

# Liza Jackson Preparatory School, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, 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, 2020, 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, 2020, 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 14, 2020, 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 14, 2020  
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, 2020 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 \$ 962,156 .
- The School’s total net position decreased by \$ 59,807 .
- As of the close of the current fiscal year, the School’s governmental funds reported combined ending fund balance of \$ 1,529,760.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,412,809.

### **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 \$ 962,156 and \$ 902,347 (deficit net position) for the years ended June 30, 2020 and 2019, 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 \$ 375,697 at June 30, 2020.

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

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
<b>ASSETS</b>			
Current assets	\$ 2,593,917	\$ 1,358,863	\$ 1,235,054
Capital assets - net	<u>375,697</u>	<u>350,459</u>	<u>25,238</u>
Total assets	<u>2,969,614</u>	<u>1,709,322</u>	<u>1,260,292</u>
Deferred outflows of resources	<u>1,210,040</u>	<u>1,352,375</u>	<u>(142,335)</u>
<b>LIABILITIES</b>			
Current liabilities	1,064,157	105,696	958,461
Noncurrent liabilities	<u>3,671,439</u>	<u>3,397,951</u>	<u>273,488</u>
Total liabilities	<u>4,735,596</u>	<u>3,503,647</u>	<u>1,231,949</u>
Deferred inflows of resources	<u>406,214</u>	<u>460,399</u>	<u>(54,185)</u>
<b>NET POSITION</b>			
Net investment in capital assets	375,697	350,459	25,238
Unrestricted	<u>(1,337,853)</u>	<u>(1,252,808)</u>	<u>(85,045)</u>
Total net position	<u>\$ (962,156)</u>	<u>\$ (902,349)</u>	<u>\$ (59,807)</u>

The increase in current assets is mostly related to cash proceeds relate the paycheck protection program (PPP) loan established in response to COVID-19 pandemic and capital asset addition offset by current depreciation. The increase in current liabilities is mainly due to a non-exchange financial guarantee (PPP loan) executed to protect salaries during the COVID-19 pandemic. The increase in noncurrent liabilities is due to the increase in the School's net pension liability counterbalanced by a decrease 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 increases in pension expense.

Changes in the School's revenues were as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 382,691	\$ 479,353	\$ (96,662)
Operating grants and contributions	76,172	99,876	(23,704)
Capital grants and contributions	434,818	413,146	21,672
General revenues	<u>6,427,491</u>	<u>6,248,212</u>	<u>179,279</u>
	<u>\$ 7,321,172</u>	<u>\$ 7,240,587</u>	<u>\$ 80,585</u>

The increase in capital grants and contributions was due to the increase in capital outlay funding. The decrease in charges for services was related to a decrease in food services and before and after care school program caused by the COVID-19 pandemic. The increase in general revenues is due to an increase in state revenues.

Changes in the School's expenses were as follows:

	<u>2020</u>	<u>2019</u>	<u>Variance</u>
Basic instruction	\$ 4,063,890	3,840,820	\$ 223,070
Exceptional instruction	150,095	155,061	(4,966)
Health services	78,777	61,318	17,459
Media services	71,237	67,538	3,699
Curriculum development	-	174,041	(174,041)
Staff development	9,419	10,441	(1,022)
Board	37,171	25,413	11,758
School administration	598,468	446,038	152,430
Facilities	983,399	1,040,091	(56,692)
Fiscal services	220,283	216,586	3,697
Food services	248,438	288,313	(39,875)
Staff services	24,882	41,382	(16,500)
Transportation	212,624	206,729	5,895
Operation of plant	471,348	420,878	50,470
Maintenance of plant	33,587	32,677	910
Administrative technology	31,328	31,663	(335)
Community services	146,033	153,801	(7,768)
	<u>\$ 7,380,979</u>	<u>\$ 7,212,790</u>	<u>\$ 168,189</u>

The increase in expenses related to basic instruction was due to the increase in salaries and benefits. The decrease in curriculum development was a result of employee changes from curriculum coordinator to assistant principals. In addition, school administration increased by the employee changes from curriculum coordinator to assistant principals. The decrease in facilities was mostly due to decreases in remodeling in the current year. The decrease in food services was mainly due to declines in breakfast and lunches caused by COVID-19. Operations increased due to increases in salaries and benefits.

