

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL
PREPARATORY SCHOOL**

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2018

King & Walker, CPAs, PL

Certified Public Accountants

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**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL**

TABLE OF CONTENTS

	PAGE NO.
FINANCIAL SECTION	
Independent Auditor’s Report	1
Management’s Discussion and Analysis – (Unaudited)	3
Basic Financial Statements	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14
Other Required Supplementary Information	
Budgetary Comparison Schedule – General Fund (Unaudited)	27
Note to Required Supplementary Information	28
COMPLIANCE AND INTERNAL CONTROL	
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 <i>Governmental Auditing Standards</i>	29
Management Letter as required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, <i>Charter School Audits</i> .	31

Independent Auditor's Report

To the Board of Directors Classical Preparatory, Inc.
d/b/a Classical Preparatory School,
a Charter School and Component Unit of the
District School Board of Pasco County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Classical Preparatory, Inc. d/b/a Classical Preparatory School ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Classical Preparatory, Inc. d/b/a Classical Preparatory School, as of June 30, 2018, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2018 on our consideration of Classical Preparatory, Inc. d/b/a Classical Preparatory School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Classical Preparatory, Inc. d/b/a Classical Preparatory School's internal control over financial reporting and compliance.

Respectfully submitted,



August 30, 2018
Tampa, Florida

CLASSICAL PREPARATORY, INC. D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the Classical Preparatory, Inc. d/b/a Classical Preparatory School (“School”) provides an overview of the School’s activities for the fiscal year ended June 30, 2018.

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, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- The School reported total deficit net position of \$929,714 as shown on the Statement of Net Position.
- For the fiscal year ended June 30, 2018, the School’s expenses exceeded revenues by \$715,344 as shown on the School’s statement of activities.
- The School reported a total combined fund balance of \$3,848,518 on the balance sheet – governmental funds.

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 position 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 position 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 position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School’s net position and the results of operations during the fiscal year. An increase or decrease in net position 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.

CLASSICAL PREPARATORY, INC. D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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 three funds: a General Fund, a Debt Service Fund, and a Capital Projects Fund. The School has elected to show each fund 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

The following is a summary of the School's current year and prior year net position:

	Net Position, End of Year		
	Governmental Activities		Increase (Decrease)
	6-30-17	6-30-18	
ASSETS			
Current and Other Assets	\$ 3,016,082	\$ 4,195,522	\$ 1,179,440
Capital Assets, net	7,333,442	9,707,810	2,374,368
Total Assets	10,349,524	13,903,332	3,553,808
LIABILITIES			
Current Liabilities	471,679	174,526	(297,153)
Long Term Liabilities	10,092,215	14,658,520	4,566,305
Total Liabilities	10,563,894	14,833,046	4,269,152
NET POSITION			
Net Investment in Capital Assets	(250,747)	(1,116,010)	(865,263)
Unrestricted	36,377	186,296	149,919
Total Net Position	\$ (214,370)	\$ (929,714)	\$ (715,344)

Assets consist primarily of cash and cash equivalents, restricted investments, and the School's investment in capital assets net of accumulated depreciation. Current liabilities consist of salaries and benefits payable and accounts payable.

Long Term Liabilities increased due to the School issuing bonds and a promissory note to finance the construction and improvements of additional educational facilities.

CLASSICAL PREPARATORY, INC. D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the net position for the current year and prior year:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-17</u>	<u>6-30-18</u>	<u>Increase (Decrease)</u>
Revenues:			
State Sources	\$ 3,288,821	\$ 4,770,537	\$ 1,481,716
Local and Other	238,957	277,705	38,748
Total Revenues	<u>3,527,778</u>	<u>5,048,242</u>	<u>1,520,464</u>
Expenses:			
Instruction	1,711,368	2,864,597	1,153,229
Instructional Media Services	835	-	(835)
Instructional Staff Training	180	26,986	26,806
Board	115,262	107,869	(7,393)
School Administration	519,686	886,423	366,737
Facilities Acq. & Construction	259,888	75,143	(184,745)
Fiscal Services	98,431	95,428	(3,003)
Food Services	10,075	10,561	486
Student Transportation Services	26,078	46,933	20,855
Operation of Plant	276,517	377,099	100,582
Community Service	113,470	116,231	2,761
Debt Service - Interest & Fiscal Charges	743,607	967,239	223,632
Amortization of Bond Discount	1,729	4,465	2,736
Unallocated Depreciation	73,798	184,612	110,814
Total Expenses	<u>3,950,924</u>	<u>5,763,586</u>	<u>1,812,662</u>
Increase/(Decrease) in Net Position	<u>\$ (423,146)</u>	<u>\$ (715,344)</u>	<u>\$ (292,198)</u>

The largest revenue source for the School is the State of Florida (95 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School. State revenue increased significantly during the fiscal year due to an increase in enrollment.

