

**LIZA JACKSON
PREPARATORY
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matters

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

October 29, 2015
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, 2015 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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 were less than its liabilities at the close of the most recent fiscal year by \$1,019,787 (net position).
- The School's total net position increased by \$161,535.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$558,963, an increase of \$37,904 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$386,815.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 8 through 14 of this report.

The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found on pages 38 through 39 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 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 less than liabilities by \$1,019,787 and \$1,181,322 (net position) for the years ended June 30, 2015 and 2014, respectively.

The largest portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its net investment in capital assets (e.g., improvements other than buildings, furniture, fixture, and equipment, information technology equipment, computer software, and motor vehicles). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets totaled \$195,329 at June 30, 2015.

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

	<u>2015</u>	<u>2014</u>	<u>Change</u>
ASSETS			
Current assets	\$ 740,906	\$ 683,001	\$ 57,905
Capital assets - net	195,329	209,295	(13,966)
Total assets	<u>936,235</u>	<u>892,296</u>	<u>43,939</u>
Deferred outflows of resources	688,725	197,695	491,030
LIABILITIES			
Current liabilities	181,943	161,942	20,001
Noncurrent liabilities	1,498,824	2,109,371	(610,547)
Total liabilities	<u>1,680,767</u>	<u>2,271,313</u>	<u>(590,546)</u>
Deferred inflows of resources	963,980	-	963,980
NET POSITION			
Net investment in capital assets	195,329	209,295	(13,966)
Unrestricted	<u>(1,215,116)</u>	<u>(1,390,617)</u>	<u>175,501</u>
Total net position	<u>\$ (1,019,787)</u>	<u>\$ (1,181,322)</u>	<u>\$ 161,535</u>

The increase in current assets is primarily due to an increase in the School's cash balance caused by timing of inflows and outflows. The decrease in capital assets is caused by the current year depreciation. The increase of deferred outflows of resource is due to the contribution made to the pension plan subsequent to the measurement period along with other timing differences. The increase in the liabilities is due to the increase in the accrued payroll and related expenses and accounts payable resulting from timing of payments at year end. The increase in deferred inflows of resources are the timing of net pension liability not included in pension expense. The change in the net investment in capital assets decreased in proportion to depreciation charged to capital assets. The unrestricted net position increased due to a positive current year change in net position.

Changes in the School's revenues were as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 332,179	\$ 279,580	\$ 52,599
Operating grants and contributions	518,284	676,220	(157,936)
General revenues:			
State passed through local school district	5,389,743	4,969,077	420,666
Federal impact aid	80,619	73,607	7,012
Other revenues	84,549	53,668	30,881
Total revenues	<u>\$ 6,405,374</u>	<u>\$ 6,052,152</u>	<u>\$ 353,222</u>

The increase in the operating grants and contributions is attributable to an increase price and population for student lunches and before/after care increase students using the program. The state passed through local school district increased mainly as a result of the FEFP base student allocation in fiscal year 2015. Other revenues increased due to donations and student activities.

Changes in the School's expenses were as follows:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Expenses:			
Basic instruction	\$ 3,285,532	\$ 3,091,069	\$ 194,463
Exceptional instruction	121,331	129,355	(8,024)
Guidance services	-	5,464	(5,464)
Health services	57,054	55,490	1,564
Media services	55,364	55,647	(283)
Curriculum development	161,832	175,947	(14,115)
Staff development	20,250	13,311	6,939
Board	14,299	20,868	(6,569)
General administration	2,855	-	2,855
School administration	456,121	486,430	(30,309)
Facilities	601,696	67,593	534,103
Fiscal services	177,451	175,986	1,465
Food services	280,148	213,217	66,931
Staff services	26,934	30,336	(3,402)
Transportation	206,999	225,918	(18,919)
Operation of plant	655,485	1,126,937	(471,452)
Maintenance of plant	6,229	16,926	(10,697)
Administrative technology	20,106	18,694	1,412
Community services	94,153	87,556	6,597
Total expenses	<u>\$ 6,243,839</u>	<u>\$ 5,996,744</u>	<u>\$ 247,095</u>

The increase in expenses related to basic instruction is due to the rising cost of group insurance, cost related to retirement with the Florida Retirement System, and the purchase of computer software. The increase and decrease in the respective facilities and operation of plant accounts are due to the reclassification of management fee between the two functions.

