

**LIZA JACKSON
PREPARATORY
SCHOOL, INC.**

**Basic Financial Statements and
Supplemental Information**

**For the year ended
June 30, 2014**

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and each fiduciary fund type of Liza Jackson Preparatory School, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund information, the aggregate remaining fund information, and each fiduciary fund type of the School as of June 30, 2014, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental 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 supplemental 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 10, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

September 10, 2014
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, 2014 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events and conditions, it should be considered in conjunction with the basic financial statements starting on page 8.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$730,354 (net position).
- The School's total net position increased by \$55,408.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$521,059, an increase of \$15,935 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$361,014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The School as a Whole

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (the difference between total assets and total liabilities) over time is one indicator of whether the School's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

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

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10 - 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 28 through 31 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 exceeded liabilities by \$730,354 and \$674,946 (net position) for the years ended June 30, 2014 and 2013, respectively.

The largest portion of the School's net position is the unrestricted portion. Another portion of the net position reflects its investment in capital assets (e.g., improvements other than buildings). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets totaled \$209,295 at June 30, 2014.

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

	<u>2014</u>	<u>2013</u>	<u>Change</u>
ASSETS			
Current assets	\$ 683,001	\$ 623,066	\$ 59,935
Capital assets - net	209,295	169,822	39,473
Total assets	<u>892,296</u>	<u>792,888</u>	<u>99,408</u>
LIABILITIES			
Current liabilities	<u>161,942</u>	<u>117,942</u>	<u>44,000</u>
NET POSITION			
Net investment in capital assets	209,295	169,822	39,473
Unrestricted	<u>521,059</u>	<u>505,124</u>	<u>15,935</u>
Total net position	<u>\$ 730,354</u>	<u>\$ 674,946</u>	<u>\$ 55,408</u>

The increase in current assets is primarily due to an increase in the School's cash balance and increase in capital assets at year end. The increase in cash is caused by timing of inflows and outflows. The increase in the liabilities is due to the increase in the accrued payroll and related expenses at year end.

The change in the net investment in capital assets increased in proportion to the change in the 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>2014</u>	<u>2013</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 279,580	\$ 302,776	\$ (23,196)
Operating grants and contributions	676,220	471,458	204,762
General revenues:			
State passed through local school district	4,969,077	4,827,105	141,972
Federal impact aid	73,607	72,378	1,229
Other revenues	<u>53,668</u>	<u>75,552</u>	<u>(21,884)</u>
Total revenues	<u>\$6,052,152</u>	<u>\$5,749,269</u>	<u>\$ 302,883</u>

The state passed through local school district increased mainly as a result of the teacher salary allocation fund being distributed by the District in fiscal year 2014. The increase in the operating grants and contributions is attributable to an increase in A+ bonus funds and capital outlay funding.

Changes in the School's expenses were as follows:

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses:			
Basic instruction	\$3,091,069	\$3,103,820	\$ (12,751)
Exceptional instruction	129,355	109,132	20,223
Guidance services	5,464	34,890	(29,426)
Health services	55,490	52,619	2,871
Media services	55,647	57,211	(1,564)
Curriculum development	175,947	160,398	15,549
Staff development	13,311	22,500	(9,189)
Board	20,868	29,933	(9,065)
General administration	-	78,754	(78,754)
School administration	486,430	397,592	88,838
Facilities	67,593	54,860	12,733
Fiscal services	175,986	89,583	86,403
Food services	213,217	254,758	(41,541)
Staff services	30,336	23,509	6,827
Data processing	-	343	(343)
Transportation	225,918	166,064	59,854
Operation of plant	1,126,937	1,082,564	44,373
Maintenance of plant	16,926	10,194	6,732
Administrative technology	18,694	-	18,694
Community services	87,556	97,846	(10,290)
Total expenses	<u>\$5,996,744</u>	<u>\$5,826,570</u>	<u>\$ 170,174</u>

The increase in expenses related to school administration, curriculum development, fiscal services, transportation and operation of the plant are primarily the result of increase in salaries and related expenses in the current year. The increase in salaries and related expenses is attributable to raises and the new personnel being hired in the current year. The overall increase is related to the increase in the funding received from the state.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$521,059. This total amount includes \$361,014 of unassigned fund balance, which is the amount available for spending at the government's discretion.

The general fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$361,014.

The fund balance of the School's general fund increased by \$15,935 during the current fiscal year.

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 \$9,020 while budgeted expenditures exceeded actual expenditures by \$191,635.

