

**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, 2011

King & Walker, CPAs, PL

Certified Public Accountants

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BERKLEY ACCELERATED MIDDLE SCHOOL, INC.

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KING & WALKER, CPAs, PL

Certified Public Accountants

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Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

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 the accompanying basic financial statements of the governmental activities and each major fund 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 fiscal year ended June 30, 2011, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Berkley Accelerated Middle School, Inc. as of June 30, 2011, and the respective changes in financial position thereof for the fiscal 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 a report dated August 19, 2011 on our consideration of the Berkley Accelerated Middle School, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading *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*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

King & Walker, CPAs

August 19, 2011
Lutz, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Berkley Accelerated Middle School, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2011.

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 found on pages 9 through 26.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the School's revenues exceeded expenses as shown on the School's statement of revenues, expenditures, and changes in fund balances by \$121,062.
- As shown on the statement of net assets, the School reported an Undesignated Net Asset balance of \$857,943.

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 assets 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 assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets 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 assets as of June 30, 2010, and June 30, 2011:

	Net Assets, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 1,145,727	\$ 1,201,121	\$ 55,394
Capital Assets, Net	3,622,937	3,376,214	(246,723)
Total Assets	<u>4,768,664</u>	<u>4,577,335</u>	<u>(191,329)</u>
LIABILITIES			
Current Liabilities	362,457	306,979	(55,478)
Long Term Liabilities	3,349,039	3,218,471	(130,568)
Total Liabilities	<u>3,711,496</u>	<u>3,525,450</u>	<u>(186,046)</u>
NET ASSETS			
Invested in Capital Assets, Net of Debt	273,898	157,743	(116,155)
Unrestricted	783,270	894,142	110,872
Total Net Assets	<u>1,057,168</u>	<u>1,051,885</u>	<u>(5,283)</u>
Total Liabilities and Net Assets	<u>\$ 4,768,664</u>	<u>\$ 4,577,335</u>	<u>\$ (191,329)</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, decreased due to depreciation expenses exceeding capital asset expenditures. Long Term Liabilities decreased as a result of planned long term debt repayments.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2010, and June 30, 2011 are as follows:

Operating Results for the Year

	Governmental Activities		
	6-30-10	6-30-11	Increase (Decrease)
Revenues:			
Federal	\$ 205,604	\$ 236,795	\$ 31,191
State and Local Sources	2,669,081	2,626,312	(42,769)
Grants, Contributions and Other	165,545	158,252	(7,293)
Total Revenues	3,040,230	3,021,359	(18,871)
Expenses:			
Instruction	1,793,672	1,868,775	75,103
Pupil Personnel Services	106,091	103,327	(2,764)
Media	23,737	1,330	(22,407)
Instructional Staff Training	388	200	(188)
Board of Education	42,137	22,097	(20,040)
School Administration	456,707	402,656	(54,051)
Facilities Acq. & Construction	2,711	20,035	17,324
Fiscal Services	60,018	59,543	(475)
Food Services	800	1,210	410
Central Services	10,500	28,685	18,185
Pupil Transportation	125,368	122,368	(3,000)
Operation of Plant	192,944	174,942	(18,002)
Interest on Debt	229,819	221,474	(8,345)
Total Expenses	3,044,892	3,026,642	(18,250)
Increase/(Decrease) in Net Assets	\$ (4,662)	\$ (5,283)	\$ (621)

The largest revenue source for the School is the State of Florida (81 percent). 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. Prevailing economic conditions was the primary factor for the decreased State revenue.

Instruction expenses increased primarily due to an increase in instructional staffing and employee benefit expense increases. The other expense categories experienced increases and decreases between fiscal years due to general economic conditions and the financial needs of the school.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$959,606.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2011, 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 reference.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011, the School had invested \$3,376,214, in capital assets, including land, buildings, furniture, fixtures and equipment, net of accumulated depreciation. Additional information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

At June 30, 2011, the School had \$3,188,518 in notes payable outstanding a decrease of \$105,725 resulting from planned debt repayment. Additional information about the School's long-term debt is presented in Notes 4, 5, and 6 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 2012:

- Projected increase in 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 ASSETS