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 \$558,963. The general fund is the chief operating fund of those funds which included a total amount \$386,815 of unassigned fund balance, which is the amount available for spending at the government's discretion.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs.

The Statement of Fiduciary Assets and Liabilities can be found on page 14 of this report.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$1,996 while budgeted expenditures exceeded actual expenditures by \$154,219.

The budgetary information can be found on pages 38 through 40 of this report.

Capital Asset and Debt Administration

Capital assets. The School's net investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$195,329 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, furniture, fixtures and equipment, information technology equipment, computer software, and motor vehicles.

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 at approximately 842 students for the 2015/2016 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 Cutoff NW, Fort Walton Beach, FL 32548.

Liza Jackson Preparatory School, Inc.

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 528,577
Accounts receivable	10,323
Due from other agencies	29,858
Prepaid expenses	127,148
Deposits	45,000
Total current assets	740,906
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Improvements other than buildings	177,780
Furniture, fixtures and equipment	5,126
Information technology equipment	3,040
Motor vehicles	9,383
Total capital assets	195,329
Total assets	936,235
DEFERRED OUTFLOWS OF RESOURCES	
Deferred assumptions, contributions, and experience	688,725
Total deferred outflow of resources	688,725
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	21,268
Accrued payroll and related expenses	145,516
Due to agency fund	15,159
Noncurrent Liabilities	
Net pension liabilities	1,498,824
Total liabilities	1,680,767
DEFERRED INFLOWS OF RESOURCES	
Deferred change in proportion (NPL), contributions, experience, and investments	963,980
Total deferred inflow of resources	963,980
NET POSITION	
Net investment in capital assets	195,329
Unrestricted	(1,215,116)
Total net position	\$ (1,019,787)

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 3,285,532	\$ -	\$ 111,911	\$ -	\$ (3,173,621)
Exceptional instruction	121,331	-	-	-	(121,331)
Health services	57,054	-	-	-	(57,054)
Media services	55,364	-	-	-	(55,364)
Curriculum development	161,832	-	-	-	(161,832)
Staff development	20,250	-	-	-	(20,250)
Board	14,299	-	-	-	(14,299)
General administration	2,855	-	-	-	(2,855)
School administration	456,121	-	-	-	(456,121)
Facilities	601,696	-	-	-	(601,696)
Fiscal services	177,451	-	-	-	(177,451)
Food services	280,148	121,985	86,714	-	(71,449)
Staff services	26,934	-	-	-	(26,934)
Transportation	206,999	-	-	-	(206,999)
Operation of plant	655,485	-	319,659	-	(335,826)
Maintenance of plant	6,229	-	-	-	(6,229)
Administrative technology	20,106	-	-	-	(20,106)
Community services	94,153	210,194	-	-	116,041
Total governmental activities	<u>\$ 6,243,839</u>	<u>\$ 332,179</u>	<u>\$ 518,284</u>	<u>\$ -</u>	<u>(5,393,376)</u>
		General revenues:			
		State passed through local			5,389,743
		Federal impact aid			80,619
		Donations			27,816
		Interest income			755
		Other revenues			55,978
		Total general revenues			<u>5,554,911</u>
		Change in net position			161,535
		Net position at July 1, 2014			<u>(1,181,322)</u>
		Net position at June 30, 2015			<u>\$ (1,019,787)</u>