The budgetary information can be found on pages 28 through 31 of this report.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$209,295 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, furniture, fixtures and equipment, information technology equipment, and construction in progress.

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

Economic Factors

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to remain static at approximately 842 students for the 2014/2015 school year.

Request for Information

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

Liza Jackson Preparatory School, Inc.

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 470,452
Accounts receivable	22,055
Due from other agencies	30,449
Prepaid expenses	115,045
Deposits	<u>45,000</u>
Total current assets	<u>683,001</u>
CAPITAL ASSETS	
Capital assets, net of accumulated depreciation	
Improvements other than buildings	179,194
Furniture, fixtures and equipment	8,313
Information technology equipment	5,530
Motor vehicles	12,198
Construction in progress	<u>4,060</u>
Total capital assets	<u>209,295</u>
Total assets	<u>892,296</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	2,500
Accrued payroll and related expenses	139,144
Due to agency fund	<u>20,298</u>
Total liabilities	<u>161,942</u>
NET POSITION	
Net investment in capital assets	209,295
Unrestricted	<u>521,059</u>
Total net position	<u>\$ 730,354</u>

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

Liza Jackson Preparatory School, Inc.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

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	\$ 3,091,069	\$ -	\$ 239,021	\$ -	\$ (2,852,048)
Exceptional instruction	129,355	-	-	-	(129,355)
Guidance services	5,464	-	-	-	(5,464)
Health services	55,490	-	-	-	(55,490)
Media services	55,647	-	-	-	(55,647)
Curriculum development	175,947	-	-	-	(175,947)
Staff development	13,311	-	-	-	(13,311)
Board	20,868	-	-	-	(20,868)
School administration	486,430	-	-	-	(486,430)
Facilities	67,593	-	-	-	(67,593)
Fiscal services	175,986	-	-	-	(175,986)
Food services	213,217	102,877	78,183	-	(32,157)
Staff services	30,336	-	-	-	(30,336)
Transportation	225,918	-	-	-	(225,918)
Operation of plant	1,126,937	-	359,016	-	(767,921)
Maintenance of plant	16,926	-	-	-	(16,926)
Administrative technology	18,694	-	-	-	(18,694)
Community services	87,556	176,703	-	-	89,147
Total governmental activities	<u>\$ 5,996,744</u>	<u>\$ 279,580</u>	<u>\$ 676,220</u>	<u>\$ -</u>	<u>(5,040,944)</u>
General revenues:					
State passed through local					4,969,077
Federal impact aid					73,607
Donations					21,277
Other revenues					31,911
Loss on sale of fixed assets					(133)
Insurance loss recovery					613
Total general revenues					<u>5,096,352</u>
Change in net position					55,408
Net position at July 1, 2013					<u>674,946</u>
Net position at June 30, 2014					<u>\$ 730,354</u>

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

Liza Jackson Preparatory School, Inc.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 470,452	\$ -	\$ -	\$ 470,452
Accounts receivable	22,055	-	-	22,055
Due from other funds	30,449	-	-	30,449
Due from other agencies	-	30,449	-	30,449
Prepaid expenses	115,045	-	-	115,045
Deposits	45,000	-	-	45,000
Total assets	\$ 683,001	\$ 30,449	\$ -	\$ 713,450
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,500	\$ -	\$ -	\$ 2,500
Accrued payroll and related expenses	139,144	-	-	139,144
Due to other funds	-	30,449	-	30,449
Due to agency fund	20,298	-	-	20,298
Total liabilities	161,942	30,449	-	192,391
FUND BALANCES				
Nonspendable				
Prepaid expenses	115,045	-	-	115,045
Deposits	45,000	-	-	45,000
Unassigned	361,014	-	-	361,014
Total fund balances	521,059	-	-	521,059
Total liabilities and fund balances	\$ 683,001	\$ 30,449	\$ -	\$ 713,450

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, 2014

Fund balances - total governmental funds \$ 521,059

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	\$ 179,194	
Furniture, fixtures and equipment, net	8,313	
Information technology equipment, net	5,530	
Motor vehicles, net	12,198	
Construction in progress	4,060	
Total capital assets		<u>209,295</u>
Total net position of governmental activities		<u>\$ 730,354</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, 2014