### **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 \$ 1,529,760. The general fund is the chief operating fund of those funds which included a total amount \$1,412,809 of unassigned fund balance, which is the amount available for spending at the government’s discretion.

### **General Fund Budgetary Highlights**

Actual revenues are less than budgeted revenues by \$1,199 while budgeted expenditures exceeded actual expenditures by \$153,691.

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, 2020 amounts to \$ 375,697 (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 \$ 3,519,042 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 increase to approximately 861 students for the 2020/2021 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, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 2,430,863
Accounts receivable	5,472
Due from other agencies	40,631
Prepaid rent	71,451
Deposits	<u>45,500</u>
Total current assets	<u>2,593,917</u>

**CAPITAL ASSETS**

Capital assets, net of accumulated depreciation:	
Building and Equipment	118,740
Improvements other than buildings	140,452
Furniture, fixtures and equipment	44,748
Information technology equipment	5,560
Vehicles	<u>66,197</u>
Total capital assets, net	<u>375,697</u>
Total assets	<u>2,969,614</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred assumptions, contributions, and experience	<u>1,210,040</u>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Accounts payable	18,923
Accrued payroll liabilities	102,735
Nonexchange financial guarantee	942,499
Long-term liabilities:	
Deferred Rent	152,397
Net Pension Liability	<u>3,519,042</u>
Total liabilities	<u>4,735,596</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred change in proportion (NPL), contributions, experience, and investments	406,214
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**NET POSITION**

Net investment in capital assets	375,697
Unrestricted	<u>(1,337,853)</u>
Total net position	<u>\$ (962,156)</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, 2020**

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	\$ 4,063,890	\$ -	\$ -	\$ -	\$ (4,063,890)
Exceptional instruction	150,095	-	-	-	(150,095)
Health services	78,777	-	-	-	(78,777)
Media services	71,237	-	-	-	(71,237)
Staff development	9,419	-	-	-	(9,419)
Board	37,171	-	-	-	(37,171)
School administration	598,468	-	-	-	(598,468)
Facilities	983,399	-	-	434,818	(548,581)
Fiscal services	220,283	-	-	-	(220,283)
Food services	248,438	148,869	76,172	-	(23,397)
Staff services	24,882	-	-	-	(24,882)
Transportation	212,624	-	-	-	(212,624)
Operation of plant	471,348	-	-	-	(471,348)
Maintenance of plant	33,587	-	-	-	(33,587)
Administrative technology	31,328	-	-	-	(31,328)
Community services	146,033	233,822	-	-	87,789
Total governmental activities	<u>\$ 7,380,979</u>	<u>\$ 382,691</u>	<u>\$ 76,172</u>	<u>\$ 434,818</u>	<u>(6,487,298)</u>

General revenues:

Florida education finance program	6,275,063
Federal impact aid	87,681
Other revenues	<u>64,747</u>
Total general revenues	<u>6,427,491</u>
Change in net position	(59,807)
Net position at July 1, 2019	<u>(902,349)</u>
Net position at June 30, 2020	<u>\$ (962,156)</u>

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

**Liza Jackson Preparatory School, Inc.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2020**

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 2,430,863	\$ -	\$ -	\$ 2,430,863
Accounts receivable	5,472	-	-	5,472
Due from other agencies	40,631	-	-	40,631
Deposits	45,500	-	-	45,500
Prepaid rent	71,451	-	-	71,451
Total assets	\$ 2,593,917	\$ -	\$ -	\$ 2,593,917
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 18,923	\$ -	\$ -	\$ 18,923
Accrued payroll liabilities	102,735	-	-	102,735
Notes payable	942,499	-	-	942,499
Total liabilities	1,064,157	-	-	1,064,157
 <b>FUND BALANCES</b>				
Nonspendable				
Prepays	71,451	-	-	71,451
Deposits	45,500	-	-	45,500
Unassigned	1,412,809	-	-	1,412,809
Total fund balances	1,529,760	-	-	1,529,760
Total liabilities and fund balances	\$ 2,593,917	\$ -	\$ -	\$ 2,593,917

