

**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 AUDITORS' REPORT THEREON**

**YEAR ENDED
JUNE 30, 2010**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Athenian Academy of Pasco County, Inc. (the "School") annual financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the School's financial statements, which immediately follow this section.

Financial Highlights

- For the year ended June 30, 2010, the School's revenues exceeded expenses by \$99,303. This was an increase of \$54,317 from 2009 when expenses exceeded revenues by \$44,986.
- Total assets were \$472,259, and total liabilities were \$333,202, resulting in total net assets of \$139,057 as of June 30, 2010.

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 charter-wide financial statements that provide both short-term and long-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 charter-wide statements.

The governmental funds statements tell how basic services like regular education were financed in the short-term as well as what remains for future spending.

Fiduciary funds statements provide information about the financial relationships in which the academy acts solely as an agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School's budget for the year. Figure A-1 shows how the various parts of the annual report are arranged and related to one another.

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*.

Figure A-1 Organization of Athenian Academy of Pasco County, Inc. Annual Financial Report

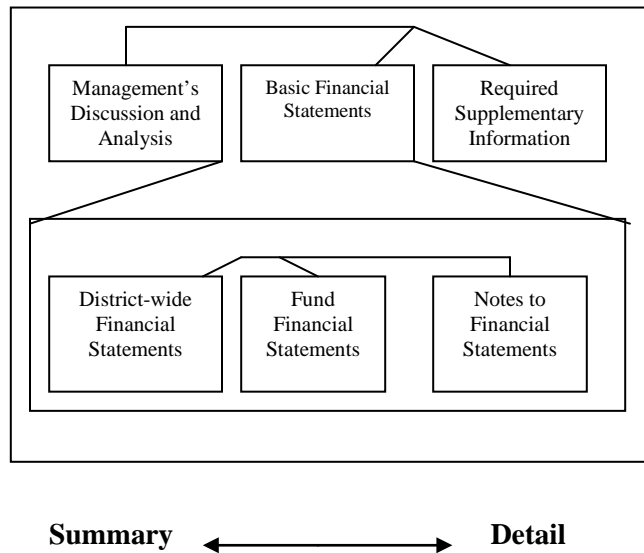


Figure A-2 summarized the major features of the School’s financial statements, including the portion of the School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure A – 2 Major Features of the Charter-wide and Fund Financial Statements

| | Charter-wide statements | Fund Financial Statements |
|--|--|---|
| | | Governmental funds |
| Scope | Entire academy (except fiduciary funds) | All activities of the academy that are not 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, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during 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 the related liability is due and payable |

Charter-wide statements

The Charter-wide statements report information about the academy 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 Charter-wide statements report the School's net assets and how they have changed. Net assets – the difference between the School's assets and liabilities, are one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the School, you need to consider additional non-financial factors such as changes in the School's enrollment, the condition of school buildings and other facilities, and the School's ability to be competitive with other public school academies and area school districts.

Fund financial statements

The fund financial statements provide more detailed information about the School's funds, focusing on its more significant or "major" funds – not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

Governmental activities – The School's basic services are included in the general fund, such as regular and special education and administration. State foundation aid finances most of these activities.

The academy has one kind of fund:

Governmental fund – Most of the School's basic services are included in governmental funds which generally 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 you 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 charter-wide statements, we provide additional information with the governmental funds statement that explains the relationship (or differences) between them.

Financial analysis of the academy as a whole

Net assets - the School's total net assets were \$139,057 on June 30, 2010, an increase of 250 % from June 30, 2009, due to revenues exceeding expenses by \$99,303. See Figure A – 3.

Current assets were approximately 105 % higher at June 30, 2010 as compared to June 30, 2009 due mainly to the presence of more cash on hand.

Current liabilities were about 7% higher at June 30, 2010 as compared to June 30, 2009, a favorable comparison when considering the 105% increase in current assets.

The School's stronger financial position is the product of its ability to keep expenses in line with revenues, while improving school performance as measured by the Florida Comprehensive Assessment Test (FCAT) grade and Adequate Yearly Progress (AYP). The School maintained an "A" FCAT grade and also improved from 95% to 97% on its AYP.

