



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORTS THEREON**

JUNE 30, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Berkley Accelerated Middle School, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2008, the School's revenues exceeded expenses by \$221,267.
- The School was able to maintain a positive general fund balance of approximately \$613,000 in its first four years of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the independent auditor's report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School’s financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial health or position. Over time, increases or decreases in the School's net assets are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has one type of fund:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Assets

The School's combined net assets at June 30, 2007 and 2008 are summarized as follows—see table below.

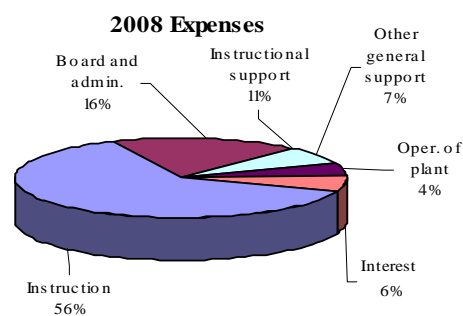
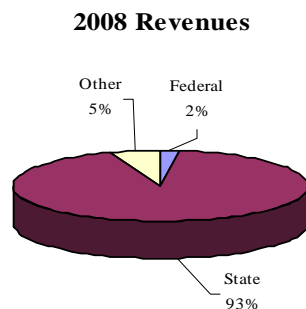
	Governmental Activities		Increase
	2007	2008	(Decrease)
Current and other assets	\$ 464,379	\$ 741,174	60%
Capital assets, net	2,396,323	3,136,831	31%
Total assets	<u>2,860,702</u>	<u>3,878,005</u>	<u>36%</u>
Current and other liabilities	253,958	263,717	4%
Long-term liabilities	<u>1,830,716</u>	<u>2,616,993</u>	<u>43%</u>
Total liabilities	<u>2,084,674</u>	<u>2,880,710</u>	<u>38%</u>
Net assets:			
Invested in capital assets, net of related debt	499,006	419,511	-16%
Restricted	4,867	-	-100%
Unrestricted	<u>272,155</u>	<u>577,784</u>	<u>112%</u>
Total net assets	<u>\$ 776,028</u>	<u>\$ 997,295</u>	<u>29%</u>

Current and other assets increased due to an increase in cash at year-end due to revenues exceeding expenditures in the current fiscal year. Capital assets, net, increased due to construction in progress of the final phase of construction for the School's facilities. Current and other liabilities increased due to the increase of accounts payable, accrued salaries and compensated absences. Long-term liabilities increased due to the loan for the new facilities currently under construction. The increase in total net assets is due to the current year operating surplus.

Change in Net Assets

The School's total revenues exceeded total expenses by approximately \$221,267 - see table below.

	Governmental Activities		Increase (Decrease)
	2007	2008	
Revenues:			
Federal sources passed through local school district	\$ 78,226	\$ 46,914	-40%
State and local sources	1,919,027	2,299,412	20%
Contributions and other revenue	158,844	134,503	-15%
Total revenues	2,156,097	2,480,829	15%
Expenses:			
Instruction and instruction-related services	1,067,713	1,267,043	19%
Pupil personnel services	247,053	239,727	-3%
Board	11,879	13,111	10%
School administration	328,103	356,242	9%
Fiscal services	55,232	56,333	2%
Central services	4,999	8,660	73%
Pupil transportation	78,139	89,067	14%
Operation of plant	72,464	100,788	39%
Interest	99,728	128,591	29%
Total expenses	1,965,310	2,259,562	15%
Change in net assets	\$ 190,787	\$ 221,267	16%



Revenues from federal sources decreased due to a decrease in federal funding and a decrease in the population that generates federal funds. State and local revenues increased due to the school receiving capital outlay funding and an increase in enrollment of the school. Contributions and other revenue decreased due to a decrease in internal account income. Instruction expense increased due to addition of instructional staff. The board expenses increased due to the expense of a training course the board attended. The other expense categories increased between fiscal

years due to increased population served, required visitor pass equipment purchased and increased cost of operating facilities.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental fund reported a combined fund balance of \$613,047.

General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. For the year ended June 30, 2008, actual expenditures were approximately \$102,000 below the budgeted amounts. Refer to the Budgetary Comparison Schedule – General Fund for additional reference.

Total revenues were approximately \$37,000 over the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008, the School had invested \$3,515,693 in capital assets, including land, buildings, furniture, fixtures and equipment.