The largest concentration of expenses was for Instruction which represents 50% of total expenditures.

CLASSICAL PREPARATORY, INC. D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$3,848,518.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2018, 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. For the fiscal year ended June 30, 2018, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$9,707,810 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land, buildings, furniture, fixtures and equipment, and motor vehicles. Additional information regarding the School's capital assets can be found in notes to the financial statements.

DEBT

In 2016-17 fiscal year, the School issued bonds totaling \$10,275,000 to purchase an educational facility and construct a new building. The remaining balance of these bonds, net of the unamortized bond discount, is \$10,086,364 at June 30, 2018.

In 2017-18 fiscal year, the School issued bonds totaling \$4,550,000 to construct a new building. The remaining balance of these bonds, net of the unamortized bond discount, is \$4,497,155 at June 30, 2018. The School also entered into a note payable for improvements to facilities. The remaining balance of this note is \$75,000 at June 30, 2018.

Additional information regarding the School's long-term debt is located in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Classical Preparatory, Inc. d/b/a Classical Preparatory School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Classical Preparatory, Inc. d/b/a Classical Preparatory School, 16500 Lyceum Way, Spring Hill, FL 34610.

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 238,828
Restricted Investments	3,759,700
Due From Other Agency	22,516
Deposits Receivable	2,000
Note Receivable	172,478
Capital Assets:	
Construction in Progress	1,022,736
Land	500,000
Buildings, Net	8,093,618
Furniture, Fixtures and Equipment, Net	72,171
Motor Vehicles, Net	19,285
Total Capital Assets, Net	9,707,810
TOTAL ASSETS	13,903,332
LIABILITIES	
Salaries and Benefits Payable	173,491
Accounts Payable	1,035
Long Term Liabilities:	
Due Within One Year:	
Bond Payable	210,000
Note Payable	15,884
Due After One Year:	
Bond Payable	14,373,520
Note Payable	59,116
TOTAL LIABILITIES	14,833,046
NET POSITION	
Net Investment in Capital Assets	(2,291,257)
Restricted for Debt Service	1,175,247
Unrestricted	186,296
TOTAL NET POSITION	\$ (929,714)

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

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
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, 2018**

		Program Revenues				Net (Expenses) Revenue and Changes Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 2,864,597	\$ -	\$ -	\$ -		\$ (2,864,597)
Instructional Staff Training	26,986					(26,986)
Board	107,869					(107,869)
School Administration	886,423					(886,423)
Facilities Acquisition & Construction	75,143					(75,143)
Fiscal Services	95,428					(95,428)
Food Services	10,561					(10,561)
Student Transportation Services	46,933					(46,933)
Operation of Plant	377,099					(377,099)
Community Service	116,231					(116,231)
Debt Service - Interest & Fiscal Charges	967,239			121,319		(845,920)
Amortization of Bond Discount	4,465					(4,465)
Unallocated Depreciation	184,612					(184,612)
Total Governmental Activities	\$ 5,763,586	\$ -	\$ -	\$ 121,319		\$ (5,642,267)
General Revenues:						
						4,649,218
						277,705
						4,926,923
						(715,344)
						(214,370)
						\$ (929,714)

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

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PASCO COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018***

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 238,828	\$ -	\$ -	\$ 238,828
Restricted Investments		1,175,247	2,584,453	3,759,700
Due From Other Agency	9,599		12,917	22,516
Deposits Receivable	2,000			2,000
Due from Other Funds	12,917			12,917
Total Assets	\$ 263,344	\$ 1,175,247	\$ 2,597,370	\$ 4,035,961
LIABILITIES				
Salaries and Benefits Payable	\$ 173,491	\$ -	\$ -	\$ 173,491
Accounts Payable	1,035			1,035
Due to Other Funds			12,917	12,917
Total Liabilities	174,526	-	12,917	187,443
FUND BALANCES				
Nonspendable	2,000			2,000
Restricted		1,175,247	2,584,453	3,759,700
Unassigned	86,818			86,818
Total Fund Balances	88,818	1,175,247	2,584,453	3,848,518
Total Liabilities and Fund Balances	\$ 263,344	\$ 1,175,247	\$ 2,597,370	\$ 4,035,961

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

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
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 POSITION**

June 30, 2018

Total Fund Balances - Governmental Funds	\$	3,848,518
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Amounts reported for governmental activities in the statement of net position 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 governmental funds.		9,707,810
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bond Payables	14,583,520	
Note Payable	75,000	(14,658,520)