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state	\$ -	\$ -	\$ 78,183	\$ 78,183
State passed through local school district	5,208,098	359,016	-	5,567,114
Federal impact aid	73,607	-	-	73,607
Lunch program	2,352	-	100,525	102,877
Student fees	176,703	-	-	176,703
Donations	21,277	-	-	21,277
Other revenues	31,911	-	-	31,911
Total revenues	5,513,948	359,016	178,708	6,051,672
Expenditures				
Current:				
Basic instruction	3,080,120	-	-	3,080,120
Exceptional instruction	129,283	-	-	129,283
Guidance services	5,464	-	-	5,464
Health services	55,490	-	-	55,490
Media services	55,647	-	-	55,647
Curriculum development	175,947	-	-	175,947
Staff development	13,311	-	-	13,311
Board	20,868	-	-	20,868
School administration	485,577	-	-	485,577
Facilities	40,000	-	-	40,000
Fiscal services	175,854	-	-	175,854
Food services	646	-	212,072	212,718
Staff services	30,336	-	-	30,336
Transportation	224,041	-	-	224,041
Operation of plant	761,071	359,016	170	1,120,257
Maintenance of plant	16,926	-	-	16,926
Administrative technology	18,694	-	-	18,694
Community services	87,556	-	-	87,556
Fixed capital outlay	88,261	-	-	88,261
Total expenditures	5,465,092	359,016	212,242	6,036,350
Excess (deficiency) of revenues over (under) expenditures	48,856	-	(33,534)	15,322
Other financing sources and (uses)				
Tranfers in	-	-	33,534	33,534
Tranfers out	(33,534)	-	-	(33,534)
Insurance loss recovery	613	-	-	613
Net change in fund balances	15,935	-	-	15,935
Fund balances at July 1, 2013	505,124	-	-	505,124
Fund balances at June 30, 2014	\$ 521,059	\$ -	\$ -	\$ 521,059

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, 2014

Net change in fund balances - total governmental funds \$ 15,935
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	\$ 88,261	
Depreciation	<u>(48,655)</u>	39,606

In the statement of activities, only the gain or loss on the sale of
fixed assets is reported, whereas in the governmental funds, the
proceeds from the sale increase financial resources. Thus, the
change in net position differs from the change in fund balance by
the cost of the fixed assets sold.

		<u>(133)</u>
Change in net position of governmental activities		<u>\$ 55,408</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, 2014

		Internal Activity Fund
	ASSETS	
Due from general fund		<u>\$ 20,298</u>
Total assets		<u><u>\$ 20,298</u></u>
	LIABILITIES	
Due to internal activities		<u>\$ 20,298</u>
Total liabilities		<u><u>\$ 20,298</u></u>

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

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

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

2. Government-wide and fund financial statements

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

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

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

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

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014

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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the current year, the other governmental funds owed the general fund \$30,449.

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 \$0 to the other governmental funds.

7. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014, 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, 2014

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, 2014

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, 2014

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.

NOTE B - CASH

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The bank balance of the School's deposits were \$482,535 at June 30, 2014. 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, 2014, the School's deposits were not exposed to custodial credit risk.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C - CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets not being depreciated:				
Construction in progress	\$ 4,060	\$ -	\$ -	\$ 4,060
Capital assets depreciated:				
Improvements other than buildings	320,532	\$ 70,325	\$ -	390,857
Furniture, fixtures and equipment	155,464	3,861	5,275	154,050
Information technology equipment	130,261	-	-	130,261
Computer software	6,838	-	-	6,838
Motor vehicles	78,843	14,075	-	92,918
Total assets depreciated	<u>691,938</u>	<u>\$ 88,261</u>	<u>\$ 5,275</u>	<u>774,924</u>
Less accumulated depreciation:				
Improvements other than buildings	178,034	\$ 33,629	\$ -	211,663
Furniture, fixtures and equipment	140,476	10,403	5,142	145,737
Information technology equipment	121,985	2,746	-	124,731
Computer software	6,838	-	-	6,838
Motor vehicles	78,843	1,877	-	80,720
Total accumulated depreciation	<u>526,176</u>	<u>\$ 48,655</u>	<u>\$ 5,142</u>	<u>569,689</u>
Total governmental activities capital assets, net	<u>\$ 169,822</u>			<u>\$ 209,295</u>

Depreciation expense for the year ended June 30, 2014 was charged to functions of the School as follows:

Facilities	\$ 27,593
Basic instruction	10,949
Operation of plant	6,680
Exceptional instruction	72
Transportation	1,877
Food services	499
School administration	853
Fiscal services	132
	<u>\$ 48,655</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE D - CONCENTRATIONS