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

Liza Jackson Preparatory School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 528,577	\$ -	\$ -	\$ 528,577
Accounts receivable	10,323	-	-	10,323
Due from other agencies	29,858	-	-	29,858
Prepaid expenses	127,148	-	-	127,148
Deposits	45,000	-	-	45,000
Total assets	<u>\$ 740,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,906</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 21,268	\$ -	\$ -	\$ 21,268
Accrued payroll and related expenses	145,516	-	-	145,516
Due to agency fund	15,159	-	-	15,159
Total liabilities	<u>181,943</u>	<u>-</u>	<u>-</u>	<u>181,943</u>
FUND BALANCES				
Nonspendable				
Prepaid expenses	127,148	-	-	127,148
Deposits	45,000	-	-	45,000
Unassigned	386,815	-	-	386,815
Total fund balances	<u>558,963</u>	<u>-</u>	<u>-</u>	<u>558,963</u>
Total liabilities and fund balances	<u>\$ 740,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,906</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 POSITION

June 30, 2015

Fund balances - total governmental funds \$ 558,963

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	\$ 177,780	
Furniture, fixtures and equipment, net	5,126	
Information technology equipment, net	3,040	
Motor vehicles, net	9,383	
Total capital assets		195,329

Deferred amounts are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the funds. Those deferred amounts consist of:

Deferred assumptions, contributions, change in proportion (NPL), and experience	688,725	
Deferred change in proportion (NPL), contributions, experience, and investments	(963,980)	
Total deferred outflows (inflows)		(275,255)

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Net pension liabilities	(1,498,824)
Total net position of governmental activities	<u>\$ (1,019,787)</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, 2015

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 86,714	\$ 86,714
State passed through local school district	5,500,474	319,659	1,180	5,821,313
Federal impact aid	80,619	-	-	80,619
Lunch program	-	-	123,143	123,143
Student fees	209,036	-	-	209,036
Donations	27,816	-	-	27,816
Interest income	755	-	-	755
Other revenues	11,843	-	-	11,843
Miscellaneous revenues	44,135	-	-	44,135
Total revenues	5,874,678	319,659	211,037	6,405,374
Expenditures				
Current:				
Basic instruction	3,322,804	-	-	3,322,804
Exceptional instruction	125,627	-	-	125,627
Health services	60,195	-	-	60,195
Media services	58,495	-	-	58,495
Curriculum development	175,818	-	-	175,818
Staff development	20,438	-	-	20,438
Board	14,299	-	-	14,299
General administration	2,855	-	-	2,855
School administration	484,058	-	-	484,058
Total governmental activities	568,517	-	-	568,517
Fiscal services	191,227	-	-	191,227
Food services	-	-	285,532	285,532
Staff services	26,934	-	-	26,934
Transportation	211,987	-	-	211,987
Operation of plant	337,888	319,659	-	657,547
Maintenance of plant	6,229	-	-	6,229
Administrative technology	23,902	-	-	23,902
Community services	96,589	-	-	96,589
Fixed capital outlay	34,417	-	-	34,417
Total expenditures	5,762,279	319,659	285,532	6,367,470
Excess (deficiency) of revenues over (under) expenditures	112,399	-	(74,495)	37,904
Other financing sources and (uses)				
Transfers in	-	-	74,495	74,495
Transfers out	(74,495)	-	-	(74,495)
Net change in fund balances	37,904	-	-	37,904
Fund balances at July 1, 2014	521,059	-	-	521,059
Fund balances at June 30, 2015	\$ 558,963	\$ -	\$ -	\$ 558,963

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, 2015

Net change in fund balances - total governmental funds		\$	37,904
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	\$	34,417	
Depreciation		<u>(48,383)</u>	(13,966)
Some expenses reported in the Statement of Activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds			
Increase in pension expense		<u>137,597</u>	<u>137,597</u>
Change in net position of governmental activities			<u>\$ 161,535</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, 2015

		Internal Activity Fund
	ASSETS	
Due from general fund		\$ 15,159
Total assets		<u>\$ 15,159</u>
	LIABILITIES	
Due to internal activities		\$ 15,159
Total liabilities		<u>\$ 15,159</u>

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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: net investment 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, 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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds 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, 2015

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, 2015

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 general fund owed the agency fund \$15,159.

