

Liza Jackson Preparatory School, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report of 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, 2017, 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 the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2017, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

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, 2017, 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.

McDonough CPA Solutions, PA

September 6, 2017
Melbourne, Florida

Management's Discussion and Analysis

As management of 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, 2017 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 (d) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements, as listed in the table of contents.

Financial Highlights

- The assets of the School were less than its liabilities at the close of the most recent fiscal year by \$1,053,269.
- The School's total net position decreased by \$111,932.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$650,760.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$650,760.

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 basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental 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 (assets, liabilities, and deferred outflows/inflows of resources) 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, liabilities, and deferred outflows/inflows of resources with the difference 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 governmental-wide financial statements can be found listed on the table of contents 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government 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 the 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 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 listed on the table of contents in 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 listed in the table of contents in 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 listed on the table of contents in this report.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a School's financial position. In the case of the School, assets were less than liabilities by \$1,053,269 and \$941,337 (deficit net position) for the years ended June 30, 2017 and 2016, respectively.

A large 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., building and equipment, improvements other than buildings, furniture, fixtures 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 \$365,784 at June 30, 2017.

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

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 769,621	\$ 715,912	\$ 53,709
Capital assets - net	<u>365,784</u>	<u>329,219</u>	<u>36,565</u>
Total assets	<u>1,135,405</u>	<u>1,045,131</u>	<u>90,274</u>
Deferred outflows of resources	<u>1,383,414</u>	<u>705,401</u>	<u>126,839</u>
LIABILITIES			
Current liabilities	118,861	166,252	(47,391)
Noncurrent liabilities	<u>3,399,946</u>	<u>2,260,174</u>	<u>1,139,772</u>
Total liabilities	<u>3,518,807</u>	<u>2,426,426</u>	<u>1,092,381</u>
Deferred inflows of resources	<u>53,281</u>	<u>265,443</u>	<u>(212,162)</u>
NET POSITION			
Net investment in capital assets	365,784	329,219	36,565
Unrestricted	<u>(1,419,053)</u>	<u>(1,270,556)</u>	<u>(148,497)</u>
Total net position	<u><u>\$ (1,053,269)</u></u>	<u><u>\$ (941,337)</u></u>	<u><u>\$ (111,932)</u></u>

The increase in noncurrent liabilities is due to the increase in the School's net pension liability and an increase in accrued rent. The changes in deferred outflows and inflows of resources are due to the changes in assumptions, experience, investments, employer specific changes and subsequent contributions to the measurement date. Unrestricted net position decreased mainly due to the increase in pension expense.

Changes in the School's revenues were as follows:

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Revenues			
Program revenues			
Charges for services	\$ 445,744	\$ 398,989	\$ 46,755
Operating grants and contributions	321,541	281,602	39,939
Capital grants and contributions	238,807	291,823	(53,016)
General revenues	<u>5,888,969</u>	<u>5,812,816</u>	<u>76,153</u>
	<u><u>\$ 6,895,061</u></u>	<u><u>\$ 6,785,230</u></u>	<u><u>\$ 63,076</u></u>

The increase in the charges for services is attributable to an increase in the School's summer program. The increase in operating grants and contributions and general revenue is due to an increase in state funding. The decrease in capital grants and contributions was due to the decrease in capital outlay funding.

Changes in the School's expenses were as follows:

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Basic instruction	\$ 3,701,469	3,426,616	\$ 274,853
Exceptional instruction	137,374	144,221	(6,847)
Health services	58,237	61,540	(3,303)
Media services	57,292	61,685	(4,393)
Curriculum development	161,460	180,901	(19,441)
Staff development	14,877	35,012	(20,135)
Board	25,762	19,726	6,036
General administration	-	56,542	(56,542)
School administration	469,592	499,180	(29,588)
Facilities	1,050,806	973,399	77,407
Fiscal services	204,569	203,874	695
Food services	309,367	290,878	18,489
Staff services	50,042	36,556	13,486
Transportation	213,845	173,388	40,457
Operation of plant	376,228	373,606	2,622
Maintenance of plant	18,497	29,085	(10,588)
Administrative technology	26,698	31,870	(5,172)
Community services	130,878	108,701	22,177
	<u>\$ 7,006,993</u>	<u>\$ 6,706,780</u>	<u>\$ 300,213</u>

The increase in expenses related to basic instruction is due to the increase in pension expense. The decrease in general administration and increase in facility expense is due to the reclassification of accrued rent expense between functions. The increase in transportation is due to an increase in the number of bus drivers and repairs to vehicles.