Long-term receivables are not due and collectible in the current period and therefore are not reported as receivables in the governmental funds.		172,478
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Total Net Position - Governmental Activities	\$	(929,714)
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The accompanying notes to financial statements are an integral part of this statement.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
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, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
State Sources	\$ 4,649,218	\$ -	\$ 121,319	\$ 4,770,537
Local and Other	254,011	16,561	7,133	277,705
Total Revenues	4,903,229	16,561	128,452	5,048,242
Expenditures				
Current - Education:				
Instruction	2,864,597			2,864,597
Instructional Staff Training	26,986			26,986
Board	107,869			107,869
School Administration	886,423			886,423
Facilities Acquisition & Construction	75,143			75,143
Fiscal Services	95,428			95,428
Food Services	10,561			10,561
Student Transportation Services	46,933			46,933
Operation of Plant	377,099			377,099
Community Service	116,231			116,231
Fixed Capital Outlay:				
Facilities Acquisition & Construction			2,490,616	2,490,616
Other Capital Outlay	68,364			68,364
Debt Service:				
Principal		10,000		10,000
Interest & Fiscal Charges		1,020,399		1,020,399
Total Expenditures	4,675,634	1,030,399	2,490,616	8,196,649
Excess (Deficiency) of Revenues				
Over/(Under) Expenditures	227,595	(1,013,838)	(2,362,164)	(3,148,407)
Other Financing Sources (Uses):				
Proceeds from Bonds Issued	4,550,000			4,550,000
Proceeds from Promissory Note	75,000			75,000
Loan Transactions	(93,300)			(93,300)
Transfers In/(Out)	(4,627,676)	1,211,830	3,415,846	-
Total Other Financing Sources (Uses)	(95,976)	1,211,830	3,415,846	4,531,700
Net Change in Fund Balances	131,619	197,992	1,053,682	1,383,293
Fund Balances, July 1, 2017	36,377	977,255	1,530,771	2,544,403
Adjustment to Beginning Fund Balance	(79,178)			(79,178)
Fund Balance - Restated	(42,801)	977,255	1,530,771	2,465,225
Fund Balances, June 30, 2018	\$ 88,818	\$ 1,175,247	\$ 2,584,453	\$ 3,848,518

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

**CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
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, 2018***

Net Change in Fund Balances - Governmental Funds	\$	1,383,293
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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 outlays (\$2,558,980) in excess of depreciation expense (\$184,612) in the current period.		2,374,368
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		10,000
Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Position.		(4,625,000)
Governmental funds report long term receivable transactions as other financing uses, whereas these are not reported in the statement of activities.		93,300
Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:		
Amortization of bond discount		(4,465)
The governmental funds report the effect of discounts when debt is first issued, whereas the amount is deferred and amortized over the life of the debt in the statement of activities.		53,160
		93,300
Change in Net Position - Governmental Activities	\$	(715,344)

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

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Classical Preparatory, Inc. d/b/a Classical Preparatory School (“School”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. 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 June 30, 2031 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 position 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 associated with a service, program, or department and are thereby clearly identifiable to a particular function.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 all of its funds as major governmental funds:

- 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.
- Debt Service Fund: to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **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,

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Deposits and Investments**

Cash deposits consist primarily of demand deposits and certificates of deposit held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **Restricted Investments**

Certain proceeds of the School's revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position and the balance sheet-governmental funds because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

➤ **Fair Value Measurement**

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

➤ **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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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	39 years
Furniture, Fixtures and Equipment	5 years
Motor Vehicles	7 years

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

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

➤ **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **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 (FTE) 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 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

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, the School reported 672.47 unweighted and 711.6918 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 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 and fundraising efforts, local grants, school lunch sales 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 Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

➤ **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 position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

2. PRIOR PERIOD ADJUSTMENT

An adjustment was made to the June 30, 2017 ending fund balance as shown below:

	Total Governmental Funds
	Fund Balance June 30, 2017
As previously Stated	\$ 2,544,403
Correction for long-term receivable from 2016-17 fiscal	(79,178)
As Restated	\$ 2,465,225

3. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School’s deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

4. INVESTMENTS

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

All of the School's recurring fair value measurements as of June 30, 2018 are valued using quoted market prices (Level 1 inputs).

The School's investments at June 30, 2018, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Obligations	\$ 748,653	\$ 748,653	\$ -	\$ -
Fidelity Investment - Money Market	3,011,047	3,011,047	-	-
Total Investments	\$ 3,759,700	\$ 3,759,700	\$ -	\$ -

5. NOTE RECEIVABLE – RELATED PARTY

The School signed a promissory note to lend \$172,478 to Classical Preparatory VPK, Inc., a related party through common control. The promissory note has an interest rate of five percent (5%) with quarterly payments due and will be paid in full July 2021. This is the only receivable not expected to be collected within one year.

