

**PINELLAS PREPARATORY ACADEMY, INC.**  
(A Component Unit of the District School Board of Pinellas County, Florida)

**ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2009

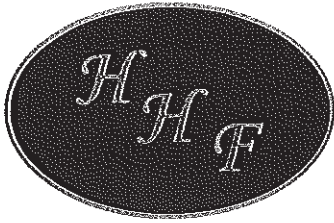
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## INDEPENDENT AUDITORS' REPORT

September 1, 2009

To the Board of Directors of the  
Pinellas Preparatory Academy, Inc.  
Largo, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Pinellas Preparatory Academy, Inc. (the "School"), a component unit of the District School Board of Pinellas County, Florida, as of and for the year ended June 30, 2009, which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Pinellas Preparatory Academy, Inc., as of June 30, 2009, and respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2009, on our consideration of the School's internal control over financial reporting and 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 and budgetary comparison schedule for the General Fund 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 on it.

*Hanson, Hetterich and Fenlon . P.A.*  
**HANSON, HETTERICH AND FENLON, P.A.**  
Certified Public Accountants

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2009**

Our discussion and analysis of the Pinellas Preparatory Academy's (the "School") financial performance provides an overview of the School's activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying financial statements.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2009 are presented under GASB 34. The financial statements have three components 1) government-wide financial statements, 2) fund financial, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

*Government-Wide Financial Statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net assets changed during the most recent fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 6 - 7 of this report

*Fund Financial Statements*

A "fund" is a collection of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All the funds of the School are governmental funds. *Government funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The Board of the School adopts an annual budget for its general fund basis. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 8 - 11 of this report.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2009**

*Notes to Financial Statements*

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

The notes to the financial statements can be found on pages 12 - 18 of this report.

**Financial Analysis**

Over time, net assets may serve as a useful indicator of the School's financial position. At the close of the fiscal year, assets exceed liabilities by \$510,291. Thirty percent (30%) of net assets represents investment in capital assets and thus are not available for future spending. Conversion to GASB 34 does not allow net assets to be represented as "reserved" unless there are external legal restriction on how they may be used. .

The following is a summary of changes in the statement of net assets:

	<u>2009</u>	<u>2008</u>
Total assets	<u>\$ 710,985</u>	<u>\$ 701,123</u>
Total liabilities	<u>\$ 200,694</u>	<u>\$ 226,196</u>
Net assets:		
Unrestricted	\$ 351,755	\$ 198,083
Restricted	4,162	106,714
Invested in capital assets, net of related debt	<u>154,374</u>	<u>170,130</u>
	<u>\$ 510,291</u>	<u>\$ 474,927</u>

Total assets increased by approximately \$10,000, and total liabilities decreased by \$25,500 due primarily to payments made on the line of credit.

The following is a summary of changes in the statement of activities:

	<u>2009</u>	<u>2008</u>
Total expenses	\$ 2,418,376	\$ 2,074,363
Less: program revenues	<u>414,194</u>	<u>382,391</u>
Net program expense	2,004,182	1,691,972
General revenues	<u>2,039,546</u>	<u>1,745,751</u>
Change in net assets	<u>\$ 35,364</u>	<u>\$ 53,779</u>

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2009**

Total expenses increased in 2009, by approximately \$344,000 over the prior fiscal year. This increase is primarily a result of the addition of instructional staff and the expansion of the facility. General revenues increased by approximately \$294,000, due to an increase in monies received from the school district for student enrollments. This increase was due to an increase in student enrollment. Program revenues increased by approximately \$31,800, due to increases in child care revenue and capital outlay grants.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the General Fund unreserved fund balance totaled \$351,755 compared to \$297,602 at the end of the previous year. As a measure of liquidity, it may be useful to compare the General Fund unreserved fund balance to General Fund total expenses. General Fund unreserved fund balance represents 16% of the total expenses.

Revenues were approximately \$51,000 greater than expenses in the General Fund in the current year due to the increases in revenues mentioned above.

The overall financial position and results of operations for the School improved for the fiscal year ended June 30, 2009. The School met its operating budget and all significant educational legal compliance requirements. It is expected that net assets will stabilize over the next few years.

The expansion of School facilities was completed during the year with the leasing of an additional 4,935 square feet of space and expending \$95,532 on leasehold improvements and other capital asset acquisitions.

**Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the School Administrator, 2300 South Belcher Road #100, Largo, Florida 33771.

**FINANCIAL SECTION**

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<b>2009</b>	2008
		(Summarized Comparative Information)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 282,473	\$ 360,408
Prepaid expenses	5,487	8,160
Grant receivable	20,563	-
Deposits	84,934	63,755
	393,457	432,323
Capital assets, net of accumulated depreciation	317,528	268,800
Total assets	\$ 710,985	\$ 701,123
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37,540	\$ 28,007
Line of credit, due within one year	25,512	22,671
Total current liabilities	63,052	50,678
Noncurrent liabilities:		
Line of credit, due in more than one year	137,642	175,518
Total liabilities	200,694	226,196
<b>NET ASSETS</b>		
Invested in capital assets, net of accumulated depreciation and related debt	154,374	170,130
Temporarily restricted	4,162	106,714
Unrestricted	351,755	198,083
Total net assets	510,291	474,927
Total Liabilities and Net Assets	\$ 710,985	\$ 701,123

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

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

<u>Functions/Programs</u>	<u>2009</u>				<u>2008</u>	
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue</u> <u>and Changes</u> <u>in Net Assets</u>	<u>(Summarized</u> <u>Comparative</u> <u>Information)</u>  <u>Net (Expense)</u> <u>Revenue</u> <u>and Changes</u> <u>in Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>		
Component Unit Activities:						
Instruction	\$ 1,460,114	\$ -	\$ 46,012	\$ -	\$ (1,414,102)	\$ (1,153,533)
Staff development	4,203	-	-	-	(4,203)	(9,022)
School administration	378,939	-	3,100	-	(375,839)	(363,316)
Operation and maintenance of plant	460,208	-	-	217,136	(243,072)	(218,787)
Child care supervision	39,390	80,185	-	-	40,795	33,618
Other programs and services	61,190	57,874	9,887	-	6,571	20,361
Interest on long-term debt	<u>14,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,332)</u>	<u>(1,293)</u>
 Total Governmental activities	 <u>\$ 2,418,376</u>	 <u>\$ 138,059</u>	 <u>\$ 58,999</u>	 <u>\$ 217,136</u>	 <u>(2,004,182)</u>	 <u>(1,691,972)</u>
 General revenues:						
FTE non-specific revenues					2,035,170	1,740,089
Interest income					4,376	5,662
Total general revenues					<u>2,039,546</u>	<u>1,745,751</u>
Changes in net assets					35,364	53,779
Net assets - beginning					474,927	421,148
Net assets - ending					<u>\$ 510,291</u>	<u>\$ 474,927</u>

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

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**BALANCE SHEET**  
**June 30, 2009**

	<b>2009</b>			2008
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>	(Summarized Comparative Information)
<b>ASSETS</b>				
Cash and cash equivalents	\$ 282,473	\$ -	\$ 282,473	\$ 360,408
Grant receivable	20,563	-	20,563	-
Prepaid expenses	5,487	-	5,487	8,160
Deposits	84,934	-	84,934	63,755
Total assets	<u>\$ 393,457</u>	<u>\$ -</u>	<u>\$ 393,457</u>	<u>\$ 432,323</u>
 <b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 37,540	\$ -	\$ 37,540	\$ 28,007
 <b>FUND BALANCES</b>				
Unreserved	351,755	-	351,755	297,602
Reserved	4,162	-	4,162.00	106,714
Total fund balances	355,917	-	355,917	404,316
Total Liabilities and Fund Balances	<u>\$ 393,457</u>	<u>\$ -</u>	<u>\$ 393,457</u>	<u>\$ 432,323</u>

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

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

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

**For the Year Ended June 30, 2009**

Total Fund Balance - Governmental Funds	\$ 355,917
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	317,528
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(163,154)</u>
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Total Net Assets of Governmental Activities	<u>\$ 510,291</u>
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The accompanying notes are an integral part of the financial statements.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**For the Year Ended June 30, 2009**