Figure A - 3
Athenian Academy of Pasco County, Inc.

| | Governmental Activities | | Increase (Decrease) |
|---|----------------------------|------------------|------------------------|
| | 2010 | 2009 | |
| Current assets | \$ 317,040 | \$ 154,799 | 105% |
| Capital assets | 155,219 | 149,099 | 4% |
| Total assets | <u>472,259</u> | <u>303,898</u> | 55% |
| Current liabilities | 157,137 | 146,458 | 7% |
| Long-term liabilities | <u>176,065</u> | <u>117,686</u> | 50% |
| Total liabilities | <u>333,202</u> | <u>264,144</u> | 26% |
| Net assets | | | |
| Invested in capital assets, net of related debt | (82,467) | (901) | (9,053)% |
| Unrestricted | <u>221,524</u> | <u>40,655</u> | 445% |
| Total net assets | <u>\$ 139,057</u> | <u>\$ 39,754</u> | 250% |

Figure A - 4
Changes in Athenian Academy of Pasco County, Inc.'s Net Assets

| | Governmental Activities | | Increase (Decrease) |
|--|----------------------------|------------------|------------------------|
| | 2010 | 2009 | |
| Revenues: | | | |
| Federal sources | \$ 92,520 | \$ - | 100 % |
| State and local sources | 1,783,595 | 1,606,239 | 11 % |
| Contributions and other revenue | 166,530 | 112,779 | 48 % |
| Total general revenues | 2,042,645 | 1,719,018 | 19 % |
| Expenses: | | | |
| Instruction and instruction-related services | 939,782 | 872,539 | 8 % |
| Pupil personnel services | 65,399 | 16,415 | 298 % |
| Board | 13,226 | 34,536 | (62) % |
| General administration | 190,030 | - | 100 % |
| School administration | 184,527 | 187,253 | (1) % |
| Fiscal services | 93,275 | 280,714 | (-67) % |
| Food services | 37,999 | 31,348 | 21 % |
| Central services | 23,536 | - | 100 % |
| Transportation | 35,144 | 27,378 | 28 % |
| Operating of plant | 323,689 | 223,849 | 45 % |
| Community services | 30,594 | - | 100 % |
| Debt services | 6,141 | - | 100 % |
| Total expenses | 1,943,342 | 1,674,032 | 16% |
| Change in net assets | \$ 99,303 | \$ 44,986 | 121% |

Financial analysis of the School's funds

As we note earlier, the School uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School is being accountable for the resources the State and others provide to it and may provide more insight into the School's overall financial health.

The stronger financial performance of the School as a whole is reflected in its governmental fund as well. As the School completed the year, its governmental funds (general) reported a fund balance of \$221,524, an increase of \$180,869 over last year's ending fund balance of \$40,655. However, \$120,000 of this increase is from funding that will be used to cover the School's expansion costs during the next fiscal year. While the terms of the \$120,000 note did not require that the note-related assets be designated as restricted, they are entirely available to pay for expansion expenses that will be incurred. Absent the note-related assets, the School's governmental fund balance increased approximately 150%.

General fund balance is available to fund costs related to allowable school operating purposes.

General fund budgetary highlights

Over the course of the year, the School revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the School's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. There were significant revisions made to the 2009-2010 General Fund original budget. Budgeted revenues were decreased overall.

Budgeted expenditures for instruction and general operations were decreased by more than \$33,000 to align expenses to the decreased student count and related revenue reduction of 9% compared to budget.

While the School's final budget for the general fund anticipated expenditures would exceed revenues by (\$14,028), the actual results for the year showed revenues exceeding expenditures by \$93,183.

The actual revenues were \$38,272 over final budget, due mainly to revenues from sources other than state aid.

The actual expenditures were \$68,939 under budget. See page 23 for the General Fund Budgetary Comparison Schedule.

Capital asset administration

Capital assets

By the end of the year ended June 30, 2010, the School accumulated \$155,219 in capital assets consisting primarily of leasehold improvements, furniture, fixtures and equipment net of accumulated depreciation. Accumulated depreciation through June 30, 2010 was \$173,310.

The School purchased \$88,249 of new assets during the 2009 – 2010 fiscal year, and will expend approximately twice that amount in the 2010 – 2011 fiscal year.

