

**ATHENIAN ACADEMY OF
PASCO COUNTY**

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2011

King & Walker, CPAs, PL

Certified Public Accountants

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ATHENIAN ACADEMY OF PASCO COUNTY

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KING & WALKER, CPAs, PL
Certified Public Accountants

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

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Athenian Academy of Pasco County ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Respectfully submitted,

King & Walker, CPAs

August 31, 2011
Lutz, Florida

ATHENIAN ACADEMY OF PASCO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 23.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the School's revenues exceeded expenses as shown on the School's statement of activities by \$173,299.
- As shown on the statement of net assets, the School reported an Unrestricted Net Asset balance of \$210,784.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates one fund: A General Fund which is reported as a major fund.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2010 and June 30, 2011:

	Net Assets, End of Year		
	Governmental		Increase (Decrease)
	Activities		
	2011	2010	
Current assets	\$ 377,871	\$ 317,040	\$ 60,831
Capital assets	319,549	155,219	164,330
Total assets	<u>697,420</u>	<u>472,259</u>	<u>225,161</u>
Current liabilities	167,087	157,137	9,950
Long-term liabilities	<u>217,977</u>	<u>176,065</u>	<u>41,912</u>
Total liabilities	<u>385,064</u>	<u>333,202</u>	<u>51,862</u>
Net assets			
Invested in capital assets, net of related debt	101,572	(82,467)	184,039
Unrestricted	<u>210,784</u>	<u>221,524</u>	<u>(10,740)</u>
Total net assets	<u>\$ 312,356</u>	<u>\$ 139,057</u>	<u>\$ 173,299</u>

Net assets - the School's total net assets were \$312,356 on June 30, 2011, an increase of approximately 125% from the prior fiscal year due mostly to an increase in revenue due to increased enrollment. Total assets were approximately 48% higher at June 30, 2011 as compared to June 30, 2010 due mainly to the presence of more cash on hand. Total liabilities increased approximately 16% over the prior fiscal year due to increased capital outlay expenditures as the school prepares for the anticipated increase in enrollment in the next few years.

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

	Operating Results for the Year		
	Governmental		Increase Decrease
	Activities		
	2011	2010	
Revenues:			
Federal Sources	\$ 101,815	\$ 92,520	\$ 9,295
State and Local Sources	2,121,444	1,783,595	337,849
Contributions and Other Revenue	150,510	166,530	(16,020)
Total general revenues	<u>2,373,769</u>	<u>2,042,645</u>	<u>331,124</u>
Expenses:			
Instruction	1,145,112	939,782	205,330
Pupil Personnel Services	63,604	65,399	(1,795)
Board	11,988	13,226	(1,238)
General Administration	176,997	190,030	(13,033)
School Administration	231,883	184,527	47,356
Fiscal Services	82,413	93,275	(10,862)
Food Services	48,242	37,999	10,243
Central Services	10,912	23,536	(12,624)
Transportation	29,849	35,144	(5,295)
Operation of Plant	323,107	323,689	(582)
Community Service	28,517	30,594	(2,077)
Interest	11,400	6,141	5,259
Unallocated Depreciation	36,446	47,082	(10,636)
Total expenses	<u>2,200,470</u>	<u>1,990,424</u>	<u>210,046</u>
Change in net assets	<u>\$ 173,299</u>	<u>\$ 52,221</u>	<u>\$ 121,078</u>

The largest revenue source for the School is the State of Florida (82 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. An enrollment increase of Full Time Equivalent students resulted in a revenue increase of 16% over the prior fiscal year. Expenses increased mostly in Instruction primarily due to an increase in instructional staffing levels to handle the increased enrollment.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$210,784.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2011, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. Refer to the Budgetary Comparison Schedule on page 24 for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$319,549 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in note 3 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Athenian Academy of Pasco County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Athenian Academy of Pasco County, 3118 Seven Springs Blvd., New Port Richey, FL 34655.

