

**BERKLEY ACCELERATED  
MIDDLE SCHOOL, INC.**

A Charter School and Component Unit of the  
District School Board of Polk County, Florida

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2014*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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# **BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**

*a charter school and component unit of the District School Board of Polk County, Florida*

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709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

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## Independent Auditor's Report

To the Board of Directors Berkley Accelerated Middle School, Inc.,  
a Charter School and Component Unit of the  
District School Board of Polk County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berkley Accelerated Middle School, Inc. ("School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 School'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 School'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 opinion.

### ***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 Berkley Accelerated Middle School, Inc., as of June 30, 2014, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and, the Budgetary Comparison Schedule, and Note to Required Supplementary 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 historic 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 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 August 25, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Respectfully submitted,



August 25, 2014  
Tampa, Florida

## **BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**

*A component unit of the District School Board of Polk County, Florida*

### **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Berkley Accelerated Middle School, Inc., ("School") a charter school and component unit of the District School Board of Polk County, Florida, provides an overview of the School's activities for the fiscal year ended June 30, 2014.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

#### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2014, the School's revenues exceeded expenditures as shown on the School's statement of revenues, expenditures, and changes in fund balances by \$211,540.
- As shown on the statement of net position, the School reported an Undesignated Net Position balance of \$1,007,480.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

#### **Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates two funds; a General Fund and a Special Revenue Fund. The General Fund is considered to be a major fund. Data from the other governmental fund is combined into a single aggregated presentation.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

## **Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2013, and June 30, 2014:

	<b>Net Assets, End of Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-13</u>	<u>6-30-14</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 1,247,800	\$ 1,883,828	\$ 636,028
Capital Assets, Net	<u>3,902,123</u>	<u>6,311,567</u>	<u>2,409,444</u>
Total Assets	<u>5,149,923</u>	<u>8,195,395</u>	<u>3,045,472</u>
<b>LIABILITIES</b>			
Current Liabilities	438,311	876,348	438,037
Long Term Liabilities	<u>3,897,083</u>	<u>6,573,417</u>	<u>2,676,334</u>
Total Liabilities	<u>4,335,394</u>	<u>7,449,765</u>	<u>3,114,371</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,040	(261,850)	(266,890)
Unrestricted	<u>809,489</u>	<u>1,007,480</u>	<u>197,991</u>
Total Net Position	<u><u>814,529</u></u>	<u><u>745,630</u></u>	<u><u>(68,899)</u></u>

Current and other assets increased due to an increase in cash at year-end as a result of increased revenues in the current fiscal year. Capital assets, net, increased due to equipment purchases and the completion of a classroom building construction project started in the prior fiscal year. Long Term Liabilities increased primarily due to new construction debt proceeds obtained to finance the additional classroom space construction.

The key elements of the changes in the School's net position for the fiscal years ended June 30, 2013, and June 30, 2014 are as follows:

### Operating Results for the Year

	Governmental Activities		
	6-30-13	6-30-14	Increase (Decrease)
<b>Revenues:</b>			
Federal through State and Local	\$ 26,692	\$ 37,016	\$ 10,324
State Sources	2,719,934	3,068,166	348,232
Local and Other	217,958	268,673	50,715
<b>Total Revenues</b>	<b>2,964,584</b>	<b>3,373,855</b>	<b>409,271</b>
<b>Expenses:</b>			
Instruction	1,988,411	2,317,378	328,967
Pupil Personnel Services	79,298	67,766	(11,532)
Instructional Media	157	1,319	1,162
Instructional Staff Training	2,813	24,507	21,694
Board of Education	18,818	18,626	(192)
School Administration	358,243	333,398	(24,845)
Facilities Acq. & Construction	16,657	-	(16,657)
Fiscal Services	68,243	66,476	(1,767)
Food Services	750	800	50
Central Services	39,205	13,043	(26,162)
Pupil Transportation	115,180	106,676	(8,504)
Operation of Plant	168,125	265,001	96,876
Interest on Debt	189,953	227,764	37,811
<b>Total Expenses</b>	<b>3,045,853</b>	<b>3,442,754</b>	<b>396,901</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ (81,269)</b>	<b>\$ (68,899)</b>	<b>\$ 12,370</b>

The largest revenue source for the School is the State of Florida (91%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. An increase in student enrollment was the primary factor for the increased State revenue.