Athenian Academy of Pasco County, Inc.'s Capital Assets

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>2010 Net Book Value</u> |
|------------------------------------|-------------------|-------------------------------------|------------------------------------|
| Building and improvements | \$ 177,189 | \$ (111,895) | \$ 65,294 |
| Furniture, fixtures, and equipment | 138,866 | (61,415) | 77,451 |
| Construction in process | 12,474 | - | 12,474 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total general revenues | <u>\$ 328,529</u> | <u>\$ (173,310)</u> | <u>\$ 155,219</u> |

Long-term debt activity

At year-end, the School had \$237,686 of notes payable, of which \$61,621 is currently due during the fiscal year 2011. More detailed information about the School's long-term debt is presented in Note 9 to the financial statements.

Facilities lease obligation

The School paid \$179,550 for facilities lease obligations during 2010.

Factors bearing on the School's future

Our officials and administration consider many factors when setting the School's 2010-11 fiscal year budget. One of the most important factors affecting the budget is our student count. The Florida Education Finance Program (FEFP) revenue is determined using student count multiplied by various other factors. The 2010-11 budget was based on an estimate of students that will be enrolled in August 2010. Approximately 89% percent of total General Fund revenue is from the FEFP allowance. As a result, School funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2010-11 school year, we anticipate that the fall student count will be at or close to the full time equivalent (FTE) student estimates used in creating the 2010-11 budget. Once the final student count and related per pupil funding is validated, the School will amend the budget if actual School resources are not sufficient to fund original appropriations.

Since the School's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to schools.

Contacting the School's financial management

This financial report is designed to provide our students, parents and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the School's office at 3118 Seven Springs Blvd., New Port Richey, FL 34655.

MYSLAJEK, LTD.

Certified Public Accountants & Consultants

Report of Independent Auditors' on Basic Financial Statements And Supplementary Information

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

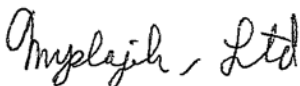
We have audited the accompanying financial statements of the governmental activities and the major fund of Athenian Academy of Pasco County, Inc. (the "School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the year ended June 30, 2010, which 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 an opinion 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, 2010, 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 30, 2010 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 on page 23 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquires 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.



August 30, 2010

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**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, 2010

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash | \$ 253,585 |
| Accounts receivable | 20,035 |
| Prepaid expenses | 31,096 |
| Other current assets | 12,324 |
| Total current assets | 317,040 |
| Capital assets: | |
| Buildings and improvements | 177,189 |
| Furniture, fixtures and equipment | 138,866 |
| Construction in process | 12,474 |
| Less: Accumulated depreciation | (173,310) |
| Total capital assets, net | 155,219 |
| Total assets | \$ 472,259 |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 95,516 |
| Current portion of notes payable - due within one year | 61,621 |
| Long term liabilities: | |
| Notes payable - due after one year | 176,065 |
| Total liabilities | 333,202 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | (82,467) |
| Unrestricted | 221,524 |
| Total net assets | 139,057 |
| Total liabilities and net assets | \$ 472,259 |

The accompanying notes to the 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, 2010

| | <u>Expenses</u> | <u>Programs Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Assets</u> | |
|---|---------------------|---------------------------------|---|---|--|-----------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> |
| Governmental activities | | | | | | |
| Instruction and instruction related services | \$ 939,782 | \$ - | \$ - | \$ - | \$ (939,782) | \$ (939,782) |
| Pupil personnel services | 65,399 | - | - | - | (65,399) | (65,399) |
| Board | 13,226 | - | - | - | (13,226) | (13,226) |
| General administration | 190,030 | - | - | - | (190,030) | (190,030) |
| School administration | 184,527 | - | - | - | (184,527) | (184,527) |
| Fiscal services | 93,275 | - | - | - | (93,275) | (93,275) |
| Food services | 37,999 | - | - | - | (37,999) | (37,999) |
| Central services | 23,536 | - | - | - | (23,536) | (23,536) |
| Transportation | 35,144 | - | - | - | (35,144) | (35,144) |
| Operating of plant | 323,689 | - | - | - | (323,689) | (323,689) |
| Community services | 30,594 | - | - | - | (30,594) | (30,594) |
| Debt services | 6,141 | - | - | - | (6,141) | (6,141) |
| Total Primary government | <u>\$ 1,943,342</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,943,342)</u> | <u>\$ (1,943,342)</u> |
| General revenues: | | | | | | |
| Federal sources | | | | | 92,520 | 92,520 |
| State and local sources | | | | | 1,783,595 | 1,783,595 |
| Contributions and other revenue | | | | | 166,530 | 166,530 |
| Total general revenues | | | | | <u>2,042,645</u> | <u>2,042,645</u> |
| Change in net assets | | | | | 99,303 | 99,303 |
| Net assets at beginning of year, as previously reported | | | | | 39,754 | 39,754 |
| Net assets at end of year | | | | | <u>\$ 139,057</u> | <u>\$ 139,057</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**

