



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF
PASCO COUNTY, FLORIDA**

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

JUNE 30, 2008

CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1-7
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	8-9
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Deficit – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Deficit of the Governmental Fund to the Statement of Activities	15
Notes to Financial Statements	16-24
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	25
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 <i>Government Auditing Standards</i>	26-27
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:	
Management Letter	28-30
Written Statement of Explanation or Rebuttal	31

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Athenian Academy of Pasco County, 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 year ended June 30, 2008, the School's expenses exceeded revenues by \$70,556. This is a decline from 2007 when revenues exceeded expenses by \$92,630.
- Total assets were \$256,700, and total liabilities were \$234,626, resulting in net assets of \$22,074 as of June 30, 2008.

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 condition. Over time, increases or decreases in the School’s net assets are an indicator of whether its financial condition 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 has one kind 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 for 2008 and 2007 are summarized as follows (see table below).

	Governmental Activities		Increase (Decrease)
	2008	2007	
Current and other assets	\$ 72,137	\$ 39,417	83%
Capital assets, net	184,563	219,766	-16%
Total assets	<u>256,700</u>	<u>259,183</u>	<u>-1%</u>
Current and other liabilities	149,820	166,553	-10%
Long-term liabilities	84,806	-	100%
Total liabilities	<u>234,626</u>	<u>166,553</u>	<u>41%</u>
Net assets:			
Invested in capital assets, net of related debt	60,623	219,766	-72%
Unrestricted	<u>(38,549)</u>	<u>(127,136)</u>	<u>70%</u>
Total net assets	<u>\$ 22,074</u>	<u>\$ 92,630</u>	<u>-76%</u>

Current and other assets increased as compared to the prior year mainly due to the presence of more cash on hand. Capital assets, net decreased due to current year depreciation expense in excess of capital asset purchases.

Current and other liabilities decreased as compared to the prior year mainly due to the timing of payments at year-end. Long-term liabilities increased due to the related party note payable entered into in fiscal year 2008.

Net assets decreased due to the current year operating deficit.

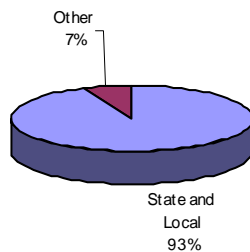
The above 2007 amounts have been restated to reflect the prior period adjustment discussed in Note 10 to the financial statements.

Change in Net Assets

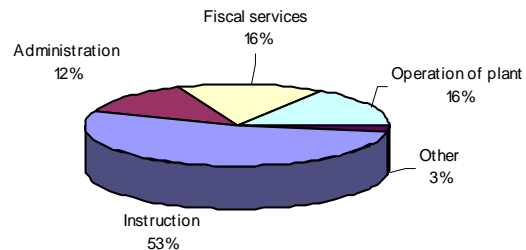
The School's total revenues increased by 33% to 1,432,405, and the total cost of all programs and services increased by 55% to \$1,501,961 (see table below).

	Governmental Activities		Increase (Decrease)
	2008	2007	
Revenues:			
State and local sources	\$ 1,338,779	\$ 611,597	119%
Contributions and other revenue	93,626	112,300	-17%
Working capital provided by Leona Group, LLC	-	354,713	-100%
Total revenues	1,432,405	1,078,610	33%
Expenses:			
Instruction and instruction-related services	797,382	475,414	68%
Pupil personnel services	10,615	6,603	61%
Board	7,300	3,470	110%
School administration	174,109	156,226	11%
Facilities acquisition and construction	828	15,267	-95%
Fiscal services	238,504	109,669	117%
Food services	24,526	13,333	84%
Transportation	15,450	-	100%
Operation of plant	234,247	205,998	14%
Total expenses	1,502,961	985,980	52%
Change in net assets	\$ (70,556)	\$ 92,630	-176%

2008 Revenues



2008 Expenses



State and local revenue increased due to an increase in student population. Working capital provided by Leona Group, LLC decreased due to decreased contributions from the management company. Instruction and instruction-related services and pupil personnel services increased due to increased

staff and increased student enrollment. Fiscal services increased primarily due to increased management fee expenses which are calculated based on revenues received.

Transportation expenses increased due to the School accepting a contract with the County to provide transportation for the School’s students. Operation of plant increased due to increased cost for upkeep of the property.