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, 2020**

Total Fund balance - Governmental Funds		\$ 1,529,760
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	1,289,084	
Accumulated depreciation	(913,387)	375,697
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.		
		803,826
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		
		(3,671,439)
Net Position of Governmental Activities		\$ (962,156)

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, 2020**

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Federal passed through state and local	\$ 87,681	\$ -	\$ 74,702	\$ 162,383
State passed through local school district	6,275,063	434,818	1,470	6,711,351
Other revenues	298,569	-	148,869	447,438
Total revenues	<u>6,661,313</u>	<u>434,818</u>	<u>225,041</u>	<u>7,321,172</u>
<b>Expenditures</b>				
<b>Current:</b>				
Basic instruction	3,585,288	-	-	3,585,288
Exceptional instruction	156,874	-	-	156,874
Health Services-Nurse	82,296	-	-	82,296
Library	74,372	-	-	74,372
Staff development	9,419	-	-	9,419
Board of directors	37,171	-	-	37,171
School administration	625,341	-	-	625,341
Facilities	522,499	434,818	-	957,317
Fiscal services	229,787	-	-	229,787
Food services	-	-	259,383	259,383
Staff services	26,045	-	-	26,045
Transportation	205,767	-	-	205,767
Operation of plant	485,744	-	-	485,744
Maintenance of plant	33,587	-	-	33,587
Administrative technology	32,588	-	-	32,588
Community service	104,912	-	-	104,912
Extended day-summer	47,649	-	-	47,649
Capital outlay	91,042	-	-	91,042
	<u>6,350,381</u>	<u>434,818</u>	<u>259,383</u>	<u>7,044,582</u>
Excess (deficiency) of revenues over (under) expenditures	310,932	-	(34,342)	276,590
<b>Other financing sources and (uses)</b>				
Transfers in	-	-	34,342	34,342
Transfers out	(34,342)	-	-	(34,342)
Total other financing sources and (uses)	<u>(34,342)</u>	<u>-</u>	<u>34,342</u>	<u>-</u>
Net change in fund balance	276,590	-	-	276,590
Fund balances at July 1, 2019	1,253,170	-	-	1,253,170
Fund balances at June 30, 2020	<u>\$ 1,529,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,760</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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 276,590

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	91,042	
Provision for depreciation	<u>(65,804)</u>	25,238

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	9,200	
Pension expense	<u>(370,835)</u>	(361,635)

Change in Net Position - Governmental Activities		<u>\$ (59,807)</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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 \$-0-.

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 \$34,342 to the food service fund.

7. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
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, 2020**

**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, 2020**

**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.

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, 2020**

**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. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

**NOTE B – CASH**

Cash is made up of deposits and cash on hand totaling \$ 2,430,863 at June 30, 2020. 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. As of June 30, 2020, \$1,686,372 of the School's balances held were exposed to custodial credit risk.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE C – CAPITAL ASSETS**

Changes in capital assets activity were as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2020</u>
Capital assets depreciated:				
Building and equipment	\$ 165,684	\$ -	\$ -	\$ 165,684
Improvements other than buildings	558,076	14,823	-	572,899
Furniture, fixtures and equipment	169,721	39,715	-	209,436
Information technology equipment	152,520	-	-	152,520
Computer software	6,838	-	-	6,838
Motor vehicles	<u>145,203</u>	<u>36,504</u>	<u>-</u>	<u>181,707</u>
Total capital assets depreciated	<u>1,198,042</u>	<u>91,042</u>	<u>-</u>	<u>1,289,084</u>
Less accumulated depreciation:				
Building and equipment	35,898	11,046	-	46,944
Improvements other than buildings	403,851	28,596	-	432,447
Furniture, fixtures and equipment	159,596	5,092	-	164,688
Information technology equipment	142,350	4,610	-	146,960
Computer software	6,838	-	-	6,838
Motor vehicles	<u>99,050</u>	<u>16,460</u>	<u>-</u>	<u>115,510</u>
Total accumulated depreciation	<u>847,583</u>	<u>65,804</u>	<u>-</u>	<u>913,387</u>
Total capital assets, net	<u>\$ 350,459</u>	<u>\$ 25,238</u>	<u>\$ -</u>	<u>\$ 375,697</u>