Expenses increased primarily due to general economic conditions, increased enrollment, and the financial needs of the school based on available resources.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Governmental Funds**

As the School completed the year, its governmental funds reported an unassigned fund balance of \$1,000,326.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2014, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the School revised its budget several times. Refer to the Budgetary Comparison Schedule – General Fund for additional information.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2014, the School had invested \$6,311,567 in capital assets, including land, buildings, and furniture, fixtures and equipment, net of accumulated depreciation. Additional information about the School's capital assets is presented in the notes to the financial statements.

#### **Long-Term Debt**

At June 30, 2014, the School had \$6,573,0417 outstanding as a result of debt issued in order to construct the School's educational facility. Additional information about the School's long-term debt is presented in the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2015:

- Projected increase in student population.
- Conservative estimate of FEFP.
- Projected salary and benefit increases.
- Projected interest and debt principal payments.
- Increases in the cost of insurance, other business operating expenses, and facility operations and maintenance.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's, finances and to demonstrate the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School's administrative offices at 5316 Berkley Road, Auburndale, Florida 33823.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2014*

	Governmental Activities
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 1,638,436
Due From Other Agencies	234,167
Deposits & Prepaid Expenses	11,225
Capital Assets:	
Land	215,000
Buildings, Net	6,023,628
Furniture, fixtures and Equipment, Net	72,939
Total Capital Assets, Net	6,311,567
<b>TOTAL ASSETS</b>	<b>8,195,395</b>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expenses	546,563
Salary & Wages Payable	329,785
Noncurrent Liabilities:	
Due within one year:	
Notes Payable	147,882
Due after one year:	
Notes Payable	6,425,535
<b>TOTAL LIABILITIES</b>	<b>7,449,765</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(261,850)
Unrestricted:	
Undesignated	1,007,480
<b>TOTAL NET POSITION</b>	<b>\$ 745,630</b>

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

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2014*

Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	Total	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental Activities:						
Instruction	\$ 2,317,378	\$ -	\$ 37,016	\$ -	\$ (2,280,362)	\$ (2,280,362)
Pupil Personnel Services	67,766				(67,766)	(67,766)
Instructional Media	1,319				(1,319)	(1,319)
Instructional Staff Training	24,507				(24,507)	(24,507)
Board of Education	18,626				(18,626)	(18,626)
School Administration	333,398				(333,398)	(333,398)
Facilities Acquisition	-				-	-
Fiscal Services	66,476				(66,476)	(66,476)
Food Services	800				(800)	(800)
Central Services	13,043				(13,043)	(13,043)
Pupil Transportation	106,676				(106,676)	(106,676)
Operation of Plant	265,001				(265,001)	(265,001)
Interest on Long Term Debt	227,764				(227,764)	(227,764)
<b>Total Governmental Activities</b>	<b>\$ 3,442,754</b>	<b>\$ -</b>	<b>\$ 37,016</b>	<b>\$ -</b>	<b>(3,405,738)</b>	<b>(3,405,738)</b>
General Revenues:						
State Sources				3,068,166	3,068,166	
Local and Other				268,673	268,673	
Total General Revenues				3,336,839	3,336,839	
Change in Net Position				(68,899)	(68,899)	
Net Position - July 1, 2013				814,529	814,529	
Net Position - June 30, 2014				\$ 745,630	\$ 745,630	

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

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***  
***June 30, 2014***

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 1,638,436	\$ -	\$ 1,638,436
Due From Other Agencies	234,167		234,167
Deposits & Prepaid Expenses	11,225	-	11,225
Total Assets	\$ 1,883,828	\$ -	\$ 1,883,828
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 546,563	\$ -	\$ 546,563
Salary and Wages Payable	225,714		225,714
Total Liabilities	772,277	-	772,277
<b>FUND BALANCE</b>			
Nonspendable	11,225		11,225
Spendable:			
Committed	100,000	-	100,000
Unassigned	1,000,326	-	1,000,326
Total Fund Balances	1,111,551	-	1,111,551
Total Liabilities and Fund Balances	\$ 1,883,828	\$ -	\$ 1,883,828