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 \$650,760. The general fund is the chief operating fund of those funds which included a total amount \$650,760 of unassigned fund balance, which is the amount available for spending at the government's discretion.

General Fund Budgetary Highlights

Actual revenues are more than budgeted revenues by \$24,331 while budgeted expenditures exceeded actual expenditures by \$54,345.

The budgetary information can be found listed on the table of contents in this report.

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets for its governmental type activities as of June 30, 2017 amounts to \$365,784 (net of accumulated depreciation). This investment in capital assets includes building and equipment, improvements other than buildings, furniture, fixtures, and equipment, information technology equipment, computer software, and motor vehicles.

Debt and Long-Term Liabilities. At the end of the current fiscal year, the School had an outstanding net pension liability of \$3,289,148 for employee's pension in the Florida Retirement System.

Economic Factor

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 848 students for the 2017/2018 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 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, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 694,117
Accounts receivable	9,403
Due from other agencies	20,601
Deposits	45,500
	769,621
Total current assets	769,621

CAPITAL ASSETS

Capital assets, net of accumulated depreciation:	
Building and Equipment	151,877
Improvements other than buildings	194,212
Furniture, fixtures and equipment	3,877
Information technology equipment	12,065
Vehicles	3,753
	365,784
Total capital assets, net	365,784
Total assets	1,135,405

DEFERRED OUTFLOWS OF RESOURCES

Deferred assumptions, contributions, and experience	1,383,414
	1,383,414

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	7,481
Accrued payroll liabilities	111,380
Long-term liabilities:	
Deferred Rent	110,798
Net Pension Liability	3,289,148
	3,518,807
Total liabilities	3,518,807

DEFERRED INFLOWS OF RESOURCES

Deferred change in proportion (NPL), contributions, experience, and investments	53,281
	53,281

NET POSITION

Net investment in capital assets	365,784
Unrestricted	(1,419,053)
	(1,053,269)
Total net position	\$ (1,053,269)

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, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 3,701,469	\$ -	\$ 209,089	\$ -	\$ (3,492,380)
Exceptional instruction	137,374	-	-	-	(137,374)
Health services	58,237	-	-	-	(58,237)
Media services	57,292	-	-	-	(57,292)
Curriculum development	161,460	-	-	-	(161,460)
Staff development	14,877	-	-	-	(14,877)
Board	25,762	-	-	-	(25,762)
School administration	469,592	-	-	-	(469,592)
Facilities	1,050,806	-	-	238,807	(811,999)
Fiscal services	204,569	-	-	-	(204,569)
Food services	309,367	171,052	112,452	-	(25,863)
Staff services	50,042	-	-	-	(50,042)
Transportation	213,845	-	-	-	(213,845)
Operation of plant	376,228	-	-	-	(376,228)
Maintenance of plant	18,497	-	-	-	(18,497)
Administrative technology	26,698	-	-	-	(26,698)
Community services	130,878	274,692	-	-	143,814
Total governmental activities	\$ 7,006,993	\$ 445,744	\$ 321,541	\$ 238,807	(6,000,901)

General revenues:	
Florida education finance program	5,705,248
Federal impact aid	69,250
Other revenues	114,471
Total general revenues	5,888,969
Change in net position	(111,932)
Net position at July 1, 2016	(941,337)
Net position at June 30, 2017	\$ (1,053,269)