This year's major capital asset additions included the following:

- Building and portables - \$137,532
- Capitalized construction costs - \$747,699
- Instructional equipment - \$13,756
- Administrative equipment - \$10,657

During fiscal 2007, the school began construction of a multi-purpose gymnasium that includes a cafeteria and five (5) classrooms. The School's governing board has contracted with Smith Built Construction, Inc., Auburndale, FL, 33823. Construction is anticipated to be completed mid-October 2008. Financing is collateralized by the School's land and the new facility.

The fiscal 2009 general fund budget does not include significant spending for capital acquisitions. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-Term Debt

At June 30, 2008, the School had approximately \$2,717,320 in borrowings outstanding; an increase of approximately \$820,000 from last year. The increase is due to the additional debt associated with the lease purchase of two additional portables and the addition of the

construction loan. As expected, interest expense increased to approximately \$129,000 during fiscal year 2008 from the prior year amount of approximately \$100,000. More detailed information about the School's long-term debt is presented in Note 3 and 4 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 2009:

- Projected increase in population.
- Conservative estimate of FEFP.
- Projected salary and benefit increases.
- Increases in the cost of insurance and other business operating expenses.

Amounts available for appropriation in the general fund are approximately \$2,428,000, an increase of 16% from the actual 2008 amount of \$2,090,588, exclusive of revenue from internal accounts. This increase is due to an expected increase in the student population and a conservative estimate of state funding for the 2009 fiscal year.

Budgeted expenditures are expected to increase by 36% to approximately \$2,450,000 from the fiscal 2008 actual figure of \$1,806,125, exclusive of expenditures from internal accounts. The largest increments of this increase are additional instructional units and related benefit expenditures for increased population served.

If these estimates are realized, the School's budgetary general fund balance is expected to decrease by the close of fiscal 2009.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 5316 Berkley Road, Auburndale, Florida, 33823.



**Report of Independent Auditors on Basic Financial Statements
and Supplementary Information**

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

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. (the “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, 2008, which collectively comprise the School’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 – 7 and the budgetary comparison schedule on page 29 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

BKHM, P.A.

Winter Park, Florida
September 26, 2008

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

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 719,278
Other current assets	21,896
Capital assets:	
Land	215,000
Buildings	2,377,679
Furniture, fixtures and equipment	118,071
Construction in progress	804,943
Less accumulated depreciation	(378,862)
Total capital assets, net	3,136,831
Total assets	\$ 3,878,005
LIABILITIES	
Accounts payable and accrued expenses	\$ 163,390
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease obligation	20,232
Notes payable	80,095
Portion due or payable after one year:	
Capital lease obligation	77,214
Notes payable	2,539,779
Total liabilities	2,880,710
NET ASSETS	
Invested in capital assets, net of related debt	419,511
Unrestricted:	
Undesignated	571,403
Board designated	6,381
Total net assets	997,295
Total liabilities and net assets	\$ 3,878,005

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 ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 1,262,635	\$ -	\$ 44,121	\$ -	\$ (1,218,514)	\$ (1,218,514)
Pupil personnel services	239,727	-	2,793	-	(236,934)	(236,934)
Instructional staff training	4,408	-	-	-	(4,408)	(4,408)
Board	13,111	-	-	-	(13,111)	(13,111)
School administration	356,242	-	-	-	(356,242)	(356,242)
Fiscal services	56,333	-	-	-	(56,333)	(56,333)
Central services	8,660	-	-	-	(8,660)	(8,660)
Pupil transportation	89,067	-	-	-	(89,067)	(89,067)
Operation of plant	100,788	-	-	-	(100,788)	(100,788)
Interest	128,591	-	-	-	(128,591)	(128,591)
Total primary government	<u>\$ 2,259,562</u>	<u>\$ -</u>	<u>\$ 46,914</u>	<u>\$ -</u>	<u>(2,212,648)</u>	<u>(2,212,648)</u>
General revenues:						
State and local sources					2,299,412	2,299,412
Contributions and other revenue					134,503	134,503
Total general revenues					<u>2,433,915</u>	<u>2,433,915</u>
Change in net assets					221,267	221,267
Net assets at beginning of year					776,028	776,028
Net assets at end of year					<u>\$ 997,295</u>	<u>\$ 997,295</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**

BALANCE SHEET – GOVERNMENTAL FUND

JUNE 30, 2008

	General Fund
ASSETS	
Cash and cash equivalents	\$ 719,278
Other current assets	21,896
	\$ 741,174
 LIABILITIES AND FUND BALANCES	
Accounts payable and accrued expenses	\$ 128,127
	128,127
 Fund balance:	
Unreserved:	
Undesignated	606,666
Board designated	6,381
	613,047
Total fund balance	613,047
Total liabilities and fund balance	\$ 741,174