Depreciation expense for the year ended June 30, 2020 was charged to functions of the School as follows:

Basic instruction	\$ 6,489
Facilities	35,282
Food service	487
Transportation	16,460
Operation of plant	<u>7,086</u>
	<u>\$ 65,804</u>

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 \$60,000 on the modified accrual statements, respectively. The related deferred rent liability of \$ 152,397 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
2021	55,400	60,000	(4,600)	152,397
2022	55,400	60,000	(4,600)	147,797
2023	55,400	60,000	(4,600)	143,197
2023	55,400	60,000	(4,600)	138,597
	<u>\$ 221,600</u>	<u>\$ 240,000</u>	<u>\$ (18,400)</u>	

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	\$ 3,692,943
Class size reduction	957,932
Discretionary local effort	349,685
Discretionary lottery	2,798
Supplemental academic instruction	237,417
ESE guaranteed allocation	111,714
Instructional materials allocation	64,830
Reading instruction	37,461
Safe schools	47,789
Federally connected students	51,494
Discretionary tax compression	80,359
Student transportation	220,181
Digital classroom	24,142
Less administration fee	(33,386)
	<hr/> 5,845,359
Florida teacher classroom supply assistance	16,544
Best and brightest award	85,210
Security grant	29,122
Excellent teaching program	123,509
Capital outlay	413,146
	<hr/> <hr/> \$ 6,512,890

**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 \$917,418 and of that amount, \$434,818 was funded by capital outlay.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE F – OPERATING LEASES (continued)**

1. Building leases (continued)

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.

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 rent expense on the modified accrual statements was \$60,000 and \$55,400 on the full accrual statements with a related deferred rent liability amount of \$ 152,397 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:

2021	\$ 992,066
2022	60,000
2023	60,000
2024	60,000
2025	60,000
Thereafter	<u>822,000</u>
	<u>\$ 2,054,066</u>

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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](http://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, 2020**

**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, 2020**

**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, 2019 through June 30, 2020, were as follows: Regular – 6.54%; Senior Management Service -22.78%; and DROP participants – 12.37%.

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

These employer contribution rates include 1.6% HIS Plan for the periods July 1, 2019 through June 30, 2020.

The School's contributions, including employee contributions, to the pension plan totaled \$220,296 for the fiscal year ended June 30, 2020.

At June 30, 2020, the School reported a liability of \$ 2,293,508 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The School's proportionate share of the net pension liability was based on the School's 2016-2019 fiscal year contributions relative to the 2016-2018 fiscal year contributions of all participating members. At June 30, 2019, the School's proportionate share was 0.006659699 percent, which was a decrease of 3.0 percent from its proportionate share measured as of June 30, 2018.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, the School recognized pension expense of \$560,787. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 136,034	\$ 1,423
Change in assumptions	589,071	-
Net difference between projected and actual earnings on Pension Plan investments	-	126,889
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	22,932	116,679
School Pension Plan contributions subsequent to the measurement date	220,296	-
	<u>\$ 968,333</u>	<u>\$ 244,991</u>

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 \$220,296 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, 2020. 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
2020	\$ 215,719
2021	53,847
2022	131,201
2023	101,212
2024	18,638
Thereafter	<u>(86,832)</u>
	<u>\$ 433,785</u>

4. Actuarial assumptions

The total pension liability in the June 30, 2019 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	7.20%, 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, 2019 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, 2020**

**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%	3.3%	3.3%	1.2%
Fixed income	18.0%	4.1%	4.1%	3.5%
Global equity	54.0%	8.0%	6.8%	16.5%
Real estate (property)	10.0%	6.7%	6.1%	11.7%
Private equity	11.0%	11.2%	8.4%	25.8%
Strategic investments	6.0%	5.9%	5.7%	6.7%
	<u>100%</u>			
Assumed Inflation - Mean			2.6%	1.7%

5. Discount rate

The discount rate used to measure the total pension liability was 6.90%. 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, 2020**

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

*Florida Retirement System (continued)*

6. Sensitivity of net pension 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 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
School's proportionate share of the net pension liability	\$ 3,964,711	\$ 2,293,508	\$ 897,770

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, 2020, the School reported zero payable for outstanding contributions to the Pension Plan required for the fiscal year ended June 30, 2020.