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

Liza Jackson Preparatory School, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 694,117	\$ -	\$ -	\$ 694,117
Accounts receivable	9,403	-	-	9,403
Due from other agencies	-	20,601	-	20,601
Deposits	45,500	-	-	45,500
Due from other funds	20,601	-	-	20,601
Total assets	\$ 769,621	\$ 20,601	\$ -	\$ 790,222
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,481	\$ -	\$ -	\$ 7,481
Accrued payroll liabilities	111,380	-	-	111,380
Due to other funds	-	20,601	-	20,601
Total liabilities	118,861	20,601	-	139,462
 FUND BALANCES				
Unassigned	650,760	-	-	650,760
Total fund balances	650,760	-	-	650,760
Total liabilities and fund balances	\$ 769,621	\$ 20,601	\$ -	\$ 790,222

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
For the year ended June 30, 2017

Fund balance - total governmental funds		\$ 650,760
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	1,101,729	
Accumulated depreciation	<u>(735,945)</u>	365,784
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.		
		1,330,133
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		(3,399,946)
Total net position of governmental activities		<u>\$ (1,053,269)</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, 2017

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state and local	\$ 69,250	\$ -	\$ 111,198	\$ 180,448
State passed through local school district	5,914,337	238,807	1,254	6,154,398
Other revenues	389,163	-	171,052	560,215
Total revenues	<u>6,372,750</u>	<u>238,807</u>	<u>283,504</u>	<u>6,895,061</u>
Expenditures				
Current:				
Basic instruction	3,419,945	-	-	3,419,945
Exceptional instruction	137,374	-	-	137,374
Health Services-Nurse	61,297	-	-	61,297
Library	60,276	-	-	60,276
Curriculum development	170,795	-	-	170,795
Staff development	14,877	-	-	14,877
Board of directors	25,762	-	-	25,762
School administration	493,816	-	-	493,816
Facilities	709,147	238,807	-	947,954
Fiscal services	219,151	-	-	219,151
Food services	-	-	312,361	312,361
Staff services	50,042	-	-	50,042
Transportation	215,563	-	-	215,563
Operation of plant	377,991	-	-	377,991
Maintenance of plant	18,497	-	-	18,497
Administrative technology	32,734	-	-	32,734
Community service	85,870	-	-	85,870
Extended day-summer	48,777	-	-	48,777
Capital outlay	100,879	-	-	100,879
	<u>6,242,793</u>	<u>238,807</u>	<u>312,361</u>	<u>6,793,961</u>
Excess (deficiency) of revenues over (under) expenditures	129,957	-	(28,857)	101,100
Other financing sources and (uses)				
Transfers in	-	-	28,857	28,857
Transfers out	(28,857)	-	-	(28,857)
Total other financing sources and (uses)	<u>(28,857)</u>	<u>-</u>	<u>28,857</u>	<u>-</u>
Net change in fund balance	101,100	-	-	101,100
Fund balances at July 1, 2016	549,660	-	-	549,660
Fund balances at June 30, 2017	<u>\$ 650,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,760</u>

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

Liza Jackson Preparatory School, Inc.
RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

Net change in fund balances - total governmental funds \$ 101,100

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	100,879	
Provision for depreciation	<u>(64,314)</u>	36,565

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

Rent expense	(55,399)	
Pension expense	<u>(194,198)</u>	(249,597)

Change in net position of governmental activities		<u><u>\$ (111,932)</u></u>
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The accompanying notes are an integral part of this financial statement.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 educational services to students of 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 School District, Florida (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, liabilities, and deferred outflows/inflows of resources, 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.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net 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.

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

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

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

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.

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 – is the general operating fund of the School and is used to account for all 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.

4. Cash

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

5. Receivables

The School's receivables consist of receivables from service programs and amounts due from other agencies. After reviewing the individual account balances, the School's management has determined, based on prior experience, 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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the capital outlay fund owed the general fund \$20,601.

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 \$28,857 to the other governmental funds.

7. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2017, 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>
Buildings	10-50
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, 2017

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 the 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 estimate amounts.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 of 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 three years after a return was due or filed.