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

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*June 30, 2014*

<b>Total Fund Balances - Governmental Funds</b>	\$	1,111,551
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$8,285,688, and the accumulated depreciation is \$1,974,121.		6,311,567
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Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(104,071)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Notes Payable	(6,573,417)	(6,573,417)
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<b>Total Net Position - Governmental Activities</b>	\$	<b>745,630</b>
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The accompanying notes to financial statements are an integral part of this statement.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2014*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental:			
Federal through State and Local State	\$ -	\$ 37,016	\$ 37,016
State	3,068,166		3,068,166
Local and Other Revenue	<u>268,673</u>		<u>268,673</u>
Total Revenues	<u>3,336,839</u>	<u>37,016</u>	<u>3,373,855</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	1,824,802	37,016	1,861,818
Pupil Personnel Services	67,766		67,766
Instructional Media	1,319		1,319
Instructional Staff Training	24,507		24,507
Board of Education	18,626		18,626
School Administration	254,542		254,542
Facilities Acquisition & Construction	-		-
Fiscal Services	66,476		66,476
Food Services	800		800
Central Services	13,043		13,043
Pupil Transportation	106,676		106,676
Operation of Plant	265,001		265,001
Fixed Capital Outlay:			
Facilities Acquisition & Construction	2,752,450		2,752,450
Other Capital Outlay	25,627		25,627
Debt Service:			
Principal	76,117		76,117
Interest and Fiscal Charges	<u>227,764</u>		<u>227,764</u>
Total Expenditures	<u>5,725,516</u>	<u>37,016</u>	<u>5,762,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,388,677)</u>	<u>-</u>	<u>(2,388,677)</u>
Other Financing Sources (Uses):			
Construction Note Payable Proceeds	<u>2,600,217</u>		<u>2,600,217</u>
Total Other Financing Sources (Uses)	<u>2,600,217</u>	<u>-</u>	<u>2,600,217</u>
Net Change in Fund Balances	211,540	-	211,540
Fund Balances, July 1, 2013	900,011	-	900,011
Fund Balances, June 30, 2014	<u>\$ 1,111,551</u>	<u>\$ -</u>	<u>\$ 1,111,551</u>

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

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2014*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 211,540
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays (\$2,778,077) in excess of depreciation expense (\$368,633) in the current period.	2,409,444
Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(13,549)
Net proceeds from notes payable provide current financial resources to the governmental funds, but increase long-term liabilities in the Statement of Net Position.	(2,600,217)
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	<u>(76,117)</u>
<b>Change in Net Position - Governmental Activities</b>	<u><u>\$ (68,899)</u></u>

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

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
A Charter School and Component Unit of the District School Board of Polk County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

Berkley Accelerated Middle School, Inc., (“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 governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three 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, the District School Board of Polk County, Florida, (“District”). The current charter is effective until June 30, 2022, due to High Performing Charter Status Designation earned by the State of Florida Department of Education. The charter may be renewed for up to an additional fifteen years by mutual written 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 this 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. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the District. The School is considered a component unit of the District; and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

The School’s financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

All other governmental funds are non-major and are presented in the aggregate.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized

# BERKLEY ACCELERATED MIDDLE SCHOOL, INC.

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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 recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash Deposits**

Cash deposits consist primarily of demand deposits held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **Capital Assets and Depreciation**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Donated capital assets are recorded at fair value at the date of donation. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Buildings	10-20 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Compensated Absences**

Compensated absences (i.e. paid absences for employee vacation and sick leave) are recorded as an expenditure in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The liability for compensated absences is classified as current in the government-wide financial statements

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. As such, the School’s revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 2% administrative fee from the School due to High Performing Charter Status Designation earned by the State of Florida Department of Education, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2014, the School reported 480.95 unweighted and 481.10 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such are reflected as restricted/reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds to the extent that they remain unexpended.

The School also receives funding through donations, fundraising efforts, and local property tax collections.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Recently Issued Accounting Principles**

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources and deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies and recognizes certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The requirements of GASB 65 were effective for the fiscal year 2014. The School does not have any items that qualify for reporting in this category.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**2. DUE FROM OTHER AGENCY**

The amount Due from Other Agency included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from Polk County District School Board for Charter School Capital Outlay and amounts due from the Polk Pre-Collegiate Academy charter school for facilities use payments and payroll reimbursements due. These receivable are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**3. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Construction in Progress	346,270		(346,270)	-
Total Capital Assets Not Being Depreciated	<u>561,270</u>	<u>-</u>	<u>(346,270)</u>	<u>215,000</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	236,336	25,627		261,963
Buildings	4,710,005	3,098,720		7,808,725
Total Capital Assets Being Depreciated	<u>4,946,341</u>	<u>3,124,347</u>	<u>-</u>	<u>8,070,688</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(164,086)	(24,938)		(189,024)
Buildings	(1,441,402)	(343,695)		(1,785,097)
Total Accumulated Depreciation	<u>(1,605,488)</u>	<u>(368,633)</u>	<u>-</u>	<u>(1,974,121)</u>
Total Capital Assets Being Depreciated, Net	<u>3,340,853</u>	<u>2,755,714</u>	<u>-</u>	<u>6,096,567</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,902,123</u>	<u>\$ 2,755,714</u>	<u>\$ (346,270)</u>	<u>\$ 6,311,567</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 289,777
School Administration	78,856
Total Depreciation Expense	<u>\$ 368,633</u>