**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, 2020**

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

*Health Insurance Subsidy (HIS) (continued)*

1. Plan description (continued)

For the fiscal year ended June 30, 2019, 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, 2020, the HIS contribution for the period July 1, 2019 through June 30, 2020 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 \$62,103 for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$1,226,262 for its proportionate share of the HIS plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The School's proportionate share of the net pension liability was based on the School's 2018-2019 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the School's proportionate share was 0.010959532 percent, which was a decrease of .66 percent from its proportionate share measured as of June 30, 2018.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, the School recognized pension expense of \$92,456. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,894	\$ 1,502
Change in assumptions	141,990	100,225
Net difference between projected and actual earnings on Pension Plan investments	791	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	21,929	59,496
School Pension Plan contributions subsequent to the measurement date	62,103	-
	<u>\$ 241,707</u>	<u>\$ 161,223</u>

The deferred outflows of resources related to the HIS plan, totaling \$62,103 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, 2020.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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
2020	\$ (1,594)
2021	(1,594)
2022	(4,582)
2023	(9,443)
2024	(12,005)
Thereafter	(9,944)
	<u>\$ (39,162)</u>

4. Actuarial assumptions

The total pension liability in the July 1, 2019, 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	3.87%

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

The actuarial assumptions used in the July 1, 2019 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, 2020**

**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 3.50%. 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 pension 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
School's proportionate share of the net pension liability	<u>\$ 1,399,841</u>	<u>\$ 1,226,262</u>	<u>\$ 1,081,690</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, 2020, the School reported zero for outstanding contributions to the HIS plan required for the fiscal year ended June 30, 2020.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE I – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School's liability is \$2,500 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2020. Settled claims resulting for the risks described above have not exceeded the insurance coverage for each of the prior three years.

**NOTE J – NONEXCHANGE FINANCIAL GUARANTEES**

On May 21, 2020, the School received loan proceeds in the amount of approximately \$938,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The accrued interest charge in relationship to the loan is \$3,999, as of June 30, 2020. At this time, the School intends the proceeds received will be used for eligible purposes consistent with described conditions and believes it is more likely than not that the SBA will grant the forgiveness in accord with the guarantee.

The liability recognized for the non-exchange financial guarantee by the School at June 30, 2020 is as follows:

<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2020</u>
\$ -	\$ 942,499	\$ -	\$ 942,499

**NOTE K – SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 14, 2020, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

On March 9, 2020, the Governor of the State of Florida declared a state of emergency in response to the global Coronavirus Disease 2019 (COVID-19) pandemic.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE K – SUBSEQUENT EVENTS (continued)**

In the weeks following the declaration, precautionary measures to slow the spread of the virus had been ordered. These measures included the closing of schools and requiring Florida residents to stay home unless they are leaving for essential functions. Over the following weeks, a step process was used by the Florida economy to slowly reopen and on July 6, 2020, the State of Florida Department of Education, under the directions of the Governor, announced the reopening of the School related to 2020-21 Florida's Optional Innovative Reopening Plan.

Under this plan, the School is to provide student with two options to return to School. The first option is the students return to the brick and mortar building 5 days a week with the integration of digital classroom instruction and the second options for students is a mySchool Online which allows the student to enroll in the School and receive communication and appropriate support while learning from home through a digital classroom.

The School has implemented these change to the 2020-21 School year and is expecting a minor impact on the School operating costs related to these changes. On the other hand, the School is estimating a potential increase in student enrollment despite the impact of the pandemic.

In addition to mandated operational changes by the State, the School received Paycheck Protection Program Funds provided under the CARES act to continue to pay teachers over closure weeks of the School in March. The School has allocated these funds to be used only related to payroll, benefits, rent and utilities, and maintains its payroll levels over the eight-week coverage period in accordance with the restriction of the loan forgiveness. As of August 2020, the School has used all monies related to these requirements and is applying for forgiveness of the loans. The School believes it is more likely than not that it will receive forgiveness of the loan and has met the forgiveness requirements.