June 30, 2011

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash & Cash Equivalents	\$ 1,143,104
Due From Other Agency	38,482
Prepaid Expenses	16,535
Deposits	3,000
Total Current Assets	<u>1,201,121</u>
Capital Assets:	
Land	215,000
Buildings, Net	3,105,551
Furniture, fixtures and Equipment, Net	55,663
Total Capital Assets, Net	<u>3,376,214</u>
TOTAL ASSETS	<u><u>4,577,335</u></u>
LIABILITIES	
Accounts Payable and Accrued Expenses	83,057
Salary & Wages Payable	223,922
Long-Term Liabilities:	
Due within one year:	
Capital Lease Obligation	27,529
Notes Payable	111,768
Due after one year:	
Capital Lease Obligation	2,424
Notes Payable	3,076,750
TOTAL LIABILITIES	<u>3,525,450</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	157,743
Unrestricted:	
Board Designated	36,199
Undesignated	857,943
Total Net Assets	<u>1,051,885</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,577,335</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

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 1,868,775	\$ -	\$ 111,395	\$ -	\$ (1,757,380)	\$ (1,757,380)
Pupil Personnel Services	103,327				(103,327)	(103,327)
Media	1,330				(1,330)	(1,330)
Instructional Staff Training	200				(200)	(200)
Board of Education	22,097				(22,097)	(22,097)
School Administration	402,656				(402,656)	(402,656)
Facilities Acquisition & Construction	20,035				(20,035)	(20,035)
Fiscal Services	59,543				(59,543)	(59,543)
Food Services	1,210				(1,210)	(1,210)
Central Services	28,685				(28,685)	(28,685)
Pupil Transportation	122,368		125,634		3,266	3,266
Operation of Plant	174,942				(174,942)	(174,942)
Interest on Long Term Debt	221,474			188,403	(33,071)	(33,071)
Total Governmental Activities	\$ 3,026,642	\$ -	\$ 237,029	\$ 188,403	(2,601,210)	(2,601,210)
General Revenues:						
State and Local sources					2,312,275	2,312,275
Grants and Contributions not restricted to specific program					125,400	125,400
Other					158,252	158,252
Total General Revenues					2,595,927	2,595,927
Change in Net Assets					(5,283)	(5,283)
Net Assets - July 1, 2010					1,057,168	1,057,168
Net Assets - June 30, 2011					\$ 1,051,885	\$ 1,051,885

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, 2011***

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 1,143,104	\$ -	\$ 1,143,104
Due From Other Agency	38,482		38,482
Prepaid Expense	16,535	-	16,535
Deposits	3,000	-	3,000
Total Assets	<u>\$ 1,201,121</u>	<u>\$ -</u>	<u>\$ 1,201,121</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Expenses	\$ 83,057	\$ -	\$ 83,057
Salary and Wages Payable	158,458		158,458
Total Liabilities	<u>241,515</u>	<u>-</u>	<u>241,515</u>
Fund Balances:			
Nonspendable	19,535		19,535
Spendable:			
Committed	36,199	-	36,199
Unassigned	903,872	-	903,872
Total Fund Balances	<u>959,606</u>	<u>-</u>	<u>959,606</u>
Total Liabilities and Fund Balances	<u>\$ 1,201,121</u>	<u>\$ -</u>	<u>\$ 1,201,121</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**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total Fund Balances - Governmental Funds	\$	959,606
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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 funds. The cost of the assets is \$4,449,699, and the accumulated depreciation is \$1,073,485.		3,376,214
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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.		(65,464)
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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:

Capital Lease Obligations	(29,953)	
Notes Payable	<u>(3,188,518)</u>	<u>(3,218,471)</u>

Total Net Assets - Governmental Activities	\$	<u>1,051,885</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 Fiscal Year Ended June 30, 2011***

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Intergovernmental:			
Federal	\$ 206,392	\$ 30,403	\$ 236,795
State and Local	2,626,312		2,626,312
Contributions and Other Revenue	158,252		158,252
Total Revenues	<u>2,990,956</u>	<u>30,403</u>	<u>3,021,359</u>
Expenditures			
Current - Education:			
Instruction	1,619,990	30,403	1,650,393
Pupil Personnel Services	103,327		103,327
Media	1,330		1,330
Instructional Staff Training	200		200
Board of Education	22,097		22,097
School Administration	350,461		350,461
Facilities Acquisition & Construction	20,035		20,035
Fiscal Services	59,543		59,543
Food Services	1,210		1,210
Central Services	28,685		28,685
Pupil Transportation	122,368		122,368
Operation of Plant	174,942		174,942
Fixed Capital Outlay:			
Other Capital Outlay	13,664		13,664
Debt Service:			
Principal	130,568		130,568
Interest and Fiscal Charges	221,474		221,474
Total Expenditures	<u>2,869,894</u>	<u>30,403</u>	<u>2,900,297</u>
Net Change in Fund Balances	121,062	-	121,062
Fund Balances, July 1, 2010	<u>838,544</u>	<u>-</u>	<u>838,544</u>
Fund Balances, June 30, 2011	<u>\$ 959,606</u>	<u>\$ -</u>	<u>\$ 959,606</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, 2011***