The above 2007 amounts have been restated to reflect the prior period adjustment discussed in Note 10 to the financial statements.

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

As the School completed the year, its general fund reported a fund deficit of \$36,944. Both revenues and expenditures increased overall for the same reasons described above.

General Fund Budgetary Highlights

Over the course of the year, the School revised its budget several times. These budget amendments fall into two categories:

- Changes made to account for the increase in student enrollment.
- Increases in appropriations to prevent certain budget overruns.

Even with these adjustments, actual revenues were approximately \$63,000 below the final budget amounts due to lower than expected revenues from state and local sources, which represents a budget variance of 4%. Actual expenditures were approximately \$5,000 below the final budget amounts due to lower than expected expenditures for fiscal services and instruction-related services, which represents a less than 1% budget variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008, the School had invested \$262,228 in a broad range of capital assets, including improvements, furniture, fixtures and equipment (see table below).

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Buildings and improvements	\$ 194,848	\$ 192,753	1%
Furniture, fixtures and equipment	67,380	60,646	10%
Total capital assets	<u>\$ 262,228</u>	<u>\$ 253,399</u>	<u>3%</u>

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

- Computers – \$2,600
- Security system – \$2,095

The School's fiscal year 2009 capital budget includes spending an additional \$8,000 for capital projects, principally for instruction-related technology. The School intends to finance these projects with resources on hand. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-term Debt

At year-end, the School had a \$123,940 note payable to a related party. More detailed information about the School's long-term debt is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

When adopting the general fund budget for fiscal year 2009, the School considered the expected increase in student enrollment and resulting increase in salaries due to additional teachers.

Amounts available for appropriation in the general fund are approximately \$1,767,211, an increase of 23% over the final 2008 actual amount of \$1,432,405. FEFP revenue (benefiting from an increase in student population) is expected to lead this increase.

Budgeted expenditures are expected to increase to \$1,730,762, or approximately 18%, from the fiscal 2008 actual amount of \$1,467,758. The School has added no major new programs to the fiscal 2009 budget.

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

CURRENT FINANCIAL ISSUES

As explained more fully in Note 7 to the basic financial statements, the School contracts with The Leona Group, LLC ("TLG") for the majority of its day-to day operational services. TLG provides these services for a percentage share of the total revenues received by the School from all sources.

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 management company at 4660 S. Hagadorn Rd., Suite 500, East Lansing, Michigan 48823.



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of Athenian Academy of Pasco County, Inc., a Charter School
and Component Unit of the District School Board of Pasco County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of Athenian Academy of Pasco County, Inc. (the “School”), a charter school and component unit of the District School Board of Pasco 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 and the major fund of Athenian Academy of Pasco County, 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 August 27, 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 25 are 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
August 27, 2008

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 34,834
Accounts receivable	6,599
Prepaid expenses	18,380
Other current assets	12,324
Capital assets:	
Buildings and improvements	194,848
Furniture, fixtures and equipment	67,380
Less accumulated depreciation	<u>(77,665)</u>
Total capital assets, net	<u>184,563</u>
Total assets	<u><u>\$ 256,700</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 89,970
Due to management company	20,716
Long-term liabilities:	
Portion due within one year:	
Related party note payable	39,134
Portion due after one year:	
Related party note payable	<u>84,806</u>
Total liabilities	<u>234,626</u>
NET ASSETS	
Invested in capital assets, net of related debt	60,623
Unrestricted	<u>(38,549)</u>
Total net assets	<u>22,074</u>
Total liabilities and net assets	<u><u>\$ 256,700</u></u>