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 FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2008

Total fund balance - governmental fund	\$ 613,047
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$3,515,693, and the accumulated depreciation is \$378,862.	3,136,831
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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 fund.	(35,263)
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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 fund. Long-term liabilities at year-end consist of:

Capital lease obligations	(97,446)
Notes payable	<u>(2,619,874)</u>

Total net assets - governmental activities	<u><u>\$ 997,295</u></u>
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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 YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 46,914	\$ 46,914
State and local sources	2,074,362	225,050	-	2,299,412
Contributions and other revenue	134,503	-	-	134,503
Total revenues	<u>2,208,865</u>	<u>225,050</u>	<u>46,914</u>	<u>2,480,829</u>
EXPENDITURES				
Current:				
Instruction	1,081,459	-	44,121	1,125,580
Pupil personnel services	235,446	-	2,793	238,239
Instructional staff training	4,408	-	-	4,408
Board	13,111	-	-	13,111
School administration	321,545	-	-	321,545
Fiscal services	56,333	-	-	56,333
Central services	8,660	-	-	8,660
Pupil transportation	89,067	-	-	89,067
Operation of plant	100,788	-	-	100,788
Debt service:				
Principal	-	-	84,298	84,298
Interest	-	-	128,591	128,591
Capital outlay	12,252	897,392	-	909,644
Total expenditures	<u>1,923,069</u>	<u>897,392</u>	<u>259,803</u>	<u>3,080,264</u>
Excess (deficiency) of revenues over expenditures	<u>285,796</u>	<u>(672,342)</u>	<u>(212,889)</u>	<u>(599,435)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from notes payable	-	904,301	-	904,301
Operating transfer in	19,070	-	212,889	231,959
Operating transfer out	-	(231,959)	-	(231,959)
Total other financing sources	<u>19,070</u>	<u>672,342</u>	<u>212,889</u>	<u>904,301</u>
Net changes in fund balances	304,866	-	-	304,866
Fund balances at beginning of year	<u>308,181</u>	<u>-</u>	<u>-</u>	<u>308,181</u>
Fund balances at end of year	<u>\$ 613,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,047</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 STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balances - total governmental funds	\$	304,866
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$909,644) exceed depreciation expense (\$169,136) in the current period.		740,508
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.		(4,104)
Net proceeds from notes payable provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net assets.		(904,301)
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets.		<u>84,298</u>
Change in net assets of governmental activities	\$	<u>221,267</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**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Berkley Accelerated Middle 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 governing body of the School is the not-for-profit corporation Board of Directors, which is composed of six 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 (the “School Board”). The current charter is effective until June 30, 2017 and may be renewed for up to an additional fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board 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 School Board 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 School Board. The School is considered a component unit of the School Board 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 of the School which should be reported with 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program (FEFP) and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Capital Projects Fund - to account for all resources for the acquisition of capital items by the School purchased with construction funds.
- Debt Service Fund - to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

For purposes of these statements, the general and capital projects funds constitute major funds. All other governmental funds are non-major and are presented in the aggregate.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Budgetary basis 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, purchased services and capital outlay).

Deposits

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School's cash consists primarily of demand deposits.

Capital assets and depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings	10 - 20
Furniture, fixtures and equipment	3 - 5

Information relative to changes in capital assets is described in Note 2.

Compensated absences

Compensated absences (i.e. paid absences for employee vacation leave 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 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. Changes in long-term debt for the current year are reported in Notes 3 and 4.

Revenue sources

Revenues for current operations are received primarily from the District School Board of Polk County, Florida 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 School Board.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the 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 students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School may receive 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 is also eligible for charter school capital outlay funding. 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.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

2 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 215,000	\$ -	\$ -	\$ 215,000
Construction in progress	<u>57,244</u>	<u>747,699</u>	<u>-</u>	<u>804,943</u>
Total capital assets not being depreciated at historical cost	<u>272,244</u>	<u>747,699</u>	<u>-</u>	<u>1,019,943</u>
Other capital assets:				
Buildings	2,240,147	137,532	-	2,377,679
Furniture, fixtures and equipment	<u>93,658</u>	<u>24,413</u>	<u>-</u>	<u>118,071</u>
Total other capital assets at historical cost	<u>2,333,805</u>	<u>161,945</u>	<u>-</u>	<u>2,495,750</u>
Less accumulated depreciation for:				
Buildings	(154,243)	(142,821)	-	(297,064)
Furniture, fixtures and equipment	<u>(55,483)</u>	<u>(26,315)</u>	<u>-</u>	<u>(81,798)</u>
Total accumulated depreciation	<u>(209,726)</u>	<u>(169,136)</u>	<u>-</u>	<u>(378,862)</u>
Other capital assets, net	<u>2,124,079</u>	<u>(7,191)</u>	<u>-</u>	<u>2,116,888</u>
Governmental activities capital assets, net	<u>\$ 2,396,323</u>	<u>\$ 740,508</u>	<u>\$ -</u>	<u>\$ 3,136,831</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 139,574
School administration	<u>29,562</u>
Total governmental activities depreciation expense	<u>\$ 169,136</u>