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2010

| | <u>General Fund</u> |
|---------------------------------------|--------------------------|
| ASSETS | |
| Cash | \$ 253,585 |
| Accounts receivable | 20,035 |
| Prepaid expenses | 31,096 |
| Other current assets | <u>12,324</u> |
| Total assets | <u><u>\$ 317,040</u></u> |
| LIABILITIES AND FUND BALANCE | |
| Accounts payable and accrued expenses | \$ 95,516 |
| Fund balance: | |
| Unreserved: | |
| Undesignated | <u>221,524</u> |
| Total liabilities and fund balance | <u><u>\$ 317,040</u></u> |

The accompanying notes to the 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, 2010

| | |
|---|------------|
| Total fund balance - governmental fund | \$ 221,524 |
|---|------------|

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 \$328,529, and the accumulated depreciation is \$173,310. | 155,219 |
|---|---------|

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

| | |
|---------------|------------------|
| Notes payable | <u>(237,686)</u> |
|---------------|------------------|

| | |
|---|--------------------------|
| Total net assets - governmental activities | <u><u>\$ 139,057</u></u> |
|---|--------------------------|

The accompanying notes to the 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 BALANCE - GOVERNMENTAL FUND**

FOR THE YEAR ENDED JUNE 30, 2010

| | <u>General Fund</u> |
|--|--------------------------|
| REVENUES | |
| Federal sources | \$ 92,520 |
| State and local sources | 1,783,595 |
| Contributions and other revenue | <u>166,530</u> |
| Total revenues | <u>2,042,645</u> |
| EXPENDITURES | |
| Current: | |
| Instruction and instruction related services | 901,423 |
| Pupil personnel services | 65,399 |
| Board | 13,226 |
| General administration | 190,030 |
| School administration | 184,527 |
| Fiscal services | 93,275 |
| Food services | 37,999 |
| Central services | 23,536 |
| Transportation | 35,144 |
| Operating of plant | 323,689 |
| Community services | 30,594 |
| Debt services | 6,141 |
| Capital outlay | <u>44,479</u> |
| Total expenditures | <u>1,949,462</u> |
| Excess of revenues over expenditures | <u>93,183</u> |
| OTHER FINANCING SOURCES | |
| Proceeds from notes payable | 120,000 |
| Payments on notes payable | <u>(32,314)</u> |
| Total other financing sources | <u>87,686</u> |
| Net changes in fund balance | 180,869 |
| Fund balance at beginning of year | <u>40,655</u> |
| Fund balance at end of year | <u><u>\$ 221,524</u></u> |

The accompanying notes to the 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 REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2010

| | |
|---|-------------------------|
| Net changes in fund balance - total governmental fund | \$ 180,869 |
| | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of the assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$38,359) is less than capital outlays (\$44,479) in the current period | 6,120 |
| | |
| Loan payments reduce current financial resources to governmental funds, but decrease long-term liabilities in the statement of net assets. This is the amount of loan payments in the current period. | 32,314 |
| | |
| Loan proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. This is the amount of loan proceeds in the current period. | <u>(120,000)</u> |
| | |
| Change in net assets of governmental activities | <u><u>\$ 99,303</u></u> |

The accompanying notes to the 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, 2010

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 five or more 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 School's charter was effective until June 30, 2010 and was renewed by mutual written agreement between the School and the School Board. The renewed Charter contract commenced on August 19th, 2009 and will end on August 18, 2010. The School received an extension from the School Board between July 1, 2009 through the effective date of the renewed Charter contract. Unless notice is given by the Sponsor on or before 90 days prior to the end of the term, pending the results of the School's 2009-10 school year annual review, the Charter shall automatically renew for an additional two-year period upon the same terms and conditions. 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 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. The government-wide financial statements

**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, 2010
(continued)**

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:

- *Government 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 sent 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. 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

**ATHENIAN ACADEMY OF PASCO COUNTY, INC.
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NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2010
(continued)**

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 a financial institution.