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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction and instruction-related services	\$ 797,382	\$ -	\$ -	\$ -	\$ (797,382)	\$ (797,382)
Pupil personnel services	10,615	-	-	-	(10,615)	(10,615)
Board	7,300	-	-	-	(7,300)	(7,300)
School administration	174,109	-	-	-	(174,109)	(174,109)
Facilities acquisition and construction	828	-	-	-	(828)	(828)
Fiscal services	238,504	-	-	-	(238,504)	(238,504)
Food services	24,526	-	-	-	(24,526)	(24,526)
Transportation	15,450	-	-	-	(15,450)	(15,450)
Operation of plant	234,247	-	-	-	(234,247)	(234,247)
Total primary government	\$ 1,502,961	\$ -	\$ -	\$ -	(1,502,961)	(1,502,961)
General revenues:						
State and local sources					1,338,779	1,338,779
Contributions and other revenue					93,626	93,626
Total general revenues					1,432,405	1,432,405
Change in net assets					(70,556)	(70,556)
Net assets at beginning of year, as previously reported					111,636	111,636
Prior period adjustment (see Note 10)					(19,006)	(19,006)
Net assets at beginning of year, as restated					92,630	92,630
Net assets at end of year					\$ 22,074	\$ 22,074

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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 34,834
Accounts receivable	6,599
Prepaid expenses	18,380
Other current assets	<u>12,324</u>
Total assets	<u><u>\$ 72,137</u></u>
 LIABILITIES AND FUND DEFICIT	
Accounts payable and accrued expenses	\$ 89,970
Due to management company	<u>20,716</u>
Total liabilities	<u>110,686</u>
Fund deficit:	
Unreserved:	
Undesignated	<u>(38,549)</u>
Total fund deficit	<u>(38,549)</u>
Total liabilities and fund deficit	<u><u>\$ 72,137</u></u>

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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

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

JUNE 30, 2008

Total fund deficit - governmental fund \$ (38,549)

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 \$262,228, and the accumulated depreciation is \$77,665. 184,563

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:

Related party note payable (123,940)

Total net assets - governmental activities \$ 22,074

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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND DEFICIT - GOVERNMENTAL FUND**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>
REVENUES	
State and local sources	\$ 1,338,779
Contributions and other revenue	<u>93,626</u>
Total revenues	<u>1,432,405</u>
EXPENDITURES	
Current:	
Instruction and instruction-related services	760,292
Pupil personnel services	10,615
Board	7,300
School administration	167,167
Facilities acquisition and construction	828
Fiscal services	238,504
Food services	24,526
Transportation	15,450
Operation of plant	234,247
Capital outlay	<u>8,829</u>
Total expenditures	<u>1,467,758</u>
Excess of expenditures over revenues	(35,353)
OTHER FINANCING SOURCES	
Proceeds from related party note payable	<u>123,940</u>
Net changes in fund deficit	88,587
Fund deficit at beginning of year	<u>(127,136)</u>
Fund deficit at end of year	<u>\$ (38,549)</u>

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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Athenian Academy of Pasco County, 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 at least seven 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 Pasco County, Florida (the "School Board"). The current charter is effective until June 30, 2009 and may be renewed 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, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a government 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.

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.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 fund in the financial statements of this report is as follows:

Governmental Fund:

- General Fund - to account for all financial resources not required to be accounted for in another fund.

For purposes of these statements, the general fund constitutes a major fund. There are no other governmental funds.

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. Revenues and expenses are recognized when they occur.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 60 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 and investments

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 with financial institutions.

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.

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

	<u>Years</u>
Buildings and improvements	5-6
Furniture, fixtures and equipment	3

Information relative to changes in capital assets is described in Note 3.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Revenue sources

Revenues for current operations are received primarily from the District School Board of Pasco 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.

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 Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program 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 deficit - governmental fund.

The School may receive federal 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 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.

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 expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$6,599 in funds receivable from the School Board for transportation services. Based on collectibility of funds from these sources, an allowance for doubtful accounts is not considered necessary.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 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:				
Buildings and improvements	\$ 192,753	\$ 2,095	\$ -	\$ 194,848
Furniture, fixtures and equipment	60,646	6,734	-	67,380
Total capital assets at historical cost	<u>253,399</u>	<u>8,829</u>	<u>-</u>	<u>262,228</u>
Less accumulated depreciation for:				
Buildings and improvements	(31,875)	(30,804)	-	(62,679)
Furniture, fixtures and equipment	(1,758)	(13,228)	-	(14,986)
Total accumulated depreciation	<u>(33,633)</u>	<u>(44,032)</u>	<u>-</u>	<u>(77,665)</u>
Governmental activities capital assets, net	<u>\$ 219,766</u>	<u>\$ (35,203)</u>	<u>\$ -</u>	<u>\$ 184,563</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction and instruction-related services	\$ 37,090
School administration	<u>6,942</u>
Total governmental activities depreciation expense	<u>\$ 44,032</u>