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 CAPITAL LEASE OBLIGATIONS

The school has entered into a five year agreement for two portables which is classified as a capital lease. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the School's statement of net assets. Terms of the lease require the School to make monthly payments of \$2,445 through August 2012. The lease agreement contains a bargain purchase option at the end of the lease term.

The following is an analysis of the leased assets included in capital assets:

	2008
Buildings	\$ 135,532
Less accumulated depreciation	(6,777)
	\$ 128,755

Amortization of assets under this capital lease is included in depreciation expense for fiscal year 2008.

Activity in capital lease obligation during the current fiscal year was as follows:

Balance outstanding at beginning of year	\$ -
Additions	115,202
Reductions	(17,756)
Balance outstanding at end of year	\$ 97,446
Amount due within one year	\$ 20,232

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

Future minimum payments related to this lease obligation are as follows:

<u>Years ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,232	\$ 9,108	\$ 29,340
2010	22,419	6,921	29,340
2011	24,873	4,467	29,340
2012	27,499	1,841	29,340
2013	2,423	22	2,445
Total	<u>\$ 97,446</u>	<u>\$ 22,359</u>	<u>\$ 119,805</u>

Interest paid on the capital lease during the year ended June 30, 2008 totaled \$8,658.

4 NOTES PAYABLE

Notes payable includes monies advanced from a charter school in Polk County to assist with the construction of the new 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, 2008 was \$181,944.

During fiscal 2006, the School completed construction of its facility and obtained a loan with a total principal balance of \$1,275,000. This note was amended in 2007 to increase its total principal balance to \$1,705,862. Of this amount, \$1,620,569 of the balance bears interest at 6.50% for the life of the loan and matures January 31, 2027. The remaining \$85,293 of the loan bears interest at 8.37% for the life of the loan and matures on January 31, 2017. The note is secured by land and building and is payable in equal monthly payments of principal and interest based upon a twenty-year amortization schedule, upon maturity the remaining balance of the note is due. The balance of this note as of June 30, 2008 was \$1,648,831.

During fiscal 2008, the School entered into a loan for the construction of an additional facility. As of June 30, 2008, the balance on the interest only loan was \$789,099, with a maximum borrowing limit of \$1,644,000 for completion of the construction. The loan will be converted to a mortgage December 2008, with the terms of 6.79% interest on the mortgage balance. The note will be secured by land and the new facility and is payable in equal monthly payments of principal and interest based upon a twenty-five year amortization schedule.

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

Activity in notes payable during the current fiscal year was as follows:

Balance outstanding at beginning of year	\$ 1,897,317
Additions	789,099
Reductions	<u>(66,542)</u>
Balance outstanding at end of year	<u>\$ 2,619,874</u>
Amount due within one year	<u>\$ 80,095</u>

Future debt service requirements are as follows:

Years ended June 30,	Principal	Interest	Total
2009	\$ 80,095	\$ 158,643	\$ 238,738
2010	86,598	163,267	249,865
2011	91,955	157,910	249,865
2012	97,137	152,728	249,865
2013	102,769	147,096	249,865
2014-2018	566,974	634,167	1,201,141
2019-2023	626,124	436,055	1,062,179
2024-2028	679,011	192,884	871,895
2029-2033	277,914	56,032	333,946
2034-2038	<u>11,297</u>	<u>98</u>	<u>11,395</u>
Total	<u>\$ 2,619,874</u>	<u>\$ 2,098,880</u>	<u>\$ 4,718,754</u>

Interest paid on notes payable during the year ended June 30, 2008 totaled \$119,933.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources and amounts:

District School Board of Polk County, Florida:

Florida Education Finance Program	\$ 1,297,974
Class size reduction	292,155
Capital outlay	225,050
Supplemental academic instruction	87,929
Discretionary millage funds	83,594
Transportation	92,762
Discretionary tax equalization funds	52,489
ESE guaranteed allocation	47,720
Instructional materials	32,268
School recognition	31,150
Excellent teaching program	29,687
Discretionary lottery funds	14,269
Safe schools	7,325
Lead teacher stipend	5,040
Total	<u><u>\$ 2,299,412</u></u>

The administration fee paid to the School Board during the year ended June 30, 2008 totaled approximately \$100,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

6 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**BERKLEY ACCELERATED MIDDLE SCHOOL, INC.
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THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

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 collectibility of any related receivable at June 30, 2008 may be impaired.