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

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 324,907
Accounts Receivable	295
Due from Other Agencies	1,646
Prepaid Expenses and Deposits	51,023
Total Current Assets	377,871
Capital Assets:	
Buildings and Improvements	372,529
Furniture, Fixtures, and Equipment	156,776
Less Accumulated Depreciation	(209,756)
Total Capital Assets, Net	319,549
TOTAL ASSETS	697,420
LIABILITIES	
Salaries and Wages Payable	114,320
Accounts Payable	30,279
Due to Other Agencies	22,488
Long-term Liabilities:	
Note Payable, due within one year	74,566
Note Payable, due after one year	143,411
TOTAL LIABILITIES	385,064
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	101,572
Unrestricted	210,784
Total Net Assets	312,356
TOTAL LIABILITIES AND NET ASSETS	\$ 697,420

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

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

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

	Expenses	Program Revenues			Net (Expenses)	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Assets Governmental Activities	
Governmental Activities:						
Instruction	\$ 1,145,112	\$ -	\$ 101,815	\$ -	\$ (1,043,297)	\$ (1,043,297)
Pupil Personnel Services	63,604	-	-	-	(63,604)	(63,604)
Board	11,988	-	-	-	(11,988)	(11,988)
General Administration	176,997	-	-	-	(176,997)	(176,997)
School Administration	231,883	-	-	-	(231,883)	(231,883)
Fiscal Services	82,413	-	-	-	(82,413)	(82,413)
Food Services	48,242	18,649	-	-	(29,593)	(29,593)
Central Services	10,912	-	-	-	(10,912)	(10,912)
Transportation	29,849	-	-	-	(29,849)	(29,849)
Operation of Plant	323,107	-	-	130,408	(192,699)	(192,699)
Community Services	28,517	-	-	-	(28,517)	(28,517)
Interest	11,400	-	-	-	(11,400)	(11,400)
Unallocated Depreciation	36,446	-	-	-	(36,446)	(36,446)
Total Governmental Activities	\$ 2,200,470	\$ 18,649	\$ 101,815	\$ 130,408	(1,949,598)	(1,949,598)

General Revenues:

State and Local Sources	1,991,036	1,991,036
Contributions and Other Revenue	131,861	131,861
Total General Revenues	2,122,897	2,122,897
Change in Net Assets	173,299	173,299
Net Assets - July 1, 2010	139,057	139,057
Net Assets - June 30, 2011	\$ 312,356	\$ 312,356

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund
ASSETS	
Cash & Cash Equivalents	\$ 324,907
Accounts Receivable	295
Due from Other Agencies	1,646
Prepaid Expenses and Deposits	51,023
Total Assets	\$ 377,871
LIABILITIES AND FUND BALANCE	
Liabilities:	
Salaries and Wages Payable	\$ 114,320
Accounts Payable	30,279
Due to Other Agencies	22,488
Total Liabilities	167,087
Fund Balances:	
Nonspendable	51,023
Spendable - Unassigned	159,761
Total Fund Balances	210,784
Total Liabilities and Fund Balances	\$ 377,871

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

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

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

June 30, 2011

Total Fund Balances - Governmental Funds	\$ 210,784
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund.

Long-term liabilities include:

Notes payable	(217,977)
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Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.

The cost of the assets is \$529,305 and the accumulated depreciation is \$209,756.

319,549
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Total Net Assets - Governmental Activities	\$ 312,356
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The accompanying notes to financial statements are an integral part of this statement.

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund
Revenues	
Intergovernmental:	
Federal Sources	\$ 101,815
State and Local	2,121,444
Contributions and Other Revenue	150,510
Total Revenues	2,373,769
Expenditures	
Current - Education:	
Instruction	\$ 1,145,112
Pupil Personnel Services	63,604
Board	11,988
General Administration	176,997
School Administration	231,883
Fiscal Services	82,413
Food Services	48,242
Central Services	10,912
Transportation	29,849
Operation of Plant	323,107
Community Services	28,517
Fixed Capital Outlay:	
Other Capital Outlay	200,776
Debt Service:	
Principal	64,709
Interest	11,400
Total Expenditures	2,429,509
Excess (Deficiency) of Revenues	
Over Expenditures	(55,740)
Other Financing Sources (Uses):	
Proceeds from Loans	45,000
Total Other Financing Sources (Uses)	45,000
Net Change in Fund Balance	(10,740)
Fund Balances, July 1, 2010	221,524
Fund Balances, June 30, 2011	\$ 210,784

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2011***

Net Change in Fund Balances - Governmental Funds	\$	(10,740)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay (\$200,776) in excess of depreciation expense (\$36,446) in the current period.		164,330
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Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Assets.		(45,000)
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Principal payments on long-term debt are reported as an expenditure in the Governmental Funds and a reduction to long-term debt in the Statement of Activities.		64,709
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Change in Net Assets - Governmental Activities	\$	173,299
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The accompanying notes to the financial statements are an integral part of this statement.