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**4. NOTES PAYABLE**

Notes payable at June 30, 2014, are as follows:

<u>Type of Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Notes Payable:			
Berkley Elementary Loan	\$ 28,141	2.70%	2015
USDA Refinance Loan	3,571,474	4.25-6.00%	2039
USDA Construction Loan	<u>2,973,802</u>	6.00%	2039
Total Bonds Payable	<u>\$ 6,573,417</u>		

**Berkley Elementary Charter School:** Monies were advanced from Berkley Elementary Charter School in Polk County to assist with the construction of the initial school facility. The note bears interest at an annual rate of 2.70%, is secured by land, and is payable in equal monthly payments of principal and interest through June 2015. The balance of this note as of June 30, 2014 was \$28,141.

**USDA Refinance Loan With 1<sup>st</sup> Manatee Bank:** On January 10, 2013, \$3,594,000 in loan proceeds were advanced from the 1<sup>st</sup> Manatee Bank in order to refinance previously entered into financing arrangements. The previously issued debt has been repaid in full from the proceeds of this loan. \$716,995 of the loan balance currently bears interest at 6 percent. The remaining \$2,854,479 of the loan currently bears interest at 4.25 percent. Eighty percent of the loan balance shall bear interest at the "Prime Rate" which shall mean an adjustable variable rate equal to the Wall Street Journal prime interest rate plus one percent (1.0%), adjusted quarterly. The remaining 20 percent of the loan initially shall bear interest at 6 percent. The note is secured by land and buildings and is payable in equal monthly payments of principal and interest through the maturity date of January 10, 2039, subject to the quarterly interest rate adjustments. The balance of this note as of June 30, 2014 was \$3,571,474.

**USDA Loan With 1<sup>st</sup> Manatee Bank:** On January 10, 2013, the school was authorized to borrow up to \$3,000,000 to construct a new classroom center on the school grounds. The funds were loaned for the construction of a classroom center. The outstanding future principal balance bears interest at the "Prime Rate" which shall mean an adjustable variable rate equal to the Wall Street Journal prime interest rate plus one percent (1.0%), adjusted quarterly. The note is secured by land and the new building and is payable in equal monthly payments of principal and interest through the maturity date of January 10, 2039, subject to the quarterly interest rate adjustments. The balance of this note as of June 30, 2014 was \$2,973,802.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

Annual requirements to amortize all notes outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2015	\$ 538,377	\$ 147,882	\$ 390,495
2016	509,823	127,126	382,697
2017	509,823	134,967	374,856
2018	509,823	143,292	366,531
2019	509,823	152,130	357,693
2020-2024	2,549,114	913,516	1,635,598
2025-2029	2,549,114	1,232,197	1,316,917
2030-2034	2,549,114	1,662,049	887,065
2035-2039	2,368,585	2,060,258	308,327
<b>Total</b>	<b><u>\$ 12,593,596</u></b>	<b><u>\$ 6,573,417</u></b>	<b><u>\$ 6,020,179</u></b>

Interest paid on notes payable during the year ended June 30, 2014 totaled \$227,764.

**5. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 3,897,083	\$ 2,600,217	\$ (76,117)	\$ 6,421,183	\$ 147,882
Total Governmental Activities	<u>\$ 3,897,083</u>	<u>\$ 2,600,217</u>	<u>\$ (76,117)</u>	<u>\$ 6,421,183</u>	<u>\$ 147,882</u>

**6. BOARD COMMITTED FUND BALANCE**

Commitments of governmental fund balances are not legally required segregations but are segregated by the School's Board for specific purposes. As of June 30, 2014, the amount shown as Committed Fund Balance in the balance sheet – governmental funds represents moneys designated by the Board for payment of notes payable as may be needed in the future.