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.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Fund balance classifications (continued)

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

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

13. Impact of recently issued accounting principles

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, to enhance the transparency and comparability of fair value measurements and disclosures in state and local governments' financial statements. This statement is effective for the School's June 30, 2016 fiscal year end.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, which clarifies certain provisions of GASB No. 68, Accounting and Financial Reporting for Pensions*, and it establishes requirements for defined contribution pensions that was not within the scope of GASB No. 68. This statement is effective for the School's June 30, 2016 fiscal year end.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, which amends GASB Statement No. 14, *The Financial Reporting Entity*, as amended, by addressing the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for the School's June 30, 2016 fiscal year end. Management is currently evaluating the impact of the adoption of this statement on the School's financial statements.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE B – CASH

Cash is made up of deposits and cash on hand totaling \$694,117 at June 30, 2017. The School's deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity.

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets depreciated:				
Building and equipment	\$ 165,684	\$ -	\$ -	\$ 165,684
Improvements other than buildings	441,083	91,170	-	532,253
Furniture, fixtures and equipment	154,050	4,557	-	158,607
Information technology equipment	140,277	5,152	-	145,429
Computer software	6,838	-	-	6,838
Motor vehicles	92,918	-	-	92,918
Total capital assets depreciated	<u>1,000,850</u>	<u>100,879</u>	<u>-</u>	<u>1,101,729</u>
Less accumulated depreciation:				
Building and equipment	2,761	11,046	-	13,807
Improvements other than buildings	293,596	44,445	-	338,041
Furniture, fixtures and equipment	151,287	3,443	-	154,730
Information technology equipment	130,799	2,565	-	133,364
Computer software	6,838	-	-	6,838
Motor vehicles	86,350	2,815	-	89,165
Total accumulated depreciation	<u>671,631</u>	<u>64,314</u>	<u>-</u>	<u>735,945</u>
Total capital assets, net	<u>\$ 329,219</u>	<u>\$ 36,565</u>	<u>\$ -</u>	<u>\$ 365,784</u>

Depreciation expense for the year ended June 30, 2017 was charged to functions of the School as follows:

Basic instruction	\$ 5,030
School administration	916
Facilities	49,894
Food service	363
Transportation	2,815
Operation of plant	5,296
	<u>\$ 64,314</u>

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE D – LONG TERM LIABILITIES

Deferred rent

In the governmental financial statements stated on a full accrual basis of accounting, GASB Statement No. 13 requires escalating leases to be calculated on a straight-line basis.

Terms of the lease (See Note F) specify base rent payments of \$1 for three years, \$60,000 for 13 years, and \$63,000 for the remaining 14 years resulting in the application of the straight-line of \$55,400 per year for the full accrual statements over the life of the 30-year lease. However, the current charter agreement expires June 30, 2021 and the future base rents are only reported through that date. Current general administration allocated \$55,400 to the lease expense on the full accrual statements and \$1 of lease expense on the modified statements, respectively. The related deferred rent liability of \$110,798 was reported on the Statement of Net Position on the full accrual statements in relation to this straight-line obligation.

The annual activity for the accrued rent balance is as follows for the fiscal years ended June 30:

	Full Accrual Basis - Rent Expense	Modified Accrual Basis - Rent Expense	Changes in Outstanding Liability	Outstanding Liability
2016	\$ 55,400	\$ 1	\$ 55,399	\$ 55,399
2017	55,400	1	55,399	110,798
2018	55,400	1	55,399	166,197
2019	55,400	60,000	(4,600)	161,597
2020	55,400	60,000	(4,600)	156,997
2021	55,400	60,000	(4,600)	152,397
	<u>\$ 221,600</u>	<u>\$ 180,001</u>	<u>\$ 41,599</u>	

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE E – CONCENTRATIONS

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:

Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 3,637,754
Class size reduction	952,894
Discretionary local effort	318,364
Discretionary lottery	13,691
Supplemental academic instruction	237,982
ESE guaranteed allocation	106,703
Instructional materials allocation	63,599
Reading instruction	37,936
Other FEFP	16,859
Federally connected students	62,560
Discretionary tax compression	57,653
Student transportation	233,704
Digital classroom	27,077
Florida teacher classroom supply assistance	13,719
Proration to funds available	(1,981)
	<u>5,778,514</u>
Less administration fee	(32,474)
	<u><u>\$ 5,746,040</u></u>

NOTE F – OPERATING LEASES

1. Building 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 \$848,700 and of that amount, \$291,823 was funded by capital outlay.