Revenue sources

As stated in Note A-9, the School receives revenues for current operations primarily from the State of Florida through the local school district. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
Revenue sources passed through the School Board of Okaloosa County, Florida	
Base funding	\$ 3,191,767
Class size reduction	924,987
Discretionary local effort	279,632
Supplemental Academic Instruction	232,159
Transportation	199,313
ESE allocation	75,593
Instructional materials allocation	62,731
Other FEFP	15,694
Discretionary tax compression	21,009
Proration to funds available	(15,057)
Discretionary lottery	7,808
ESE apps instructional materials allocation	350
Additional allocation (WFTE share)	2,836
Administration fee withheld	(29,290)
Subtotal	4,969,532
Capital outlay funds	359,016
A+ bonus	83,358
Florida teachers lead program	14,221
Teacher salary increase	140,987
Total revenue sources passed through the School Board of Okaloosa County, Florida	5,567,114
Student fees	176,853
Lunch program	102,727
National school lunch program	78,183
Federal impact aid	73,607
Other revenues	31,911
Donations	21,277
	<u>\$ 6,051,672</u>

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E - OPERATING LEASES

In 2001, the School entered into a lease agreement for facilities which expires on July 14, 2021. The terms of the lease are an annual base payment for years 1-5 and for years 6-15 the rent is adjusted at the beginning of each lease year based on the change in the Consumer Price Index (CPI). Current year facilities expense charged to operations totaled \$832,806 and of that amount, \$359,016 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:

2015	\$	840,634
2016		642,439
2017		844,279
2018		846,157
2019		848,072
		<hr/>
	\$	<u>4,021,581</u>

NOTE F - RETIREMENT PLAN

1. Participation

Effective July 1, 2001, employees of the School began participating in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is mandatory for full-time and part-time employees working in regularly established positions. Eligible employees may elect to participate in the Deferred Retirement Option Program (DROP), deferring receipt of retirement benefits while continuing employment with a Florida Retirement System employer.

2. Contributions

Chapter 121 requires the employee to contribute 3% and for the employer to pay all remaining contributions based upon state-wide rates established by the State of Florida. During the 2013 - 2014 school year, the School contributed an average of 7% 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, 2014, 2013, and 2012 were \$244,707, \$168,114, and \$148,115, respectively. Contributions represented 7.0%, 5.1%, and 4.64% of covered payroll for the years ended June 30, 2014, 2013, and 2012, respectively.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F - RETIREMENT PLAN (continued)

3. Benefit provisions

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

a. Members enrolled before July 1, 2011

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

b. Members enrolled on or after July 1, 2011

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

Early retirement may be taken after an employee is vested and is within 20 years of their normal retirement age; however, there is a 5 percent benefit reduction for each year prior to normal retirement.

For DROP participants, the deferred monthly benefit plus interest compounded monthly, accrues for the specified period of the DROP participation. Upon retirement, the participant receives the total accumulated DROP benefits and begins to receive current benefits at the previously determined rate.

4. Financial report of the plan

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

NOTE G - RELATED PARTY

The Okaloosa County School District, Florida provided staffing and psychological services to the School. The District valued these services at approximately \$14,055. These services are related to funding received by the District for the services listed above and can only be valued by the District. Therefore, the revenues and related expenses are recorded only at the District level.

Liza Jackson Preparatory School, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School's liability is \$2,500 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2014. Settled claims resulting from the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE I - SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 10, 2014, the date which the financial statements were available for issuance, and has determined that no material events occurred that would require additional disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Federal impact aid	\$ 72,000	\$ 75,000	\$ 73,607	\$ (1,393)
FTE revenue	5,166,142	5,112,570	5,110,519	(2,051)
Lead teacher fund	14,221	14,000	14,221	221
A+ bonus funds	-	83,358	83,358	-
Rent	-	-	8,580	8,580
Before/after school program	165,000	175,000	176,703	1,703
Donations	20,000	20,000	5,609	(14,391)
Miscellaneous	25,000	25,000	41,351	16,351
Total revenues	5,462,363	5,504,928	5,513,948	9,020
Expenditures				
Current				
Salaries	3,517,876	3,460,000	3,412,791	47,209
A+ bonus funds	-	83,358	26,700	56,658
Retirement	240,294	246,000	238,900	7,100
FICA	269,118	275,000	265,372	9,628
Health/dental/life insurance	280,000	294,000	280,149	13,851
Workers compensation	26,509	30,336	30,336	-
Unemployment compensation	24,000	18,000	15,588	2,412
Contracted services	315	315	315	-
Accounting/auditing services	10,700	10,700	10,700	-
Staff development (SFA)	9,560	9,560	16,000	(6,440)
Legal services	1,000	1,000	-	1,000
Staff development (Inc. IB)	9,000	9,000	-	9,000
Staff development other	10,000	10,000	1,425	8,575
Other contracted services	3,000	3,000	-	3,000
Insurance	43,000	44,400	43,466	934
Travel	10,560	10,560	4,601	5,959
Repairs and maintenance	14,000	19,000	16,922	2,078
Instrument repair	2,000	2,000	-	2,000
Bus maintenance	18,000	24,000	21,233	2,767
Computer repair	-	-	-	-
Inspections/fire alarm	2,600	2,600	2,454	146
Copier lease	16,000	16,000	15,341	659
Rent	473,305	473,305	473,305	-
Land lease	40,000	40,000	40,000	-
Storage facility lease	6,100	6,300	6,268	32
Water cooler lease	300	300	262	38
Postage	4,000	4,000	3,890	110
Telephone	2,600	2,700	2,610	90