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Pasco County, Florida:	
Florida Education Finance Program	\$ 1,010,784
Class size reduction	210,569
Supplemental academic instruction	64,879
Instructional materials	21,599
Discretionary lottery funds	9,885
Transportation	6,599
Other	5,554
Safe schools	4,668
Public school technology	4,242
	<hr/>
Total	\$ 1,338,779
	<hr/> <hr/>

The administration fee paid to the School Board during the year ended June 30, 2008 totaled approximately \$67,000, which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund deficit - governmental fund.

5 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.

6 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 as of June 30, 2008 may be impaired.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

Lease commitments

The School leases certain property and equipment under noncancelable operating leases. These leases contain varying renewal options and require the School to pay insurance and other costs. Aggregate remaining minimum rental commitments as of June 30, 2008 under these leases are summarized as follows:

<u>Years ended June 30,</u>	<u>Total</u>
2009	\$ 163,932
2010	163,200
2011	<u>159,540</u>
Total future minimum lease payments	<u><u>\$ 486,672</u></u>

Rental expense for the year ended June 30, 2008 approximated \$136,000.

7 AGREEMENT WITH LEONA GROUP, LLC

Effective June 1, 2006, the School entered into a three-year Management Agreement (“Agreement”) with The Leona Group, LLC (“TLG”) which seeks to improve education through reform affecting public schools, both through direct involvement within the traditional system and alternatives such as charter schools. The Agreement coincides with the School’s charter agreement and will renew in increments of up to five (5) years by mutual written agreement of the parties to the charter contract. Substantially all functions of the School have been contracted to TLG. TLG is responsible and accountable to the School’s Board of Directors for the administration and operation of the School. The School’s Board of Directors shall have final authority on all decisions regarding the administration, operation, educational program and finances of the School. The School is required to pay TLG an annual management fee for each academic year during the term of the Agreement, in an amount equal to twelve (12) percent of the gross receipts of the School (“Percentage Revenue Fee”) defined in the Agreement as “all receipts of

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

the School of whatsoever kind of nature, excluding any proceeds from borrowings undertaken by the School.” The annual management fee shall be paid to TLG as and when state school aid payments, or funds from state and federal agencies or other services are received by the School. The calculated management fee for the year ended June 30, 2008 was \$171,855.

8 RELATED PARTY TRANSACTIONS

Amounts due to management company included in the accompanying financial statements represent management fees payable to TLG. The School expects to pay TLG for these expenses within the next operating cycle.

9 RELATED PARTY NOTE PAYABLE

During fiscal 2008, the School financed an amount due to the management company for improvements to the building in the amount of \$123,940. Terms of the note include monthly principal and interest payments of \$2,798 at 4.0% interest through February 2012. As of June 30, 2008, the balance of this note was \$123,940.

Note payable activity for the year ended June 30, 2008 was as follows:

Balance outstanding at beginning of year	\$	-
Additions		123,940
Reductions		-
Balance outstanding at end of year	<u>\$</u>	<u>123,940</u>
Portion due within one year	<u>\$</u>	<u>39,134</u>

As of June 30, 2008, future debt service requirements related to the note are as follows:

Years ended June 30,	Principal	Interest
2009	\$ 39,134	\$ 4,036
2010	30,749	2,833
2011	32,002	1,580
2012	22,055	332
Total	<u>\$ 123,940</u>	<u>\$ 8,781</u>

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

10 PRIOR PERIOD ADJUSTMENT

During fiscal year 2008, the School discovered that an error had been made in the computation of depreciation expense for improvements as of June 30, 2007. The prior period adjustment included in the accompanying statement of activities represents the effect of the understatement of deprecation expense on beginning net assets.