In addition, 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.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE F – OPERATING LEASES (continued)

1. Building leases (continued)

The School, under the lease, will bear the cost for repairing and maintaining the existing facility and constructing the new facility on the land for the benefit of the community. The term of the lease commenced on July 1, 2015 and ends on September 30, 2045 for an initial term of thirty years. The School paid rent of \$1 per year for the first day of October during the first three years of the lease. Beginning on 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 in the event of an extension of the lease as of July 1, 2046, the rent will increase to \$66,150, respectively. Current year general administration allocation charged to operation a total of \$1 to the rent expense on the modified accrual statements and \$55,400 on the full accrual statements with a related deferred rent liability amount of \$110,798 on the full accrual Statement of Net Position (See Note D).

2. Land lease

The School entered into a lease for the use of land for their playground and equipment in 2011, which expires July 14, 2021. The lease requires an annual payment of \$40,000 each August 1. The current year 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:

2018	\$ 905,831
2019	974,489
2020	983,233
2021	992,066
2022	60,000
Thereafter	180,000
	\$ 4,095,619

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING

Florida Retirement System

General Information – Each qualified and participating employee of the School is included in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services. Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”).

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district with in the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

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

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

1. Pension description (continued)

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

2. Funding policy (continued)

These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, were as follows: Regular – 7.52%; Senior Management Service -21.77%; and DROP participants – 12.99%.

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2016 through June 30, 2017.

The School's contributions, including employee contributions, to the pension plan totaled \$185,314 for the fiscal year ended June 30, 2017.

At June 30, 2016, the School reported a liability of \$ 1,908,023 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportionate share of the net pension liability was based on the School's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.007556502 percent, which was an increase of 3.0 percent from its proportionate share measured as of June 30, 2015.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$314,371. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 146,093	\$ 17,765
Change in assumptions	115,430	-
Net difference between projected and actual earnings on Pension Plan investments	493,201	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	111,226	32,367
School Pension Plan contributions subsequent to the measurement date	185,314	-
	<u>\$ 1,051,264</u>	<u>\$ 50,132</u>

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$185,314 resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2018	\$ 124,950
2019	124,950
2020	317,231
2021	213,776
2022	27,812
Thereafter	7,099
	<u>\$ 815,818</u>

4. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption. Applied to all periods included in the measurement:

Inflation	2.6%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment Expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption for the based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.9%

5. Discount rate

The discount rate used to measure the total pension liability was 7.60%. The pension 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.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

6. Sensitivity of net position liability to changes in the discount rate

The following represents the School’s proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
School's proportionate share of the net pension liability	\$ 3,512,799	\$ 1,908,023	\$ 572,258

7. Pension plan fiduciary net position

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRD Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the School reported zero payable for outstanding contributions to the Pension Plan required for the fiscal year ended June 30, 2017.

NOTE H – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY

Health Insurance Subsidy (HIS)

1. Plan description

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE H – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

1. Plan description (continued)

For the fiscal year ended September 20, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active RS members. For the fiscal year ended June 30, 2017, the HIS contribution for the period July 1, 2016 through June 30, 2017 was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The School's contributions to the HIS Plan totaled \$60,406 for the fiscal year ended June 30, 2017.

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2017, the School reported a liability of \$1,381,125 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportionate share of the net pension liability was based on the School's 2015-2016 fiscal year contributions relative to the 2014-2015 fiscal year contributions of all participating members. At June 30, 2016, the School's proportionate share was 0.011850482 percent, which was an increase of 1.26 percent from its proportionate share measured as of June 30, 2015.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE H – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2017, the School recognized pension expense of \$125,547. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 3,149
Change in assumptions	216,734	-
Net difference between projected and actual earnings on Pension Plan investments	699	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	54,311	-
School Pension Plan contributions subsequent to the measurement date	60,406	-
	<u>\$ 332,150</u>	<u>\$ 3,149</u>