The future impact of COVID-19 pandemic may possible affect future operating costs and revenues in the event of resurgence of cases and potential shut downs by the State or City.

On August 1, 2020, the School entered into an Educational Facilities Revenue, Series 2020A and Taxable Educational Facilities Revenue, Series 2020B Bonds in an aggregate principal amount of \$17,625,000 for construction, installation and equipping of a new two-story approximately 75,855 square-foot charter school facility to accommodate projected enrollment of approximately 982 students in grades preK-8 with a maximum capacity of 1,048 students. The terms of the bonds are for 34 years and will begin on August 15, 2021 being due on the 15<sup>th</sup> day of each month until August 15, 2055 or until paid in full. The monthly principal and interest payment will range from \$89,604 to \$90,125 over the life of the bonds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**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
<b>2019</b>	\$ 220,296	\$ 220,296	\$ -	\$ 4,070,689	5.41%
<b>2018</b>	\$ 206,499	\$ 206,499	\$ -	\$ 3,802,006	5.43%
<b>2017</b>	\$ 195,801	\$ 195,801	\$ -	\$ 3,990,775	4.91%
<b>2016</b>	\$ 185,314	\$ 185,314	\$ -	\$ 3,622,711	5.01%
<b>2015</b>	\$ 184,277	\$ 184,277	\$ -	\$ 3,674,222	5.02%
<b>2014</b>	\$ 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
<b>2019</b>	\$ 62,103	\$ 62,103	\$ -	\$ 4,070,689	1.53%
<b>2018</b>	\$ 60,857	\$ 60,857	\$ -	\$ 3,802,006	1.60%
<b>2017</b>	\$ 59,829	\$ 59,829	\$ -	\$ 3,990,775	1.50%
<b>2016</b>	\$ 60,406	\$ 60,406	\$ -	\$ 3,622,711	1.67%
<b>2015</b>	\$ 60,741	\$ 60,741	\$ -	\$ 3,674,222	1.65%
<b>2014</b>	\$ 44,738	\$ 44,737	\$ -	\$ 3,720,407	1.20%

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

See notes to required supplemental 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
<b>2019</b>	0.006659699%	\$ 2,293,508	\$ 4,070,689	56.34%	82.61%
<b>2018</b>	0.006870412%	\$ 2,069,404	\$ 3,802,006	54.43%	84.26%
<b>2017</b>	0.007118555%	\$ 2,105,621	\$ 3,990,775	52.76%	83.89%
<b>2016</b>	0.007556502%	\$ 1,908,023	\$ 3,622,711	52.67%	84.88%
<b>2015</b>	0.007828833%	\$ 1,011,199	\$ 3,674,222	27.52%	92.00%
<b>2014</b>	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
<b>2019</b>	0.010959532%	\$ 1,226,262	\$ 4,070,689	30.12%	2.63%
<b>2018</b>	0.011032317%	\$ 1,167,673	\$ 3,802,006	30.71%	2.15%
<b>2017</b>	0.011413905%	\$ 1,220,427	\$ 3,990,775	30.58%	1.64%
<b>2016</b>	0.011850482%	\$ 1,584,464	\$ 3,622,711	43.74%	0.97%
<b>2015</b>	0.011703526%	\$ 1,193,576	\$ 3,674,222	32.49%	0.50%
<b>2014</b>	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.