Net Change in Fund Balances - Governmental Funds	\$ 121,062
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 depreciation expense in excess of capital outlays and deletions in the current period.	(246,723)
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.	(10,190)
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>130,568</u>
Change in Net Assets - Governmental Activities	<u><u>\$ (5,283)</u></u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The 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 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, (“District”). 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 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.

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

➤ **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).

➤ **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.

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, 2011

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. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **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 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 5% administrative fee from the School, 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, 2011, the School reported 414 unweighted and 417.15 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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

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.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in

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, 2011

the School's circumstances. The School has classified its fund balances with the following hierarchy:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Fund Balance:			
Nonspendable:			
Deposits	\$ 3,000	\$ -	\$ 3,000
Prepaid Expenses	16,535		16,535
Spendable:			
Committed:			
Debt Service	36,199		36,199
Unassigned	903,872		903,872
Total Fund Balance	<u>\$ 959,606</u>	<u>\$ -</u>	<u>\$ 959,606</u>

➤ **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.

➤ **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.

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 the Polk County District School Board for the Education Jobs Act, Title I grant and Charter School Capital Outlay funds. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

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, 2011

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
Total Capital Assets Not Being Depreciated	<u>215,000</u>	<u>-</u>	<u>-</u>	<u>215,000</u>
Capital Assets Being Depreciated:				
Furniture, Fixtures and Equipment	160,315	13,664	(3,000)	170,979
Buildings	4,063,720	-	-	4,063,720
Total Capital Assets Being Depreciated	<u>4,224,035</u>	<u>13,664</u>	<u>(3,000)</u>	<u>4,234,699</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(93,942)	(21,374)	-	(115,316)
Buildings	(722,156)	(236,013)	-	(958,169)
Total Accumulated Depreciation	<u>(816,098)</u>	<u>(257,387)</u>	<u>-</u>	<u>(1,073,485)</u>
Total Capital Assets Being Depreciated, Net	<u>3,407,937</u>	<u>(243,723)</u>	<u>(3,000)</u>	<u>3,161,214</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,622,937</u>	<u>\$ (243,723)</u>	<u>\$ (3,000)</u>	<u>3,376,214</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	<u>Amount</u>
Instruction	\$ 205,192
School Administration	52,195
Total Depreciation Expense	<u>\$ 257,387</u>

4. 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 July 2012. The lease agreement contains a bargain purchase option at the end of the lease term.

The net asset value of the leased buildings is \$115,203 at June 30, 2011.

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, 2011

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2012	29,340	27,529	1,811
2013	2,445	2,424	21
Total Minimum Lease Payments	\$ 31,785	\$ 29,953	\$ 1,832

Interest paid on the capital lease during the year ended June 30, 2011 totaled \$4,497.

5. 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, 2011 was \$108,152.

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 6.56% for the life of the loan and matures January 31, 2027. The remaining \$85,293 of the loan bears interest at 8.375% 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 through maturity. The balance of this note as of June 30, 2011 was \$1,500,536.

During fiscal 2008, the School entered into a loan for the construction of an additional facility. In December 2008 the loan was converted to a mortgage with a total principal balance of \$1,644,000. Of this amount, \$1,561,800 of the balance bears interest at 6.97% for the life of the loan and matures December 31, 2033. The remaining \$82,200 of the loan bears interest at 6% for the life of the loan and matures on December 31, 2018. The mortgage is secured by land and the new facility and is payable in equal monthly payments of principal and interest through maturity. The balance of this mortgage note as of June 30, 2011 was \$1,579,830.

Annual requirements to amortize all notes outstanding as of June 30, 2011, are as follows:

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, 2011

Fiscal Year Ending June 30:	Total	Principal	Interest
2012	\$ 326,718	\$ 111,768	\$ 214,950
2013	327,421	118,691	208,730
2014	327,298	125,890	201,408
2015	327,458	133,519	193,939
2016	296,546	112,845	183,701
2017-2021	1,551,177	782,979	768,198
2022-2026	1,406,757	920,793	485,964
2027-2031	780,073	566,552	213,521
2032-2034	372,760	315,481	57,279
Total	\$ 5,716,208	\$ 3,188,518	\$ 2,527,690

Interest paid on notes payable during the year ended June 30, 2011 totaled \$216,977.