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Athenian Academy of Pasco County, Inc. 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. Athenian Academy of Pasco County, Inc. entered into an agreement with the District School Board of Pasco County, Florida to operate a charter school under the name Athenian Academy of Pasco County. The reporting entity consists of the Athenian Academy of Pasco County (School). The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Pasco County, Florida, (“District”). The current charter is effective until August 18, 2015 and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School’s governmental activities. Direct expenses are those that are specifically

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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

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

The School considers its general fund to be a major governmental fund:

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

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term

ATHENIAN ACADEMY OF PASCO COUNTY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2011

debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Budgets and Budgetary Accounting**

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

➤ **Deposits and Investments**

Cash deposits consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5-6 years
Furniture, Fixtures and Equipment	3 years

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

➤ **Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. The School has prepaid expenses and deposits of \$51,023 classified as non-spendable. Spendable resources are to be shown as Restricted,

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its remaining fund balance of \$159,761 as Spendable-Unassigned on its Balance Sheet – Governmental Funds.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplies by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2011, the School reported 318 unweighted and 335.0292 weighted FTE.

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

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

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations, fundraising efforts, and local property tax collections. The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

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

➤ **Income Tax**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

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

2. ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$295 in funds receivable from Link-Up, Inc. for an overpayment of management fees in the fiscal year ending June 30, 2011. Based on collectability of funds from this source, an allowance for doubtful accounts is not considered necessary.

ATHENIAN ACADEMY OF PASCO COUNTY
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June 30, 2011

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Buildings and Improvements	\$ 189,663	\$ 182,866	\$ -	\$ 372,529
Furniture, Fixtures and Equipment	138,866	17,910	-	156,776
Total Capital Assets	<u>328,529</u>	<u>200,776</u>	<u>-</u>	<u>529,305</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(111,895)	(18,858)	-	(130,753)
Furniture, Fixtures, and Equipment	(61,415)	(17,588)	-	(79,003)
Total Accumulated Depreciation	<u>(173,310)</u>	<u>(36,446)</u>	<u>-</u>	<u>(209,756)</u>
Governmental Activities Capital Assets, net	<u>\$ 155,219</u>	<u>\$ 164,330</u>	<u>\$ -</u>	<u>\$ 319,549</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

4. OPERATING LEASES

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, 2011 under these leases are summarized as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Minimum Lease Payments</u>
2012	\$ 163,452
2013	162,343
2014	162,024
2015	<u>162,024</u>
Total Minimum Lease Payments	<u>\$ 649,843</u>

Rental expense for the year ended June 30, 2011 approximated \$163,452.

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
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June 30, 2011

5. NOTES PAYABLE

Notes payable at June 30, 2011, are as follows:

<u>Type of Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Notes Payable:			
Building Hope Note	136,894	6.00%	2014
Leona Group Note	81,083	4.00%	2013
Total Notes Payable	<u>\$ 217,977</u>		

The various notes were issued to finance capital outlay projects of the School. The following is a description of the notes payable:

Building Hope Note: The School borrowed \$120,000 during the fiscal year ending June 30, 2010. During the fiscal year ending June 30, 2011, the School borrowed an additional \$45,000 for improvements to buildings. Terms of the note include monthly principal and interest payments of \$3,641 at 6.0% interest through May 2014.

Leona Group Note: During prior fiscal years, the School borrowed amounts from the Leona Group, a management company, to fund improvements to buildings. Terms of the note include monthly principal and interest payments of \$3,387 at 4.0% interest through July 2013.

Amounts payable for the note payable is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 84,338	\$ 74,566	\$ 9,772
2013	84,337	78,367	5,970
2014	67,518	65,044	2,474
Total	<u>\$ 236,193</u>	<u>\$ 217,977</u>	<u>\$ 18,216</u>

6. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 237,686	\$ 45,000	\$ (64,709)	\$ 217,977	\$ 74,566
Total Governmental Activities	<u>\$ 237,686</u>	<u>\$ 45,000</u>	<u>\$ (64,709)</u>	<u>\$ 217,977</u>	<u>\$ 74,566</u>

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. SCHEDULE OF STATE & LOCAL REVENUE SOURCES

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

Source	Amount
<i><u>FEDERAL:</u></i>	
Federal Stabilization Program	\$ 101,815
Total Federal Sources	101,815
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 1,225,870
Categorical Educational Programs:	
Class Size Reduction	383,123
Supplementary Academic Instruction	87,768
Instructional Materials	24,783
Lottery Allocation	1,173
Safe School	7,989
Capital Outlay	130,408
ESE Guaranteed Allocation	33,897
Florida Lead Teacher	3,135
Transportation	23,436
School Recognition	20,750
Merit Award Program	13,636
Total State Revenue	1,955,968
<i><u>LOCAL:</u></i>	
Discretionary Local Effort	165,476
Total Local Revenue	165,476
Total State and Local Revenue	\$ 2,121,444

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$79,053.