**7. FUNDING AND CREDIT RISK CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**8. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 1,784,974
Class Size Reduction	426,732
Charter School Capital Outlay	227,628
Discretionary Millage	176,993
Supplementary Academic Instruction	112,542
Student Transportation	107,797
Teacher Salary Increase Allocation	77,454
ESE Guaranteed Allocation	58,742
School Recognition	46,350
Instructional Materials	37,314
Teacher Lead Program	7,280
Lottery Allocation	4,360
Total State Revenue	\$ 3,068,166

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$28,970.

**9. RETIREMENT PROGRAM**

**Defined Benefit Plan**

All regular School employees are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Funding Policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2014 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	6.95%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.20% for the post-employment health insurance supplement and 0.03% for administrative costs of the Public Employee optional Retirement Program.

(B) Contributions rates are dependent upon the retirement class in which reemployed.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2014 amounted to \$98,719 which was equal to the required contributions for the fiscal year.

**Defined Contribution Plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PERORP is funded by employer contributions that are based on salary and membership class (i.e.: regular, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2014.

**Pension Reporting**

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**10. RISK MANAGEMENT PROGRAM**

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. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**11. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2014, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**12. LEGAL MATTERS**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2014*

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental:				
State	\$ 3,067,598	\$ 3,068,166	\$ 3,068,166	\$ -
Local and Other Revenue	209,349	268,673	268,673	-
<b>Total Revenues</b>	<b>3,276,947</b>	<b>3,336,839</b>	<b>3,336,839</b>	<b>-</b>
<b>Expenditures:</b>				
Current - Education:				
Instruction	1,910,330	1,824,802	1,824,802	-
Pupil Personnel Services	72,145	67,766	67,766	-
Instructional Media	4,200	1,319	1,319	-
Instructional Staff Training	9,000	24,507	24,507	-
Board of Education	21,579	18,626	18,626	-
School Administration	247,151	254,542	254,542	-
Facilities Acquisition & Construction	70,000	-	-	-
Fiscal Services	67,554	66,476	66,476	-
Food Services	800	800	800	-
Central Services	16,550	13,043	13,043	-
Pupil Transportation	102,507	106,676	106,676	-
Operation of Plant	270,399	265,001	265,001	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction		2,752,450	2,752,450	-
Other Capital Outlay		25,627	25,627	-
Debt Service:				
Principal	83,207	76,117	76,117	-
Interest and Fiscal Charges	373,348	227,764	227,764	-
<b>Total Expenditures</b>	<b>3,248,770</b>	<b>5,725,516</b>	<b>5,725,516</b>	<b>-</b>
Excess (Deficiency) of Revenues Over Expenditures	28,177	(2,388,677)	(2,388,677)	-
Other Financing Sources (Uses):				
Construction Note Payable Proceeds	-	2,600,217	2,600,217	-
Total Other Financing Sources (Uses)	-	2,600,217	2,600,217	-
<b>Net Change in Fund Balance</b>	<b>28,177</b>	<b>211,540</b>	<b>211,540</b>	<b>-</b>
Fund Balance, July 1, 2013	900,011	900,011	900,011	-
<b>Fund Balance, June 30, 2014</b>	<b>\$ 928,188</b>	<b>\$ 1,111,551</b>	<b>\$ 1,111,551</b>	<b>\$ -</b>

See Independent Auditor's Report.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.**  
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

709 W. Azelee St.  
Tampa, FL 33606  
office (813) 892-4274 fax (813) 253-0951  
www.KingandWalker.com

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**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 Berkley Accelerated Middle School, Inc.,  
a Charter School and Component Unit of the  
District School Board of Polk County, 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 remaining fund information of Berkley Accelerated Middle School, Inc. ("School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 25, 2014.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 25, 2014  
Tampa, Florida

Members:  
Florida Institute of CPAs  
American Institute of CPAs  
Government Audit Quality Center

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Berkley Accelerated Middle School, Inc.,  
a Charter School and Component Unit of the  
District School Board of Polk County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Berkley Accelerated Middle School, Inc. (“School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated August 1, 2014.

**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.

**Other Reporting Required by *Government Auditing Standards***

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 1, 2014, 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. The School did not have findings and recommendations made in the preceding annual financial audit report.

**Financial Condition**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

### **Transparency**

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

### **Other Matters**

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

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

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Berkley Accelerated Middle School, Inc.

### **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, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive style.

August 25, 2014  
Tampa, Florida