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final		Positive (Negative)
REVENUES				
State and local sources	\$ 1,393,377	\$ 1,396,616	\$ 1,338,779	\$ (57,837)
Contributions and other revenue	33,540	98,790	93,626	(5,164)
Total revenues	<u>1,426,917</u>	<u>1,495,406</u>	<u>1,432,405</u>	<u>(63,001)</u>
EXPENDITURES				
Current:				
Instruction and instruction-related services	774,688	781,046	760,292	20,754
Pupil personnel services	5,000	7,000	10,615	(3,615)
Board	10,800	10,800	7,300	3,500
School administration	159,234	165,532	167,167	(1,635)
Facilities acquisition and construction	2,000	-	828	(828)
Fiscal services	240,899	248,704	238,504	10,200
Food services	12,984	17,475	24,526	(7,051)
Transportation	-	13,637	15,450	(1,813)
Operation of plant	190,399	226,750	234,247	(7,497)
Capital outlay	6,492	-	8,829	(8,829)
Total expenditures	<u>1,402,496</u>	<u>1,470,944</u>	<u>1,467,758</u>	<u>3,186</u>
Excess (deficiency) of revenues over expenditures	24,421	24,462	(35,353)	(59,815)
OTHER FINANCING SOURCES				
Proceeds from related party note payable	-	-	123,940	123,940
Net changes in fund deficit	24,421	24,462	88,587	64,125
Fund deficit at beginning of year	<u>(127,136)</u>	<u>(127,136)</u>	<u>(127,136)</u>	<u>-</u>
Fund deficit at end of year	<u>\$ (102,715)</u>	<u>\$ (102,674)</u>	<u>\$ (38,549)</u>	<u>\$ 64,125</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 Athenian Academy of Pasco County, Inc., a Charter School
and Component Unit of the District School Board of Pasco County, Florida

We have audited the financial statements of the governmental activities and the major fund of Athenian Academy of Pasco County, Inc. (the “School”) 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 August 27, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described as follows:

Deficit Financial Position: Our audit revealed that the School had a deficit in unrestricted net assets and a deficit in the general fund of \$38,549 as of June 30, 2008, for which sufficient resources are not available to cover the deficit. While certain improvements were made during this second year of the School's operations, a deficit financial position still remains. While the fiscal 2009 budget indicates that a surplus will be generated, the deficit financial position will not be completely eliminated unless additional revenue sources are identified or expenditures are reduced.

The School's response to the matter identified in our audit is included in Written Statement of Explanation or Rebuttal on page 31. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the School, the District School Board of Pasco 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
August 27, 2008

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



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

To the Board of Directors of Athenian Academy of Pasco County, Inc., a Charter School
and Component Unit of the District School Board of Pasco County, Florida

In planning and performing our audit of the financial statements of the governmental activities and the major fund of Athenian Academy of Pasco County, Inc., a charter school and component unit of the District School Board of Pasco County, Florida (the "School"), as of and for the year ended June 30, 2008, we considered the School's internal control 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 the course of our audit, it came to our attention that the School had met two of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). Our audit revealed that the School had a deficit in unrestricted net assets and a deficit in the general fund of \$38,549 as of June 30, 2008, for which sufficient resources are not available to cover the deficit. The School was also unable to make long-term related party note payments due during fiscal 2008. These conditions did not result from a deteriorating financial condition. 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.

This communication is intended solely for the information and use of the Board of Directors, management and others within Athenian Academy of Pasco County, 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
August 27, 2008

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

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

JUNE 30, 2008

There are no findings or recommendations in the current year.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, with the exception of the following:

Prior year management letter recommendation 1: Devise a plan to eliminate the School's deficit financial position and to operate within the budget.

See current year compliance finding on page 27.

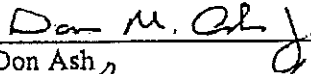


Athenian Academy of Pasco

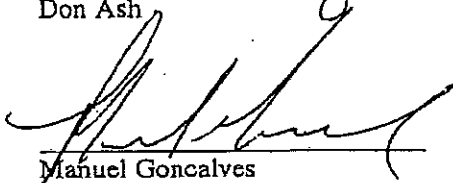
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AAPCI Deficit Elimination Plan

Enrollment has been increased for the 2008-09 school year to 272 students. The budget will, once again, be closely monitored to reduce the general fund deficit. As noted in "Economic Factors And Next Year's Budget" on page 7 above, if estimates for fiscal year 2009 are realized the general fund balance is expected to increase. Revenues in 2007-08 came in significantly under budget due to some unexpected adjustments and those will be monitored especially closely to ensure accuracy for 2008-09.



Don Ash



Manuel Goncalves