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

8. AGREEMENT WITH MANAGEMENT COMPANY

Effective July 1, 2010 the School renewed the management agreement with Link-Up, Inc. Similar to the prior agreement, Link-Up, Inc. shall provide administrative and consultant 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 renewed contract period with Link-Up, Inc. is from July 1, 2010 through June 30, 2012. Additional renewal periods are anticipated, however optional. During fiscal year 2011, the School was required to pay Link-Up,

ATHENIAN ACADEMY OF PASCO COUNTY
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011 amounted to \$176,997 for the services provided.

9. RELATED PARTY TRANSACTIONS

Amounts included in accounts receivable due from Link-Up, Inc. was \$295. This amount represents an overpayment of management fees to Link-Up, Inc. during fiscal 2011. The School expects to collect from Link-Up, Inc. for this overpayment within the next operating cycle. Management fees paid to Link-Up, Inc. amounted to \$176,997 for the year ending June 30, 2011.

10. RISK MANAGEMENT PROGRAMS

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

11. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2011, may be impaired.

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

12. FUNDING AND CREDIT CONCENTRATIONS

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

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited)
For the Fiscal Year Ended June 30, 2011

	General Fund			Variance with Final Budget - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Sources	\$ 130,000	\$ 101,815	\$ 101,815	\$ -
State and Local	2,100,000	2,121,444	2,121,444	-
Contributions and Other Revenue	160,000	150,510	150,510	-
Total Revenues	2,390,000	2,373,769	2,373,769	-
Expenditures:				
Current - Education:				
Instruction	1,100,000	1,145,112	1,145,112	-
Pupil Personnel Services	60,000	63,604	63,604	-
Board	10,000	11,988	11,988	-
General Administration	185,000	176,997	176,997	-
School Administration	225,000	231,883	231,883	-
Fiscal Services	90,000	82,413	82,413	-
Food Services	45,000	48,242	48,242	-
Central Services	10,000	10,912	10,912	-
Transportation	35,000	29,849	29,849	-
Operation of Plant	315,000	323,107	323,107	-
Community Services	25,000	28,517	28,517	-
Fixed Capital Outlay:				
Other Capital Outlay	195,000	200,776	200,776	-
Debt Service:				
Principal	65,000	64,709	64,709	-
Interest	125,000	11,400	11,400	-
Total Expenditures	2,485,000	2,429,509	2,429,509	-
Excess (Deficiency) of Revenues Over Expenditures	(95,000)	(55,740)	(55,740)	-
Other Financing Sources (Uses):				
Proceeds from Loans	45,000	45,000	45,000	-
Total Other Financing Sources (Uses)	45,000	45,000	45,000	-
Net Change in Fund Balance	(50,000)	(10,740)	(10,740)	-
Fund Balance, July 1, 2010	221,524	221,524	221,524	-
Fund Balance, June 30, 2011	\$ 171,524	\$ 210,784	\$ 210,784	\$ -

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

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

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

Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the basic financial statements of the Athenian Academy of Pasco County ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2011, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Respectfully submitted,

Handwritten signature of King & Walker, CPAs in black ink.

August 31, 2011
Lutz, Florida

KING & WALKER, CPAs, PL
Certified Public Accountants

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

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

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

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

We have audited the basic financial statements of the Athenian Academy of Pasco County (“School”), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated August 31, 2011.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 31, 2011. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School has taken the appropriate corrective actions to correct the findings in the prior audit.

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

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

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

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

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

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

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Athenian Academy of Pasco County.

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

Respectfully submitted,

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

August 31, 2011
Lutz, Florida

ATHENIAN ACADEMY OF PASCO COUNTY

Management's Response to Audit Findings

Year Ended June 30, 2011

The following is the School's response to the item in the Management Letter dated August 31, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.