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.

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 chapter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

**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, 2010
(continued)**

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the 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 balance – 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.

Date of management's review

Management has evaluated subsequent events through August 30, 2010, the date which the financial statements were available to be issued.

2 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$4,841 in funds receivable from an insurance company as a return of premiums due to the overpayment of a policy, \$9,230 in related fees paid in effort to obtain an appropriate permit for the Schools expansion and by state guidelines this fee shall be paid by the School District in lieu of the School itself, and an underpayment due from the School District. 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

**FOR THE YEAR ENDED JUNE 30, 2010
(continued)**

3 CHANGES IN CAPITAL ASSETS

Capital asset activity for year ended June 30, 2010 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Reclassifications</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|--------------------------|---------------------------|
| Governmental activities: | | | | |
| Buildings and improvements | \$ 207,389 | \$ 7,580 | \$ (37,780) | \$ 177,189 |
| Furniture, fixtures and equipment | 76,661 | 62,205 | - | 138,866 |
| Construction in process | - | 12,474 | - | 12,474 |
| Total capital assets at historical cost | <u>284,050</u> | <u>82,259</u> | <u>(37,780)</u> | <u>328,529</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (105,369) | (15,249) | 8,723 | (111,895) |
| Furniture, fixtures and equipment | <u>(29,582)</u> | <u>(31,833)</u> | <u>-</u> | <u>(61,415)</u> |
| Total accumulated depreciation | <u>(134,951)</u> | <u>(47,082)</u> | <u>8,723</u> | <u>(173,310)</u> |
| Governmental activities capital assets, net | <u>\$ 149,099</u> | <u>\$ 35,177</u> | <u>\$ (29,057)</u> | <u>\$ 155,219</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Governmental activities: | | | | |
| Instruction and instruction related services | | | <u>\$ 38,359</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

**FOR THE YEAR ENDED JUNE 30, 2010
(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 | \$ 1,043,767 |
| Class size reduction | 326,411 |
| Capital outlay funding | 140,670 |
| Discretionary local funds | 120,148 |
| Supplemental academic instruction | 75,382 |
| Exceptional student education | 26,449 |
| Instructional materials | 22,145 |
| Transportation | 17,570 |
| Safe schools | 6,084 |
| Other | <u>4,969</u> |
| Total | <u>\$ 1,783,595</u> |

The administration fee paid to the School Board during the year ended June 30, 2010 totaled approximately \$93,000 which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental 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 a June 30, 2010 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**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, 2010
(continued)**

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 non-cancelable 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, 2010 under these leases are summarized as follows:

| <u>Years ended June 30,</u> | <u>Total</u> |
|-------------------------------------|-------------------|
| 2011 | \$ 163,452 |
| 2012 | 163,452 |
| 2013 | 162,343 |
| 2014 | 162,024 |
| 2015 | <u>162,024</u> |
| Total future minimum lease payments | <u>\$ 813,295</u> |

Rental expense for the year ended June 30, 2010 approximated \$183,000.

7 AGREEMENT WITH MANAGEMENT COMPANIES

Effective July 1, 2009 the School entered into a management agreement with Link-up, Inc. As of July 1, 2009 Link-Up, Inc. provided administrative and consultative services to the School and to the Board of Directors in the areas of finance, administration, academic operations, and human resources. Link-Up, Inc. reports directly to the Board of Directors. The contract period with Link-Up, Inc. is from July 1, 2009 through June 30, 2011. Renewal periods are anticipated, however optional. The Principal and all staff are now direct employees of the School, and are no longer the employees of a separate management organization. During fiscal year 2010, the School was required to pay Link-up, Inc. an annual management fee for each academic year during the term of the Agreement, in an amount equal to ten (10) percent of the gross receipts of state and federal revenues. Management fees for the year ended June 30, 2010 was approximately \$187,000 for services provided by Link-Up, Inc.