	<u>2009</u>				<u>2008</u>
	<u>General Fund</u>		<u>Capital Project Fund</u>	<u>Total</u>	(Summarized Comparative Information)
	<u>Unreserved</u>	<u>Reserved</u>	<u>Fund</u>		
<b>REVENUES AND OTHER ADDITONS</b>					
Federal, state and local sources	\$ 2,291,085	\$ -	\$ -	\$ 2,291,085	\$ 2,183,078
Contributions and fund raising	73,872	4,162	-	78,034	72,829
Interest income	4,376	-	-	4,376	5,662
Child care supervision	80,185	-	-	80,185	66,274
Miscellaneous income	60	-	-	60	300
Transfers - internal activities	(209,941)	(7,195)	217,136	-	-
<b>Total Revenues and Other Additions</b>	<u>2,239,637</u>	<u>(3,033)</u>	<u>217,136</u>	<u>2,453,740</u>	<u>2,328,143</u>
<b>EXPENDITURES</b>					
Instruction	1,427,351	-	-	1,427,351	1,178,143
Staff development	4,203	-	-	4,203	9,022
School administration	365,834	-	-	365,834	355,614
Operation and maintenance of plant	239,085	-	221,123	460,208	423,961
Capital asset acquisiton	-	-	95,532	95,532	109,890
Other programs and services	99,644	-	-	99,644	67,752
Debt Service:					
Repayment of principal	35,035	-	-	35,035	1,811
Interest	14,332	-	-	14,332	1,293
<b>Total Expenditures</b>	<u>2,185,484</u>	<u>-</u>	<u>316,655</u>	<u>2,502,139</u>	<u>2,147,486</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDTITURES</b>	54,153	(3,033)	(99,519)	(48,399)	180,657
<b>Fund Balances - Beginning of Year</b>	<u>297,602</u>	<u>7,195</u>	<u>99,519</u>	<u>404,316</u>	<u>223,659</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 351,755</u>	<u>\$ 4,162</u>	<u>\$ -</u>	<u>\$ 355,917</u>	<u>\$ 404,316</u>

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

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2009**

Change in Fund Balance - Governmental Funds	\$ (48,399)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital acquisitions 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 in excess of depreciation expense in the current period.

Capital asset acquisition	95,532	
Depreciation	<u>(46,804)</u>	
		48,728

Repayment of long term liabilities is an expenditure in the governmental funds, the repayment reduces long term liabilities on the statement of net assets.		<u>35,035</u>
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Change in Net Assets of Governmental Activities	<u>\$ 35,364</u>
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The accompanying notes are an integral part of the financial statements.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Pinellas Preparatory Academy, Inc. (the “School”) is part of the Florida system of public education under the general direction of the State Department of Education. The School was organized as a not-for-profit corporation pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The School operates under a charter approved by their sponsor, the District School Board of Pinellas County, Florida, (the “School Board”). The School Board approved the charter effective July 1, 2006 through June 30, 2011. The School is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)3.

The Florida Department of Education (the “Department”) has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provide in the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual issued by the Department. The School is required by contract with the School Board to use the governmental reporting model and the Department’s accounting and reporting manual.

The accompanying financial statements present the financial position and results of operation of the applicable funds controlled by or dependent upon the School. In evaluating the School as a reporting entity, management has addressed all potential component units for which the School may or may not be financially accountable and, as such, are included in the School’s accompanying financial statements. No component units exist which would require inclusion in the School’s financial statements.

**Government-wide and Fund Financial Statements**

The basic financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. The effect of interfund activities has been removed from these statements. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for other programs and services. General revenues include amounts received from state and local sources. The School’s general fund and investment in plant are considered to be major funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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 reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of 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.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The principal exception to this general rule is that expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budgets and Budgetary Accounting**

Budgets are prepared and original budgets are adopted annually for the General Fund in accordance with procedures and intervals prescribed by the Board of Directors (the "Board") of the School. During the fiscal year ended June 30, 2009, the Board adopted an annual budget for the General fund. The school is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and debt service) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end and encumbrances outstanding are honored for the subsequent year's appropriations.

**Cash and Cash Equivalents**

Cash deposits are held by banks qualified as public depositories under Florida law. The statement of net assets considers cash and cash equivalents to be cash on hand, demand deposits and savings accounts.