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 other governmental funds transferred \$74,495 to the general fund.

7. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, 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, 2015

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, 2015

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. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all its tax positions are more likely than not to be sustained upon examination.

The School files Form 990 in the U.S. federal jurisdiction. The School is generally no longer subject to examination by the Internal Revenue Service for years ending before June 30, 2011.

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. No other fund except the General Fund can report positive amounts of unassigned fund balance.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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. Accounting and financial reporting for pensions

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

14. Restatement of prior year balances

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

NOTE B - CASH

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The bank balances of the School's deposits were \$688,480 at June 30, 2015. 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, 2015, the School's deposits were not exposed to custodial credit risk.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated:				
Construction in progress	\$ 4,060	\$ -	\$ 4,060	\$ -
Capital assets depreciated:				
Improvements other than buildings	390,857	38,477	-	429,334
Furniture, fixtures and equipment	154,050	-	-	154,050
Information technology equipment	130,261	-	-	130,261
Computer software	6,838	-	-	6,838
Motor vehicles	92,918	-	-	92,918
Total assets depreciated	<u>774,924</u>	<u>\$ 38,477</u>	<u>\$ -</u>	<u>813,401</u>
Less accumulated depreciation:				
Improvements other than buildings	211,663	\$ 39,891	\$ -	251,554
Furniture, fixtures and equipment	145,737	3,187	-	148,924
Information technology equipment	124,731	2,490	-	127,221
Computer software	6,838	-	-	6,838
Motor vehicles	80,720	2,815	-	83,535
Total accumulated depreciation	<u>569,689</u>	<u>\$ 48,383</u>	<u>\$ -</u>	<u>618,072</u>
Total governmental activities capital assets, net	<u>\$ 209,295</u>			<u>\$ 195,329</u>

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

Facilities	\$ 33,179
Basic instruction	4,605
Operation of plant	6,369
Transportation	2,815
Food services	499
School administration	916
	<u>\$ 48,383</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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:

Sources	Amounts
Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 3,555,013
Class size reduction	959,644
Discretionary local effort	302,286
Supplemental academic instruction	240,825
Transportation	198,616
ESE allocation	85,980
Instructional materials allocation	62,277
Other FEFP	15,861
Discretionary tax compression	28,353
Proration to funds available	(31,586)
Discretionary lottery	2,938
ESE apps instructional materials allocation	345
Administration fee withheld	(30,809)
Subtotal	5,389,743
Capital outlay funds	319,659
A+ bonus	82,420
Florida teachers lead program	14,420
Digital classroom allocation	13,891
Total revenue sources passed through the School Board of Okaloosa County, Florida	5,820,133
Student fees	210,194
Lunch program	121,985
National school lunch program	87,894
Federal impact aid	80,619
Other revenues	55,978
Miscellaneous revenues	-
Donations	27,816
Interest income	755
	\$ 6,405,374

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 and facilities totaled \$848,176 and of that amount, \$319,659 was funded by capital outlay.

The School entered into a 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 \$40,000.

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

2016	\$	848,006
2017		849,906
2018		851,784
2019		853,699
	\$	<u>3,403,395</u>

NOTE F - RETIREMENT PLAN

1. Plan description

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

2. Participation

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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RETIREMENT PLAN (continued)

3. 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 2014 - 2015 school year, the School contributed an average of 7.37% of each qualified regular employee's gross salary. The contributions, funded on a pay-as-you-go basis, were equal to the actuarially determined contribution requirements for each year. The School's contribution for the years ended June 30, 2015, 2014, and 2013 were \$271,841, \$244,707, and \$168,114, respectively. Contributions represented 7.37%, 6.95%, and 5.18% of covered payroll for the years ended June 30, 2015, 2014, and 2013, respectively.

