\$ 4,878
FTE revenue	4,781,436	4,827,170	4,827,105	(65)
Admin fee - high performing	41,923	-	-	-
Lead teacher fund	9,959	9,959	9,959	-
A+ bonus funds	-	77,533	77,533	-
Rent	-	-	5,792	5,792
Interest	600	-	195	195
Before/after school program	164,000	164,000	164,077	77
Donations	10,000	30,000	15,146	(14,854)
Miscellaneous	25,000	30,000	46,549	16,549
Total revenues	<u>5,097,918</u>	<u>5,206,162</u>	<u>5,218,734</u>	<u>12,572</u>
Expenditures				
Salaries	3,382,704	3,350,000	3,229,709	120,291
A+ bonus funds	-	72,037	89,176	(17,139)
Retirement	172,277	172,277	163,654	8,623
FICA	258,777	264,288	250,926	13,362
Health/dental/life insurance	268,000	260,000	244,573	15,427
Workers compensation	22,620	25,742	23,509	2,233
Unemployment compensation	22,000	24,000	22,206	1,794
Contracted services	-	6,800	5,130	1,670
Accounting/auditing services	10,500	10,700	10,700	-
Staff development (SFA)	8,150	8,040	8,240	(200)
Legal services	1,000	1,000	-	1,000
Staff development (Inc. IB)	13,600	2,500	-	2,500
Staff development other	2,000	3,500	5,420	(1,920)
Other contracted services-SRO	-	23,552	23,549	3
Other contracted services	1,000	1,000	-	1,000
Insurance	40,000	40,000	39,449	551
Field trips	700	-	-	-
Travel	-	12,200	9,674	2,526
Repairs and maintenance	14,000	15,000	11,358	3,642
Instrument repair	1,000	1,000	-	1,000
Bus maintenance	20,000	20,000	16,042	3,958
Computer repair	6,000	6,000	-	6,000
Inspections/fire alarm	2,000	2,300	2,259	41
Copier lease	14,000	16,000	15,423	577
Rent	562,575	514,254	513,513	741
Land lease	30,000	30,000	30,000	-
Storage facility lease	4,000	6,100	5,698	402
Water cooler lease	230	300	285	15
Postage	4,000	4,000	3,438	562
Telephone	2,500	2,500	2,511	(11)

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Cell phones/radios	4,850	5,600	5,399	201
Internet service	5,016	2,533	2,533	-
Water and sewer	8,500	9,000	8,941	59
Garbage	6,000	7,000	6,655	345
Printing (incl advertising)	6,750	10,500	10,402	98
Pest control	750	1,500	1,490	10
Security system	750	750	438	312
Lawn service	5,340	5,340	5,340	-
Other non-professional services	3,800	4,700	4,334	366
Electricity	86,000	80,000	69,981	10,019
Gas	30,000	34,000	33,864	136
Supplies	81,750	90,000	80,332	9,668
Instructional materials	73,812	73,812	69,695	4,117
Breakfast/lunch/milk	-	-	3,083	(3,083)
Library reference books	1,400	2,800	2,275	525
Audio visual equipment	100	500	433	67
Equipment	5,114	20,500	20,107	393
Computers	19,095	43,500	32,585	10,915
Bus purchase	-	9,500	-	9,500
Improvements other than building	-	8,000	4,060	3,940
Remodeling/renovations	15,000	15,500	15,132	368
Software	43,203	36,000	34,345	1,655
Fees	22,500	25,500	22,696	2,804
Substitutes	60,000	84,000	79,219	4,781
Total expenditures	<u>5,343,363</u>	<u>5,465,625</u>	<u>5,239,781</u>	<u>225,844</u>
Excess (deficiency) of revenues over (under) expenditures	(245,445)	(259,463)	(21,047)	238,416
Other financing sources and (uses)				
Insurance loss recovery	-	8,300	8,720	420
Sale of assets	-	1,900	1,900	-
Transfer out	-	-	(38,873)	(38,873)
Net changes in fund balances	(245,445)	(249,263)	(49,300)	199,963
Fund balance at July 1, 2012	<u>554,424</u>	<u>554,424</u>	<u>554,424</u>	<u>-</u>
Fund balance at June 30, 2013	<u>\$ 308,979</u>	<u>\$ 305,161</u>	<u>\$ 505,124</u>	<u>\$ 199,963</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay revenues	\$ 267,300	\$ 307,000	\$ 307,279	\$ 279
Expenditures				
Rent	267,300	307,000	307,279	(279)
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2012	-	-	-	-
Fund balance at June 30, 2013	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2013

NOTE A - BUDGETARY INFORMATION

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2013, 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.

**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.
Fort Walton Beach, 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, the aggregate remaining fund information, and each fiduciary fund type of the School of Liza Jackson Preparatory School, Inc., (the "School") a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 6, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

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

Purpose of this Report

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

September 6, 2013
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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

We have audited the financial statements of Liza Jackson Preparatory School, Inc., a component unit of the Okaloosa County School District, Florida, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated September 6, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 6, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is *Liza Jackson Preparatory School, Inc.*
- Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General (for charter schools and centers only), we applied financial condition assessment procedures. It is management's responsibility to monitor the (name of entity)'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

September 6, 2013
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS

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

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