**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, 2010

(continued)

8 RELATED PARTY TRANSACTIONS

Amounts included in accounts payable due to Link-up, Inc. was \$2,917. The School expects to pay Link-up, Inc. for these expenses within the next operating cycle. Management fees paid to Link-Up, Inc. were approximately \$187,000 for the year ending June 30, 2010.

9 NOTES PAYABLE

Notes payable balance for the year ended June 30, 2010 was as follows:

| | | |
|---|----|----------|
| Note payable, due July 2013, payable in monthly installments of \$3,387 including interest at 4%. | \$ | 117,686 |
| | | |
| Note payable, due June 2014, payable in monthly installments of \$2,818 including interest at 6%. | | 120,000 |
| | | 237,686 |
| Less: current portion of long-term debt | | (61,621) |
| | | |
| Total long-term debt | \$ | 176,065 |

As of June 30, 2010, future debt service requirements related to notes are as follows:

| Years ended June 30, | Principal | Interest |
|----------------------|------------|-----------|
| 2011 | \$ 61,621 | \$ 10,022 |
| 2012 | 66,998 | 7,463 |
| 2013 | 70,333 | 4,128 |
| 2014 | 32,582 | 1,237 |
| Total | \$ 231,534 | \$ 22,850 |

Interest expense for the year ended June 30, 2010 was approximately \$6,000, with \$1,200 in related costs associated with product financing arrangements.

**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, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget- Positive (Negative) |
|--|------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Federal sources | \$ 100,957 | \$ 93,663 | \$ 92,520 | \$ (1,143) |
| State and local sources | 1,915,134 | 1,832,970 | 1,783,595 | (49,375) |
| Contributions and other revenue | 63,638 | 77,740 | 166,530 | 88,790 |
| Total revenues | <u>2,079,729</u> | <u>2,004,373</u> | <u>2,042,645</u> | <u>38,272</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction and instruction related services | 1,000,148 | 909,671 | 901,423 | 8,248 |
| Pupil personnel services | 109,742 | 102,999 | 65,399 | 37,600 |
| Board | 21,000 | 26,825 | 13,226 | 13,599 |
| General administration | 198,967 | 191,738 | 190,030 | 1,708 |
| School administration | 193,374 | 176,534 | 184,527 | (7,993) |
| Fiscal services | 92,179 | 105,894 | 93,275 | 12,619 |
| Food services | 31,322 | 30,457 | 37,999 | (7,542) |
| Central services | 16,020 | 29,608 | 23,536 | 6,072 |
| Transportation | 32,335 | 33,283 | 35,144 | (1,861) |
| Operating of plant | 297,840 | 329,994 | 323,689 | 6,305 |
| Community services | 16,680 | 27,823 | 30,594 | (2,771) |
| Debt services | 6,200 | 6,200 | 6,141 | 59 |
| Capital outlay | 8,100 | 47,375 | 44,479 | 2,896 |
| Total expenditures | <u>2,023,907</u> | <u>2,018,401</u> | <u>1,949,462</u> | <u>68,939</u> |
| Excess (deficiency) of revenues over expenditures | 55,822 | (14,028) | 93,183 | 107,211 |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from notes payable | - | - | 120,000 | 120,000 |
| Payments on notes payable | - | - | (32,314) | (32,314) |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>87,686</u> | <u>87,686</u> |
| Net changes in fund balance | 55,822 | (14,028) | 180,869 | 194,897 |
| Fund at beginning of year | <u>40,655</u> | <u>40,655</u> | <u>40,655</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 96,477</u> | <u>\$ 26,627</u> | <u>\$ 221,524</u> | <u>\$ 194,897</u> |

See report of independent auditors'.

SUPPLEMENTARY INFORMATION

MYSLAJEK, LTD.