4. Benefit provisions

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

a. Members enrolled before July 1, 2011

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

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.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F - RETIREMENT PLAN (continued)

4. Benefit provisions (continued)

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

5. Financial report of the plan

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

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

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

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

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

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

6. Fiduciary net position

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY

1. Net pension liability

At June 30, 2015, the School reported a liability of \$1,498,824 for its net pension liability. The components of the collective net pension liability of the School for each defined benefit plan for the measurement date of June 30, 2014, are shown below (in thousands):

	FRS	HIS	Total
Total Pension Liability	\$ 11,332,983	\$ 1,066,443	\$ 12,399,426
Plan Fiduciary Net Position	(10,890,056)	(10,546)	(10,900,602)
Net Pension Liability	\$ 442,927	\$ 1,055,897	\$ 1,498,824

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.09%	0.99%	87.91%
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The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2014. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

2. Basis for allocation

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

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

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

2. Basis for allocation (continued)

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

The School's proportionate share amount of the collective pension liability is .007259346% for FRS and .011292724% for HIS, respectively.

3. Actuarial methods and assumptions

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

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

The following changes in actuarial assumptions occurred in 2014:

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

3. Actuarial methods and assumptions (continued)

- HIS: The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

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

Allocation of Assets at Market Values Florida Retirement System		
Asset Category	Target Allocation July 1, 2014	Expected Real Rate of Return
Stocks	70.95%	*
Bonds	22.69%	*
Real estate	6.61%	*
Temporary investments	3.09%	*
Cash	1.15%	*
Other (included receivables & payables)	-4.49%	*
Total percentage	100%	*

* Information was not provided in the actuarial report

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

4. Sensitivity analysis

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE G - NET PENSION LIABILITY (continued)

4. Sensitivity analysis (continued)

FRS Net Pension Liability

1% Decrease	Current Discount Rate	1% Increase
6.65%	7.65%	8.65%
\$ 1,894,457	\$ 442,927	\$ (764,469)

HIS Net Pension Liability

1% Decrease	Current Discount Rate	1% Increase
6.65%	7.65%	8.65%
\$ 1,200,998	\$ 1,055,897	\$ (934,780)

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

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

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

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

	<u>Florida Retirement System</u>				
	Recognized in Expense Reporting Period Ended June 30, 2015	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 163,824	Current	\$ -	\$ -	\$ 163,824
Interest cost	834,093	Current	-	-	834,093
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains of losses (difference between expected and actual experience)	(5,172)	6.3 years	-	(27,410)	(32,582)
Effect of assumptions changes or inputs	14,473	6.3 years	76,708	-	91,181
Member contributions	(49,546)	Current	-	-	(49,546)
Projected investment earnings	(732,428)	Current	-	-	(732,428)
Changes in proportion and difference between contributions and proportionate share of contributions	-	6.3 years	61,200	(61,200)	-
Net difference between projected and actual investment earnings	(184,719)	5 years	-	(738,875)	(923,594)
Administrative expenses	1,332	Current	-	-	1,332
Totals	\$ 41,857		\$ 137,908	\$ (827,485)	\$ (647,720)

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

	<u>Health Insurance Subsidy</u>				
	Recognized in Expense Reporting Period Ended June 30, 2015	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 21,498	Current	\$ -	\$ -	\$ 21,498
Interest cost	46,290	Current	-	-	46,290
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains of losses (difference between expected and actual experience)	-	7.2 years	37,573	-	37,573
Effect of assumptions changes or inputs	6,060	7.2 years	-	-	6,060
Member contributions	-	Current	-	-	-
Projected investment earnings	(658)	Current	20,169	(20,169)	(658)
Changes in proportion and difference between contributions and proportionate share of contributions	-	7.2 years	507	-	507
Net difference between projected and actual investment earnings	127	5 years	-	-	127
Administrative expenses	5	Current	-	-	5
Totals	<u>\$ 73,322</u>		<u>\$ 58,249</u>	<u>\$ (20,169)</u>	<u>\$ 111,402</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