In the opinion of the School, there are no significant contingent 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.

Legal matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

8 RETIREMENT PROGRAM

Defined benefit plan

All regular employees of the School 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.

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

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.

Funding policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2008 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	0%	9.85%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.05% for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution 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, 2008 totaled approximately \$103,000, 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 PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, 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 2008.

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

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.

**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

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 2,022,836	\$ 2,047,188	\$ 2,074,362	\$ 27,174
Contributions and other revenue	121,802	124,302	134,503	10,201
Total revenues	<u>2,144,638</u>	<u>2,171,490</u>	<u>2,208,865</u>	<u>37,375</u>
EXPENDITURES				
Current:				
Instruction	1,084,452	1,103,881	1,081,459	22,422
Pupil personnel services	237,165	240,080	235,446	4,634
Instructional staff training	7,500	7,500	4,408	3,092
Board	19,707	19,707	13,111	6,596
School administration	320,809	326,425	321,545	4,880
Fiscal services	60,774	55,970	56,333	(363)
Central services	8,200	8,200	8,660	(460)
Pupil transportation	82,464	83,614	89,067	(5,453)
Operation of plant	112,900	115,505	100,788	14,717
Capital outlay	<u>62,330</u>	<u>64,330</u>	<u>12,252</u>	<u>52,078</u>
Total expenditures	<u>1,996,301</u>	<u>2,025,212</u>	<u>1,923,069</u>	<u>102,143</u>
Excess of revenues over expenditures	148,337	146,278	285,796	139,518
OTHER FINANCING SOURCES (USES)				
Operating transfer in	-	-	19,070	19,070
Operating transfers out	<u>(75,340)</u>	<u>(7,075)</u>	<u>-</u>	<u>7,075</u>
Total other financing sources (uses)	<u>(75,340)</u>	<u>(7,075)</u>	<u>19,070</u>	<u>26,145</u>
Net change in fund balances	72,997	139,203	304,866	165,663
Fund balance at beginning of year	<u>308,181</u>	<u>308,181</u>	<u>308,181</u>	<u>-</u>
Fund balance at end of year	<u>\$ 381,178</u>	<u>\$ 447,384</u>	<u>\$ 613,047</u>	<u>\$ 165,663</u>

See report of independent auditors.



Report of Independent Auditors 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 of Berkley Accelerated Middle School, Inc.,
a Charter School and Component Unit of the District
School Board of Polk County, Florida

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Berkley Accelerated Middle School, Inc. (the “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, 2008, which collectively comprise the School’s basic financial statements and have issued our report thereon dated September 26, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School’s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School’s financial statements that is more than inconsequential will not be prevented or detected by the School’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management of the School, the District School Board of Polk County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 26, 2008

**ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND
SIMILAR ENTITIES***



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

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Berkley Accelerated Middle School, Inc. (the “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, 2008, we considered the School’s internal control over financial reporting in order to determine our auditing procedures 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.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The specific matters noted during our audit, together with management’s response thereto, are included in the memorandum which follows.

During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes (the “conditions”). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.

Section 10.855(10), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we have applied financial condition assessment procedures as of June 30, 2008, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

The School’s written response to the matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management and others within Berkley Accelerated Middle School, Inc. and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

BKHM, P.A.

Winter Park, Florida
September 26, 2008

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

**RECOMMENDATIONS TO IMPROVE COMPLIANCE, INTERNAL CONTROL
AND THE FINANCIAL REPORTING PROCESS**

JUNE 30, 2008

RECOMMENDATION 1:

Revise procedures to ensure all significant entries are recorded prior to audit.

During our audit procedures with regard to the purchase of the portables and the related liability, we noted that management had not recorded the capital lease obligation to the School's accounting records. The adjustments to record this transaction was proposed by the auditors in connection with the audit and subsequently approved by management.

We recommend that procedures be revised to ensure all significant adjustments are recorded by management prior to the audit.

MANAGEMENT'S RESPONSE:

Procedures have been revised to ensure all significant adjustments will be recorded by management prior to audit.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no findings or recommendations in the prior year.