**Use of Estimates**

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Capital Assets**

Capital assets consist of leasehold improvements and furniture, fixtures and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at the time of purchase. The School defines capital assets as those assets costing more than \$500 individually or in the aggregate. Such assets are recorded at historical cost. Donated assets are recorded at fair market value at the date received. Capital assets are depreciated using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 3 to 15 years.

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

**Compensated Absences**

It is the School's policy to grant employees leave based upon the number of years of employment with the School. Personal leave may be used as time off or accrued up to the maximum the employee would earn in two years. An employee resigning or retiring with two weeks' notice shall be paid for their credited personal leave up to the maximum allowable rate referred to above. Such leave pay shall be made at the employee's current rate of pay. Employees who terminate prior to completion of six months of continuous service will not be paid for any accrued personal leave time.

**Donated Services**

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made* the value of donated services that require specialized skills that would have been purchased if not donated are reflected in the accompanying financial statements. These recorded donated services for the year ended June 30, 2009 consisted of the following:

Accounting and audit services	<u>\$ 3,100</u>
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In addition, a number of other volunteers have donated significant amounts of their time to Pinellas Preparatory Academy, Inc.'s operations. However, they are not reflected on the accompanying financial statements, since they do not meet the requirements of SFAS No. 116.

**State Sources**

The state provides financial assistance to administer certain categorical educational programs. Department rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General fund is reserved for the unencumbered balance of categorical educational program resources.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

The state allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. The School was awarded an allocation of \$217,136 for the year ended June 30, 2009.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of fixed assets or materials as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long donated assets or assets acquired with restricted contributions must be maintained, the School reports expirations of donor restrictions when donated or acquired assets are placed in service. Contributions are considered to be unrestricted program funds unless specifically restricted by donor.

**Subsequent Events**

Subsequent events have been evaluated through September 1, 2009, which is the date the financial statements were issued.

**Comparative Data**

The amounts shown for the year ended June 30, 2008 in the accompanying financial statements are included to provide a basis for comparison with 2009 and present summarized totals only. Accordingly, the 2008 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's audited financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Adjustments were made to include capital assets (net of accumulated depreciation) and long-term liabilities on the statement of net assets. This resulted in a net difference between ending governmental fund balances and total net assets of \$154,374 as follows:

Ending fund balances	\$ 355,917
Capital assets, net	317,528
Long-term debt	<u>(163,154)</u>
Total net assets	<u>\$ 510,291</u>

Adjustments were made to include depreciation expense and eliminate capital outlay expenditures on the statement of activities. This resulted in a net difference between “excess expenditures over revenues and transfers” and “change in net assets” of \$83,763, as follows:

Deficiency of revenues and transfers over expenditures	\$ (48,399)
Add: Capital asset purchases	95,532
Less: Depreciation expense	(46,804)
Add: Repayment of long-term liabilities	<u>35,035</u>
Change in net assets	<u>\$ 35,364</u>

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

	Balance <u>July 1, 2008</u>	(Decrease) <u>Increase</u>	Balance <u>June 30, 2009</u>
Capital assets being depreciated:			
Leasehold improvements	\$ 53,514	\$ 174,404	\$ 227,918
Furniture, fixtures, and equipment	293,608	17,764	311,372
Construction in progress	<u>96,636</u>	<u>(96,636)</u>	<u>-</u>
	<u>443,758</u>	<u>95,532</u>	<u>539,290</u>
Less accumulated depreciation for:			
Leasehold improvements	(28,057)	(12,159)	(40,216)
Furniture, fixtures, and equipment	<u>(146,901)</u>	<u>(34,645)</u>	<u>(181,546)</u>
Total accumulated depreciation	<u>(174,958)</u>	<u>(46,804)</u>	<u>(221,762)</u>
Total capital assets, net	<u>\$ 268,800</u>	<u>\$ 48,728</u>	<u>\$ 317,528</u>

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 3 – CAPITAL ASSETS - Continued**

Depreciation was charged to functions as follows:

Instructional	\$	32,763
School Administration		13,105
Other programs and services		936
		46,804
	\$	46,804

**NOTE 4 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all types of claims with nominal deductible amounts. There have been no significant reductions in insurance coverage during fiscal year 2006 - 2009. Settled claims have not exceeded the commercial excess coverage in any of the past four years.