Reporting Period Ending June 30,	<u>FRS Expense</u>	<u>HIS Expense</u>
2016	\$ (175,417)	\$ 6,187
2017	(175,417)	6,187
2018	(175,417)	6,187
2019	(175,417)	6,187
2020	9,301	6,060
Thereafter	<u>2,790</u>	<u>7,272</u>
Totals	<u>\$ (689,577)</u>	<u>\$ 38,080</u>

NOTE I - RELATED PARTY

The Okaloosa County School District, Florida provided staffing and psychological services to the School. The District valued these services at approximately \$21,548. 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 J - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School's liability is \$2,500 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2015. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K - SUBSEQUENT EVENTS

The School has evaluated subsequent events through October 29, 2015, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

On July 1, 2015, the School entered into a grounds lease with the City of Fort Walton Beach to construct a new facility and repair the existing building for educational and recreational purposes. The School, under the lease, will bear the cost for repairing and maintaining the existing facility and constructing of the new facility on the land for the benefit of the community. The term of the lease will commence on July 1, 2015 and end on September 30, 2045 for an initial term of thirty years. The School will pay rent of \$1 per year for the first payment to be paid in full upon execution of the lease and subsequent payments of \$1 on the first day of October during the first three year of the lease. Beginning in the fourth year, the base rent will increase to \$60,000 per year and be payable on a monthly basis of \$5,000 per month due the first of each month. On July 1, 2031, the base rent will increase to \$63,000 and on July 1, 2046, the rent will increase to \$66,150, respectively.

In connection with the repair requirement of the lease, the School, on July 14, 2015, executed an agreement with a third party to perform repair service on the existing facilities roof, skylights, and drainage system. The amount of the contract is \$30,773 and has a 5 year limited warranty on the services performed.

REQUIRED SUPPLEMENTARY INFORMATION

Liza Jackson Preparatory School, Inc.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School's proportion of the net pension liability (asset)	0.007259346%	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset)	\$ 442,927	-	-	-	-	-	-	-	-	-
School's covered-employee payroll	\$ 3,720,407	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.91%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	96.09%	-	-	-	-	-	-	-	-	-

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

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

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

See note to required supplementary information.

Liza Jackson Preparatory School, Inc.

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
School's proportion of the net pension liability (asset)	0.011292724%	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset)	\$ 1,055,897	-	-	-	-	-	-	-	-	-
School's covered-employee payroll	\$ 3,720,407	-	-	-	-	-	-	-	-	-
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.38%	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	0.99%	-	-	-	-	-	-	-	-	-

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

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

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

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal impact aid	\$ 75,000	\$ 81,000	\$ 80,619	\$ (381)
FTE revenue	5,422,680	5,389,743	5,389,743	-
Lead teacher fund	14,281	14,420	14,420	-
A+ bonus funds	-	82,420	82,420	-
Digital instruction	-	13,891	13,891	-
Interest	-	-	755	755
Before/after school program	165,000	210,200	209,036	(1,164)
SFA Grant	-	12,000	11,843	(157)
Donations	20,000	28,000	27,816	(184)
Miscellaneous	30,000	45,000	44,135	(865)
Total revenues	5,726,961	5,876,674	5,874,678	(1,996)
Expenditures				
Current				
Salaries	3,661,039	3,665,000	3,632,767	32,233
A+ bonus funds	-	82,420	22,289	60,131
Retirement	257,664	275,000	265,958	9,042
FICA	285,070	290,000	279,217	10,783
Health/dental/life insurance	315,000	335,000	319,294	15,706
Workers compensation	30,336	25,155	25,155	-
Unemployment compensation	16,000	8,500	7,486	1,014
Accounting/auditing services	10,700	10,900	10,900	-
Staff development (SFA)	10,185	10,185	10,185	-
Legal services	1,000	1,000	500	500
Staff development (Inc. IB)	5,200	125	125	-
Staff development other	2,910	7,620	7,620	-
Insurance	44,400	46,500	46,398	102
Travel	4,700	7,500	3,907	3,593
Repairs and maintenance	19,000	20,000	15,658	4,342
Instrument repair	2,000	-	-	-
Bus maintenance	23,000	18,500	17,461	1,039
Computer repair	1,000	-	-	-
Inspections/fire alarm	2,600	100	60	40
Copier lease	16,000	14,500	13,304	1,196
Rent	548,176	528,517	528,517	-
Land lease	40,000	40,000	40,000	-
Storage facility lease	6,300	5,818	5,798	20
Water cooler lease	300	500	379	121
Postage	4,000	4,000	3,396	604
Telephone	2,600	4,300	4,254	46