The deferred outflows of resources related to the HIS plan, totaling \$60,406 resulting from School contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE H – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2018	\$ 49,165
2019	49,165
2020	49,032
2021	48,969
2022	40,833
Thereafter	31,432
	<u>\$ 268,596</u>

4. Actuarial assumptions

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.6%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE H – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

6. Sensitivity of net position liability to changes in the discount rate

The following represents the School's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	<u>1% Decrease (2.8%)</u>	<u>Current Discount Rate (3.8%)</u>	<u>1% Increase (4.8%)</u>
School's proportionate share of the net pension liability	<u>\$ 1,584,464</u>	<u>\$ 1,381,125</u>	<u>\$ 1,212,364</u>

7. Pension plan fiduciary net position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

At June 30, 2017, the School reported zero for outstanding contributions to the HIS plan required for the fiscal year ended June 30, 2017.

Liza Jackson Preparatory School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 \$58,678. 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 2017. Settled claims resulting for the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE K – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 6, 2017, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Liza Jackson Preparatory School, Inc.
SCHEDULE OF SCHOOL'S PENSION CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
Last 10 Fiscal Years

FLORIDA RETIREMENT SYSTEM

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered-employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.007556502	\$ 1,908,023	\$ 3,622,711	52.67%	84.88%
2015	0.007828833%	\$ 1,011,199	\$ 3,674,222	27.52%	92.00%
2014	0.007259346%	\$ 442,927	\$ 3,720,407	11.91%	96.09%

HEALTH INSURANCE SUBSIDY

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered-employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.011850482%	\$ 1,584,464	\$ 3,622,711	43.74%	97.00%
2015	0.011703526%	\$ 1,193,576	\$ 3,674,222	32.49%	0.50%
2014	0.011292724%	\$ 1,055,897	\$ 3,720,407	28.38%	0.99%

* The amounts presented for each fiscal year were determined as of 06/30.

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.

Note2: The Plan's fiduciary net position as a percentage of total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFT information).

Liza Jackson Preparatory School, Inc.
SCHEDULE OF SCHOOL'S PENSION CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
Last 10 Fiscal Years

FLORIDA RETIREMENT SYSTEM

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 185,314	\$ 185,314	\$ -	\$ 3,622,711	5.01%
2015	\$ 184,277	\$ 184,277	\$ -	\$ 3,674,222	5.02%
2014	\$ 190,874	\$ 190,874	\$ -	\$ 3,720,407	5.13%

HEALTH INSURANCE SUBSIDY

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2016	\$ 60,406	\$ 60,406		\$ 3,622,711	1.67%
2015	\$ 60,741	\$ 60,741	\$ -	\$ 3,674,222	1.65%
2014	\$ 44,738	\$ 44,737	\$ -	\$ 3,720,407	1.20%

* The amounts presented for each fiscal year were determined as of 06/30.

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.

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 5,674,342	\$ 5,667,312	\$ 5,667,312	\$ -
Lead teacher funds	13,952	13,719	13,719	-
Reading allocation	38,379	37,936	37,936	-
A+ Bonus	-	85,150	85,150	-
Excellent teaching program	-	81,803	81,803	-
Class size reallocation	-	1,340	1,340	-
Digital instruction	27,408	27,077	27,077	-
Impact aid funds	76,594	69,250	69,250	-
Before/After School Program	250,000	280,000	274,692	(5,308)
Donations	53,000	34,000	33,269	(731)
Miscellaneous	55,000	42,000	72,370	30,370
Insurance loss recovery		450	450	-
E-Rate	5,300	8,382	8,382	-
Total revenues	<u>6,193,975</u>	<u>6,348,419</u>	<u>6,372,750</u>	<u>24,331</u>
Expenditures				
Salaries	3,668,211	3,863,518	3,866,270	(2,752)
Retirement	270,887	275,837	272,698	3,139
Social Security	285,744	292,656	292,353	303
Group Insurance	339,000	331,000	329,101	1,899
Worker's Comp	47,000	48,246	48,235	11
Unemployment compensation	2,400	2,400	896	1,504
Audit/Accounting	15,750	15,750	15,750	-
Staff development	28,602	12,804	12,804	-
SRO	20,000	20,000	20,000	-
Legal services	1,000	1,000	1,340	(340)
Staff development-other	1,000	1,500	-	1,500
Misc. Contract Services	3,000	3,000	-	3,000
Insurance	65,815	78,000	73,431	4,569
Travel	4,400	1,500	1,388	112