6. 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:					
Capital Lease Obligations	\$ 54,796	\$ -	\$ (24,843)	\$ 29,953	\$ 27,529
Notes Payable	3,294,243	-	(105,725)	3,188,518	111,768
Total Governmental Activities	<u>\$ 3,349,039</u>	<u>\$ -</u>	<u>\$ (130,568)</u>	<u>\$ 3,218,471</u>	<u>\$ 139,297</u>

7. BOARD DESIGNATED NET ASSETS/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, 2011, the amount shown as Unrestricted – Board Designated Net Assets in the statement of net assets and Spendable – Committed Fund Balance in the balance sheet – governmental funds represents moneys designated for payment of notes payable.

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, 2011

8. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and local revenue for the 2010-11 fiscal year:

Source	Amount
<i><u>FEDERAL:</u></i>	
Through the Florida Department of Education:	
American Recovery & Reinvestment Act	\$ 125,400
Through the Polk County School District:	
IDEA grant	30,403
Education Jobs Act, Title I grant	80,992
Total Federal	236,795
<i><u>STATE:</u></i>	
Florida Education Finance Program	1,520,445
Categorical Educational Programs:	
Class Size Reduction	370,582
Transportation	125,634
Supplementary Academic Instruction	100,932
Instructional Materials	32,957
Discretionary Lottery Funds	1,445
Capital Outlay	188,403
ESE Guaranteed Allocation	59,795
School Recognition	31,050
Excellent Teaching Program	5,900
Florida Teachers' Lead Program	4,284
Total State Revenue	2,441,427
<i><u>LOCAL:</u></i>	
Discretionary Millage	85,068
Discretionary Local Effort	99,817
Total Local Revenue	184,885
Total State and Local Revenue	\$ 2,626,312

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$75,594 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.

Accounting policies relating to certain State revenue sources are described in Note 1.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Funding Policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2011 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%	10.77%
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) 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, 2011 amounted to \$143,546, 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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 2011.

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

Workers' compensation, health and hospitalization, general liability, professional liability and property insurance coverage is 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.

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, 2011, 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.

13. 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.
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, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Intergovernmental:				
Federal	\$ 119,315	\$ 206,392	\$ 206,392	\$ -
State and Local	2,460,451	2,626,312	2,626,312	-
Contributions and Other Revenue	111,100	158,252	158,252	-
Total Revenues	2,690,866	2,990,956	2,990,956	-
Expenditures:				
Current - Education:				
Instruction	1,549,320	1,619,990	1,619,990	-
Pupil Personnel Services	100,944	103,327	103,327	-
Media	-	1,330	1,330	-
Instructional Staff Training	10,500	200	200	-
Board of Education	22,199	22,097	22,097	-
School Administration	351,284	350,461	350,461	-
Facilities Acquisition & Construction	-	20,035	20,035	-
Fiscal Services	56,721	59,543	59,543	-
Food Services	-	1,210	1,210	-
Central Services	17,500	28,685	28,685	-
Pupil Transportation	116,702	122,368	122,368	-
Operation of Plant	172,185	174,942	174,942	-
Fixed Capital Outlay:				
Other Capital Outlay	-	13,664	13,664	-
Debt Service:				
Principal	130,493	130,568	130,568	-
Interest	221,549	221,474	221,474	-
Total Expenditures	2,749,397	2,869,894	2,869,894	-
Net Change in Fund Balance	(58,531)	121,062	121,062	-
Fund Balance, July 1, 2010	761,053	838,544	838,544	-
Fund Balance, June 30, 2011	<u>\$ 702,522</u>	<u>\$ 959,606</u>	<u>\$ 959,606</u>	<u>\$ -</u>

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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 the basic 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, 2011, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. 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 of the School's financial statements for the fiscal year ended June 30, 2011, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, and other guidelines, 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 that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

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

August 19, 2011
Lutz, Florida

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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

We have audited the basic 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, 2011, and have issued our report thereon dated August 19, 2011.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 19, 2011. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School had no findings in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Berkley Accelerated Middle School, Inc.

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

Respectfully submitted,

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

August 19, 2011
Lutz, Florida

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

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2011

The following is the School's response to the item in the Management Letter dated August 19, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.