Continued on next page

See accompanying note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Cell phones/radios	5,600	5,700	5,640	60
Internet service	2,533	4,320	4,153	167
Water and sewer	9,000	9,600	9,568	32
Garbage	7,000	6,100	6,055	45
Printing (incl advertising)	12,750	11,000	10,513	487
Pest control	1,750	2,030	2,030	-
Security system	750	1,500	1,479	21
Lawn service	5,900	5,400	5,340	60
Other non-professional services	5,000	5,200	4,834	366
Electricity	75,000	80,000	77,041	2,959
Gas	34,000	30,000	28,507	1,493
Supplies	90,000	80,000	78,762	1,238
Instructional materials	60,702	45,000	40,963	4,037
Periodicals	208	208	-	208
Breakfast/lunch/milk	-	-	3,632	(3,632)
Library reference books	2,800	800	665	135
Audio visual equipment	500	500	-	500
Equipment	15,817	14,000	13,746	254
Computers	18,937	30,000	28,201	1,799
Improvements other than building	2,000	-	-	-
Remodeling/renovations	37,625	35,000	34,417	583
Software	35,300	51,000	50,309	691
Fees	25,000	25,000	24,968	32
Substitutes	67,000	73,000	70,828	2,172
Total expenditures	<u>5,824,352</u>	<u>5,916,498</u>	<u>5,762,279</u>	<u>154,219</u>
Excess (deficiency) of revenues over (under) expenditures	(97,391)	(39,824)	112,399	152,223
Other financing sources and (uses)				
Transfer out	-	-	(74,495)	(74,495)
Net changes in fund balances	(97,391)	(39,824)	37,904	77,728
Fund balance at July 1, 2014	<u>521,059</u>	<u>521,059</u>	<u>521,059</u>	<u>-</u>
Fund balance at June 30, 2015	<u>\$ 423,668</u>	<u>\$ 481,235</u>	<u>\$ 558,963</u>	<u>\$ 77,728</u>

See accompanying note to required supplementary 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay revenues	\$ 300,000	\$ 319,659	\$ 319,659	\$ -
Expenditures				
Rent	300,000	319,659	319,659	-
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2014	-	-	-	-
Fund balance at June 30, 2015	\$ -	\$ -	\$ -	\$ -

See accompanying note to required supplementary information.

Liza Jackson Preparatory School, Inc.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

NOTE A - NET PENSION LIABILITY INFORMATION

1. Changes of benefit terms

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

2. Changes of assumptions

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

NOTE B - BUDGETARY INFORMATION

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for 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, 2015, 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.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 29, 2015 .

Internal Control Over Financial Reporting

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

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

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

Compliance and other matters

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

Purpose of this Report

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

October 29, 2015
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

Report on the Financial Statements

We have audited the financial statements of Liza Jackson Preparatory School, Inc. (the "School"); a component unit of the Okaloosa County School District, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated October 29, 2015.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated October 29, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, the School did not have prior year findings.

Official Title

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

Financial Condition

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

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

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

October 29, 2015
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS

For the ended June 30, 2015 and June 30, 2014, there were no audit findings, recommendations, or responses.