Continued on next page

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (continued)				
Cell phones/radios	5,600	5,600	5,542	58
Internet service	2,533	2,533	2,508	25
Water and sewer	9,000	9,000	8,533	467
Garbage	7,000	7,000	6,045	955
Printing (incl advertising)	12,500	13,100	13,052	48
Pest control	1,500	1,750	1,840	(90)
Security system	750	750	584	166
Lawn service	5,340	5,900	5,870	30
Other non-professional services	5,000	6,250	7,356	(1,106)
Electricity	75,000	75,000	74,842	158
Gas	34,000	34,000	29,162	4,838
Supplies	102,049	90,000	71,417	18,583
Instructional materials	74,390	55,000	53,806	1,194
Periodicals	208	208	180	28
Breakfast/lunch/milk	-	-	2,707	(2,707)
Library reference books	-	-	(282)	282
Audio visual equipment	500	500	465	35
Equipment	21,127	21,127	20,025	1,102
Computers	12,000	12,000	10,259	1,741
Bus purchase	15,000	14,075	14,075	-
Improvements other than building	65,000	67,500	70,425	(2,925)
Remodeling/renovations	7,000	7,000	3,670	3,330
Software	36,093	41,000	40,594	406
Fees	23,000	25,000	24,670	330
Substitutes	80,000	67,000	69,119	(2,119)
Total expenditures	<u>5,628,427</u>	<u>5,656,727</u>	<u>5,465,092</u>	<u>191,635</u>
Excess (deficiency) of revenues over (under) expenditures	(166,064)	(151,799)	48,856	200,655
Other financing sources and (uses)				
Insurance loss recovery	-	613	613	-
Transfer out	-	-	(33,534)	(33,534)
Net changes in fund balances	(166,064)	(151,186)	15,935	167,121
Fund balance at July 1, 2013	<u>505,124</u>	<u>505,124</u>	<u>505,124</u>	<u>-</u>
Fund balance at June 30, 2014	<u>\$ 339,060</u>	<u>\$ 353,938</u>	<u>\$ 521,059</u>	<u>\$ 167,121</u>

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

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

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Capital outlay revenues	\$ 440,000	\$ 358,117	\$ 359,016	\$ 899
Expenditures				
Rent	359,016	359,016	359,016	-
Net change in fund balance	80,984	(899)	-	899
Fund balance at July 1, 2013	-	-	-	-
Fund balance at June 30, 2014	\$ 80,984	\$ (899)	\$ -	\$ 899

See accompanying note to required supplemental information.

Liza Jackson Preparatory School, Inc.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2014

NOTE A - BUDGETARY INFORMATION

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2014, 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, 2014, 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 10, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and other matters

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

Purpose of this Report

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

September 10, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

MANAGEMENT LETTER

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

We have audited the financial statements of Liza Jackson Preparatory School, Inc. (the "School"), a component unit of the Okaloosa County School District, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 10, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent 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 is dated September 10, 2014, should be considered in conjunction with this management letter.

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

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

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

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

September 10, 2014
Melbourne, Florida

Berman Hopkins Wright & LaHam
CPAs and Associates, LLP

FINDINGS, RECOMMENDATIONS, AND OTHER MATTERS

For the prior year ended June 30, 2013, there were no findings, management recommendations, and other matters.

For the prior year ended June 30, 2014, there were no findings, management recommendations, and other matters.