**NOTE 5 – LEASE COMMITMENTS**

The School leases facilities under a long-term operating lease. The lease commenced on August 1, 2006, was amended effective August 1, 2008 and expires on June 30, 2018. Base monthly rent was \$28,408 for July 2008 and \$32,007 through June 2009, with scheduled increases of 3.5% annually, thereafter. The School has the right to extend the lease for two consecutive extension periods of five years each at 95% of the fair market rent for similar space as of the commencement of each renewal term and will increase by three and one-half percent annually during the extension period. Lease covenants require the School to pay insurance and other costs. The School is entitled to a credit against rent for the real estate taxes savings the landlord receives for property used by a Charter School. The real estate tax credit totaled \$34,320 and rental expense (net of credit) was \$323,293 for the current year. The aggregate minimum rental commitments at June 30, 2009 under the lease are summarized as follows:

Year Ended June 30,	<u>Amount</u>
2010	\$ 397,524
2011	411,432
2012	425,832
2013	440,736
2014	456,168
Thereafter	1,990,728
Total	\$ 4,122,420

**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2009**

**NOTE 5 – LEASE COMMITMENTS - Continued**

In addition to base monthly rent, the lessor requires an escrow security deposit. The aggregate minimum escrow security deposit commitments at June 30, 2009 are summarized as follows:

Year Ended June 30,	<u>Amount</u>
2010	\$ 20,748
2011	18,155
2012	15,561
Total	<u>\$ 54,464</u>

If the School is not in default under the lease, the security deposit will be credited back to the School during the last four years of the lease as follows:

Year Ended June 30,	<u>Amount</u>
2015	\$ 42,996
2016	44,004
2017	45,000
2018	45,996
Total	<u>\$ 177,996</u>

**NOTE 6 – LINE OF CREDIT**

The School maintains an unsecured bank line of credit dated May 15, 2008, which had a \$163,154 balance as of June 30, 2009. Amounts borrowed under this agreement bears interest at a fixed rate of 7.75%. The loan is payable in monthly payments of \$3,103, including interest and is secured by all business assets. Annual maturities are as follows:

Year ended June 30,	
2010	\$ 25,512
2011	27,560
2012	29,774
2013	32,165
2014	34,748
Thereafter	13,395
	<u>\$ 163,154</u>

**NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS**

Net assets were temporarily restricted for the following purposes as of June 30, 2009:

8th Grade projects	\$ 430
Sports	2,687
Art	581
Water conservation and environmental education	464
	<u>\$ 4,162</u>

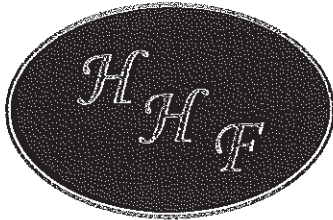
**PINELLAS PREPARATORY ACADEMY, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2009**

	<u>General Fund Budget</u>		<u>Actual by Government Funds</u>		
	<u>Budgeted Amounts</u>		<u>Total</u>	<u>General</u>	<u>Capital</u>
	<u>Original</u>	<u>Final</u>	<u>All Funds</u>	<u>Fund</u>	<u>Fund</u>
<b>REVENUES</b>					
Federal, state, and local sources	\$ 2,231,696	\$ 2,172,367	\$ 2,073,949	\$ 2,073,949	\$ -
Capital outlay funding	224,886	217,136	217,136	-	217,136
Other income	<u>75,870</u>	<u>85,752</u>	<u>162,655</u>	<u>162,655</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>2,532,452</u>	<u>2,475,255</u>	<u>2,453,740</u>	<u>2,236,604</u>	<u>217,136</u>
<b>EXPENDITURES</b>					
Instruction	1,405,029	1,407,153	1,427,351	1,427,351	-
Staff development	9,010	4,260	4,203	4,203	-
School administration	468,211	456,867	365,834	365,834	-
Operation and maintenance of plant	281,304	288,196	239,085	239,085	-
Capital asset acquisition and other capital outlay	236,886	217,136	316,655	-	316,655
Other programs and services	44,017	38,806	99,644	99,644	-
Debt service	<u>37,247</u>	<u>37,247</u>	<u>49,367</u>	<u>49,367</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>2,481,704</u>	<u>2,449,665</u>	<u>2,502,139</u>	<u>2,185,484</u>	<u>316,655</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 50,748</u>	<u>\$ 25,590</u>	<u>\$ (48,399)</u>	<u>\$ 51,120</u>	<u>\$ (99,519)</u>

**COMPLIANCE SECTION**



# **Hanson, Hetterich and Fenlon, P.A.**

**Certified Public Accountants**

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September 1, 2009

**INDEPENDENT AUDITORS' 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***

Board of Directors  
Pinellas Preparatory Academy, Inc.