Certified Public Accountants & Consultants

Report of Independent Auditors' on Supplementary Information

To the Board of Directors
Athenian Academy of Pasco County, Inc.
New Port Richey, Florida

Our report on our audits of the basic financial statements of Athenian Academy of Pasco County, Inc. for the year ended June 30, 2010 appears on page 8. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Myslajek, Ltd

August 30, 2010

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

SUPPLEMENTARY INFORMATION

**SCHEDULE OF AMERICAN RECOVERY REINVESTMENT ACT
REVENUE AND EXPENDITURES - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2010

REVENUES

| | |
|-----------------|-----------|
| Federal sources | \$ 92,520 |
|-----------------|-----------|

EXPENDITURES

Current:

| | |
|--|--------|
| Instruction and instruction related services | 37,678 |
| Pupil personnel services | 54,842 |
| Board | - |
| General administration | - |
| School administration | - |
| Fiscal services | - |
| Food services | - |
| Central services | - |
| Transportation | - |
| Operating of plant | - |
| Community services | - |
| Debt services | - |
| Capital outlay | - |

| | |
|--------------------|---------------|
| Total expenditures | <u>92,520</u> |
|--------------------|---------------|

| | |
|--|--------------------|
| Fund balance American Recovery Reinvestment Act at end of year | <u><u>\$ -</u></u> |
|--|--------------------|

See report of independent auditors' on supplementary information.

MYSLAJEK, LTD.

Certified Public Accountants & Consultants

Report of Independent Auditors' on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed on 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, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2010. 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 on the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the School as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be lesser in magnitude than significant deficiencies.

Definitions related to internal control deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

We identified the following internal control matters as of the date of this letter.

Control deficiencies

We identified the following control deficiencies that are of a lesser magnitude than a significant deficiency or material weakness.

- Proposed Adjusting Journal Entries: During the course of the audit we identified journal entries that were of a lesser magnitude than a significant deficiency and material weakness. These financial statement misstatements (e.g. adjusting journal entries) were agreed by management and recorded to the June 30, 2010 financial statements. Financial statement misstatements that were immaterial to the financial statements (e.g. passed adjusting journal entries) were communicated to management and included in the management representation letter.
- Capital Assets Schedule: During the course of our audit we noted capital assets schedules did not have adequate model validation controls and were not reconciled to properly reflect fixed asset balances that were to be recorded in the School's accounting books and records.

We recommend management develop and implement model validation controls related to capital asset schedules and ensure said schedules are reconciled to the School's financial statements to be reported under generally accepted accounting principles.

Material weaknesses

We consider the following deficiencies in the School's internal control to be material weaknesses:

- Financial Statement Preparation: The School did not prepare its financial statements internally in accordance with U.S. GAAP. For convenience, the School chose to engage us to prepare the June 30, 2010 year-end financial statements and accompanying footnotes.

We recommend Management utilize U.S. GAAP disclosure checklists for the development of financial statements and footnote disclosures. Myslajek, Ltd. notes the School's management made all decisions regarding the final presentation of the financial statements and footnotes.

- Internal Control Documentation (Information Technology): Management has not documented the School's internal controls or tested identified controls for effectiveness related to the School's Information Technology (IT) environment.

We recommend Management: i) conduct an evaluation of the School's internal controls over financial reporting; ii) document key financial IT controls; iii) periodically test/assess whether the controls are working as designed; iv) develop remediation plans for either ineffectively designed controls or internal controls that are not working as planned.

- Cash Management: During the course of our audit we identified that the School's financial institution maintaining its operating checking account does not require multiple signatures for significant withdrawals or check remittances. Currently the bank account only requires one of the three approved signatories' signature to honor check written against the account.

We recommend Management establish a dual signature requirement with the financial institution for a minimum threshold acceptable to the Management and the School's Board of Directors.

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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the School, the District School Board of 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.

A handwritten signature in cursive script that reads "Amplejib, Ltd".

August 30, 2010

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

MYSLAJEK, LTD.

Certified Public Accountants & 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

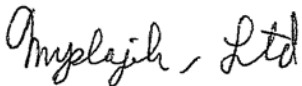
In planning and performing our audit of the financial statements of the governmental activities and the major fund of Athenian Academy of Pasco County, Inc., a charter school and component unit of the District School Board of Pasco County, Florida (the "School"), as of and for the year ended June 30, 2010, 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.