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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Repairs/Maint	24,000	23,500	20,789	2,711
Vehicle/Maint	23,500	32,000	30,156	1,844
Computer repairs	1,000	1,000	257	743
Instrument repair	1,000	1,000	-	1,000
Inspections/Fire Ext	1,000	3,200	3,044	156
Lease-Copier	20,000	16,500	16,056	444
Rental-misc	565,092	618,285	617,565	720
Lease-Land	40,001	40,001	40,000	1
Lease-Storage facility	5,818	6,200	6,648	(448)
Lease-Water cooler	500	100	34	66
Postage	4,000	4,000	3,615	385
Telephone	4,800	5,200	5,199	1
Cellphones	6,840	5,200	5,030	170
Internet	13,200	13,300	13,241	59
Water/Sewer	13,200	14,000	13,982	18
Garbage	5,100	5,000	4,914	86
Printing	6,000	5,500	4,931	569
Pest Control	1,640	2,700	2,503	197
Security Monitoring	1,850	1,850	956	894
Lawn service	12,400	13,500	13,095	405
Misc. Non-prof.Svc	8,200	5,500	5,079	421
Elect/Gas	97,000	90,000	89,474	526
Gas/Vehicles	15,000	18,000	17,106	894
Supplies	98,000	90,000	82,388	7,612
Instructional Material	29,000	34,316	29,415	4,901
Library-Reference Books	1,760	1,000	687	313
Audio Visual Equipment	500	500	122	378
Buildings	80,000	-	-	-
Equipment	33,000	17,000	14,471	2,529
Computer Equipment	60,000	58,000	54,340	3,660
Buses	21,000	6,075	6,075	-
Improvements	9,500	9,500	9,000	500
Remodeling/Renovations	5,000	85,000	82,675	2,325
Software	44,500	43,000	42,903	97
Fees/Miscellaneous	30,000	20,000	16,042	3,958
Substitutes/Temporary	67,000	60,000	56,735	3,265
Total expenditures	6,103,210	6,297,138	6,242,793	54,345
Excess (deficiency) of revenues over (under) expenditures	90,765	51,281	129,957	78,676
Other financing sources (uses)				
Transfers in	-	-	(28,857)	(28,857)
Net change in fund balance	90,765	51,281	101,100	49,819
Fund balance at July 1, 2016	549,660	549,660	549,660	-
Fund balance at June 30, 2017	\$ 640,425	\$ 600,941	\$ 650,760	\$ 49,819

Liza Jackson Preparatory School, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charter school capital outlay	\$ 292,000	\$ 238,807	\$ 238,807	\$ -
Expenditures				
Rent	292,000	238,807	238,807	-
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2016	-	-	-	-
Fund balance at June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Liza Jackson Preparatory School, Inc.
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2017

NOTE A – SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

1. Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFR information).

NOTE B – SCHEDULE OF CONTRIBUTION

Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

NOTE C – BUDGETARY INFORMATION

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United State 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, 2017, 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.

COMPLIANCE INFORMATION



**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 and the aggregate 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, 2017 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, 2017.

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

Purpose of this Report

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

McDonough CPA Solutions, PA

September 6, 2017
Melbourne, Florida



MANAGEMENT LETTER

To the Board of Directors
Liza Jackson Preparatory School, Inc.
Milton, 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, 2017, and have issued our report thereon dated September 6, 2017.

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 September 6, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.85(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)1., 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 the 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, requires 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Board of Directors, applicable School's management, others within the School, and the Okaloosa County School District, and is not intended to be and should not be used by anyone other than these specified parties.

McDonough CPA Solutions, PA

September 6, 2017
Melbourne, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the years ended June 30, 2017 and June 30, 2016, there were no audit findings, recommendations, or responses.