We have audited the financial statements of Pinellas Preparatory Academy, Inc. (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated September 1, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pinellas Preparatory Academy, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

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

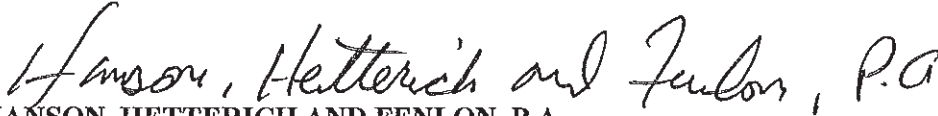
September 1, 2009

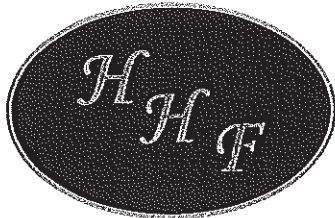
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pinellas Preparatory Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

We noted certain matters that we reported to management of Pinellas Preparatory Academy, Inc. in a separate letter dated September 1, 2009.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
HANSON, HETTERICH AND FENLON, P.A.  
Certified Public Accountants



# **Hanson, Hetterich and Fenlon, P.A.**

**Certified Public Accountants**

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## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

September 1, 2009

To the Board of Directors and Management  
of Pinellas Preparatory Academy, Inc.  
Largo, Florida

We have audited the financial statements of Pinellas Preparatory Academy, Inc. (the "School"), a component unit of the District School Board of Pinellas County, Florida, as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated September 1, 2009.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters. Disclosures in that report, which is dated September 1, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The *Rules of the Auditor General* 10.854(1)(e)1, require that we address in the management letter, if not already addressed in the auditors' report on internal control over financial reporting and on compliance and other matters, whether or not significant findings or recommendations made in the preceding annual financial audit report have been corrected. There were no significant findings or recommendations made in the preceding annual financial audit report of the School.

As required by the *Rules of the Auditor General* 10.854(1)(e)2, a statement must 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. In connection with our audit, we determined that the School did not meet any of the conditions as described in Section 218.503(1), Florida Statutes.

The *Rules of the Auditor General* 10.854(1)(e)3, require that we provide in the management letter recommendations we may have to improve financial management. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various School personnel, and we will be pleased to discuss these comments in further details at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. Organization Structure

The size of the School's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the School to provide oversight and independent review functions.

The *Rules of the Auditor General* 10.854(1)(e)4, require disclosure in the management violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. Our audit did not disclose any findings required to be disclosed by the *Rules of the Auditor General* 10.854(1)(e)4.

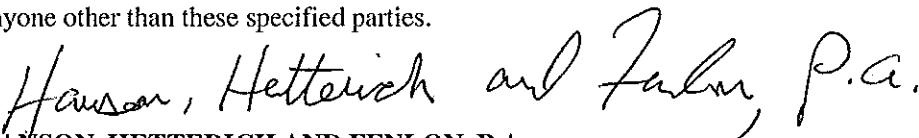
The *Rules of the Auditor General* 10.854(1)(e)4, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violation of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. In connection with our audit, we did not have any such findings.

The *Rules of Auditor General* 10.854(1)(e)6 also require that the name or official title of the school or center be disclosed in the management letter. The official title is the Pinellas Preparatory Academy, Inc.

Financial condition assessments procedures were applied pursuant to The *Rules of Auditor General* 10.854(1)(3)7.a, and 10.855(10). It is management's responsibility to monitor the School's financial condition, and our financial assessment was based in part on representations made by management and the review of financial information provided by the same. Our assessment as of the year ended June 30, 2009, did not note the existence of any deteriorating financial conditions.

We wish to thank the Principal and his staff for their support and assistance during our audit.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Board of Directors, management, and others within the organization, the District School Board of Pinellas County, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

  
HANSON, HETTERICH AND FENLON, P.A.  
Certified Public Accountants