No conditions came to our attention requiring disclosure. 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, 2010, 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.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement to be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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.



August 30, 2010

**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, 2010

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.

See current year compliance findings on page 29.



ATHENIAN ACADEMY OF PASCO

3118 Seven Springs Boulevard

New Port Richey, FL 34655

Phone: 727-372-0200

Fax: 727-376-1916

August 30, 2010

The following contains the auditor's findings and recommendations related to the 2009-10 audit, and management's responses.

AUDITOR

Control Deficiencies

We identified the following control deficiencies that are of a lesser magnitude than a significant deficiency or material weakness.

- Proposed Adjusting Journal Entries: During the course of the audit we (the auditor) identified journal entries that were of a lesser magnitude than a significant deficiency and material weakness. These financial statement misstatements (e.g. adjusting journal entries) were agreed by management and recorded to the June 30, 2010 financial statements. Financial statement misstatements that were immaterial to the financial statements (e.g. passed adjusting journal entries) were communicated to management and included in the management representation letter.
- Capital Assets Schedule: During the course of our audit we (the auditor) noted capital assets schedules did not have adequate model validation controls and were not reconciled to properly reflect fixed asset balances that were to be recorded in the School's accounting books and records.

We (the auditor) recommend management develop and implement model validation controls related to capital asset schedules and ensure said schedules are reconciled to the School's financial statements to be reported under generally accepted accounting principles.

MANAGEMENT RESPONSE

Management agrees with the auditor's recommendations. The school used a spreadsheet for its capital asset schedules, and the auditor noted to management that this does not meet current control standards, as the schedules could be modified without providing a record of the modification. We are implementing fixed asset program to replace the spreadsheet schedules for the capital assets.

AUDITOR

Material weaknesses

We (the auditor) consider the following deficiencies in the School's internal control to be material weaknesses:

- Financial Statement Preparation: The School did not prepare its financial statements internally in accordance with U.S. GAAP. For convenience, the School chose to engage us to prepare the June 30, 2010 year-end financial statements and accompanying footnotes.

We (the auditor) recommend Management utilize U.S. GAAP disclosure checklists for the development of financial statements and footnote disclosures. Myslajek, Ltd. notes the School's management made all decisions regarding the final presentation of the financial statements and footnotes.

MANAGEMENT RESPONSE

Management has obtained and will utilize U.S. GAAP disclosure checklists for the development of financial statements and footnote disclosures.

AUDITOR

- Internal Control Documentation (Information Technology): Management has not documented the School's internal controls or tested identified controls for effectiveness related to the School's Information Technology (IT) environment.

We(the auditor) recommend Management: i) conduct an evaluation of the School's internal controls over financial reporting; ii) document key financial IT controls; iii) periodically test/assess whether the controls are working as designed; iv) develop remediation plans for either ineffectively designed controls or internal controls that are not working as planned.

MANAGEMENT RESPONSE

The auditor tested the segregation of financial activities and found them to be adequate, but found that the documentation of control procedures, as it pertains to the IT environment, is not adequate. We will evaluate the controls over financial reporting and document these controls. We will test these controls in a manner that will meet current audit standards and share our findings with the auditor by the October 30, 2010. We will ask the auditor to comment on the adequacy of these measures by November 30, 2010 and report to the governing board their opinion on the adequacy of the steps taken by Management.

- Cash Management: During the course of our audit we (the auditor) identified that the School's financial institution maintaining its operating checking account does not require multiple signatures for significant withdrawals or check remittances. Currently the bank account only requires one of the three approved signatories' signature to honor check written against the account.

We (the auditor) recommend Management establish a dual signature requirement with the financial institution for a minimum threshold acceptable to the Management and the School's Board of Directors.

MANAGEMENT RESPONSE

Management notes that the school has a policy requiring a second signature for checks, but the bank will honor checks with one signature. Management has recommended and the governing board has approved that the school change its check issuance procedures to utilize Positive Pay, which will require two separate approvals for checks to be honored. Positive Pay is being tested as of the date of this letter, and management intends to fully implement it by October 15, 2010.



Digitally signed by: Daniel Rishavy
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Administrator
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Daniel Rishavy
Administrator for
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Mary DeNicola
Principal
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