See notes to 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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 5,967,821	\$ 6,065,563	\$ 6,065,563	\$ -
Lead teacher funds	16,355	16,502	16,502	-
Class size reduction	-	92	92	-
Best and brightest	-	81,122	81,122	-
A+ Bonus funds	-	84,830	84,830	-
Safety and security	-	14,807	14,807	-
Miscellaneous	30,000	30,000	29,259	(741)
Impact aid funds	100,000	87,681	87,681	-
Before/After School Program	288,000	234,000	233,822	(178)
Donations	30,000	30,500	30,220	(280)
Hurricane Michael State Funds	-	12,147	12,147	-
E-Rate	5,268	5,268	5,268	-
Total revenues	<u>6,437,444</u>	<u>6,662,512</u>	<u>6,661,313</u>	<u>(1,199)</u>
Expenditures				
Salaries	3,890,000	3,840,000	3,762,284	77,716
Bonus funds	25,750	182,549	181,776	773
Retirement	323,000	323,500	317,187	6,313
Social Security	308,000	304,000	296,026	7,974
Group Insurance	375,000	454,000	432,850	21,150
Worker's Comp	22,000	20,647	20,647	-
Unemployment compensation	1,500	1,000	690	310
Audit/Accounting	9,500	9,500	9,000	500
Staff development	6,960	5,432	5,432	-
SRO	47,956	47,569	47,569	-
Legal services	3,000	2,000	378	1,622
Staff development-other	2,200	3,100	3,095	5
Misc. Contract Services	3,000	3,000	601	2,399
Insurance	78,000	76,000	75,812	188
Travel	2,500	2,500	724	1,776
Repairs/Maint	30,000	37,000	35,266	1,734
Vehicle/Maint	25,000	36,000	35,335	665
Computer repairs	1,000	1,000	346	654
Instrument repair	1,000	1,005	1,005	-
Inspections/Fire Ext	5,500	6,200	5,690	510
Lease-Copier	19,000	20,000	19,675	325
Lease-Facility	525,867	483,181	482,600	581
Lease-Land	40,000	40,000	40,000	-
Lease-Storage facility	6,200	7,200	7,174	26
Lease-Water cooler	500	500	-	500
Postage	4,000	4,000	3,261	739
Telephone	4,700	5,100	4,938	162
Cellphones	4,400	4,400	4,030	370
Internet	12,500	12,500	12,447	53
Water/Sewer	12,000	15,200	13,870	1,330
Garbage	5,000	5,800	5,344	456
Printing	4,500	3,200	3,090	110
Pest Control	1,040	1,435	1,435	-
Security Monitoring	1,850	750	477	273
Lawn service	4,800	5,135	5,135	-
Misc. Non-prof.Svc	15,000	15,000	13,671	1,329
Elect/Gas	84,000	103,100	102,235	865
Gas/Vehicles	24,000	20,000	18,938	1,062
Supplies	100,000	100,000	92,489	7,511
Instructional Material	38,000	42,000	41,148	852
Library-Reference Books	2,000	2,000	1,409	591
Equipment	65,520	71,038	69,119	1,919
Furniture & Equipment	12,480	13,531	13,341	190
Computer Equipment	25,500	22,000	21,604	396
Remodeling/Renovations	46,500	25,000	22,571	2,429
Software	50,000	55,000	53,970	1,030
Fees/Miscellaneous	25,000	21,000	19,315	1,685
Substitutes/Temporary	70,000	50,000	45,382	4,618
Total expenditures	<u>6,365,223</u>	<u>6,504,072</u>	<u>6,350,381</u>	<u>153,691</u>
Excess (deficiency) of revenues over (under) expenditures	72,221	158,440	310,932	152,492
Other financing sources (uses)				
Transfers in/out	-	-	760	760
Net change in fund balance	72,221	158,440	311,692	153,252
Fund balance at July 1, 2019	1,253,170	1,253,170	1,253,170	-
Fund balance at June 30, 2020	<u>\$ 1,325,391</u>	<u>\$ 1,411,610</u>	<u>\$ 1,564,862</u>	<u>\$ 153,252</u>

See notes 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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 413,133	\$ 434,819	\$ 434,818	\$ (1)
Expenditures				
Rent	413,133	434,819	434,818	1
Net change in fund balance	-	-	-	-
Fund balance at July 1, 2019	-	-	-	-
Fund balance at June 30, 2020	\$ -	\$ -	\$ -	\$ -

See notes to required supplemental information.

**Liza Jackson Preparatory School, Inc.**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2020**

**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, 2020, 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, 2020 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 14, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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 14, 2020  
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, 2020, and have issued our report thereon dated September 14, 2020.

### 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 14, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Department of Education of the entity is *Liza Jackson Preparatory School, Inc.; 9807*.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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.

Section 10.854(1)(e)3., Rules of the Audit General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 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 14, 2020  
Melbourne, Florida

## **MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES**

For the years ended June 30, 2020 and June 30, 2019, there were no audit findings, recommendations, or responses.