6. DUE FROM OTHER AGENCY

Amounts Due from Other Agency included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Pasco County District School Board for Florida Education Finance Program funds recorded in the General Fund and amounts due for Charter School Capital Outlay for expenditures already paid and awaiting reimbursement recorded in the Capital Projects Fund. This receivable is considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

7. INTERFUND RECEIVABLES/PAYABLES

At June 30, 2018, the School's Capital Projects Fund owed the General Fund \$12,917 for expenditures awaiting reimbursement from other agencies. These amounts are netted together and not reported in the statement of net position.

8. INTERFUND TRANSFERS

The School's General Fund transferred \$1,211,830 to the Debt Service Fund for principal and interest payments owed on long-term debt and to meet the Bond Reserve Fund requirement. The General Fund also transferred \$3,415,846 to the Capital Projects Fund to finance the facilities acquisition and construction expenses. The amounts of interfund transfers are netted together and not reported on the statement of activities.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 500,000	\$ -	\$ -	\$ 500,000
Construction in Progress	2,689,099	2,466,116	(4,132,479)	1,022,736
Total Capital Assets Not Being Depreciated	<u>3,189,099</u>	<u>2,466,116</u>	<u>(4,132,479)</u>	<u>1,522,736</u>
Capital Assets Being Depreciated:				
Buildings	4,191,239	4,156,979	-	8,348,218
Furniture, Fixtures and Equipment	22,302	68,364	-	90,666
Motor Vehicles	30,000	-	-	30,000
Total Capital Assets Being Depreciated	<u>4,243,541</u>	<u>4,225,343</u>	<u>-</u>	<u>8,468,884</u>
Less Accumulated Depreciation for:				
Buildings	(85,571)	(169,029)	-	(254,600)
Furniture, Fixtures and Equipment	(7,198)	(11,297)	-	(18,495)
Motor Vehicles	(6,429)	(4,286)	-	(10,715)
Total Accumulated Depreciation	<u>(99,198)</u>	<u>(184,612)</u>	<u>-</u>	<u>(283,810)</u>
Total Capital Assets Being Depreciated, Net	<u>4,144,343</u>	<u>4,040,731</u>	<u>-</u>	<u>8,185,074</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,333,442</u>	<u>\$ 6,506,847</u>	<u>\$ (4,132,479)</u>	<u>\$ 9,707,810</u>

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

10. BONDS PAYABLE

Bonds payable at June 30, 2018, are as follows:

Bond Type	Amount Outstanding	Interest Rates	Annual Maturity To
Revenue Bonds:			
Series 2017A	\$ 9,895,000	5.0 - 6.125%	2046
Series 2017B	310,000	6.50%	2021
Series 2018A	4,290,000	5.0 - 6.125%	2046
Series 2018B	260,000	6.50%	2023
Total Bonds Payable	<u>\$ 14,755,000</u>		

Revenue Bonds Series 2017A and 2017B – On January 31, 2017, the Classical Preparatory, Inc. issued tax-exempt revenue bonds (Series 2017A) for \$9,905,000 and taxable revenue bonds (Series 2017B) for \$370,000 secured by a mortgage on the property and buildings. The bonds were issued to finance the acquisition, improvements, and equipping of facilities to be used as a nonprofit charter school educational facility.

Series 2017A bonds are term bonds paying interest semi-annually at a rate of 5% to 6.125% with maturities starting June 30, 2019, and ending June 30, 2046. Series

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2017B bonds are term bonds paying interest semi-annually at a rate of 6.5% with maturities starting June 30, 2018, and ending June 30, 2022.

As required by the bond resolution, the School has established a reserve account and has accumulated and maintained adequate resources in the account. For the fiscal year ended June 30, 2018, the School has a Long-Term Debt Service Coverage Ratio of 1.005, as required by the loan agreement.

Revenue Bonds Series 2018A and 2018B – On April 1, 2018, the Classical Preparatory, Inc. issued tax-exempt revenue bonds (Series 2018A) for \$4,290,000 and taxable revenue bonds (Series 2018B) for \$260,000 secured by a mortgage on the property and buildings. The bonds were issued to finance the construction, improvements, and equipping of facilities to be used as a nonprofit charter school educational facility.

Series 2018A bonds are term bonds paying interest semi-annually at a rate of 5% to 6.125% with maturities starting June 15, 2028, and ending June 15, 2046. Series 2018B bonds are term bonds paying interest semi-annually at a rate of 6.5% with maturity on June 15, 2023.

As required by the bond resolution, the School has established a reserve account and has accumulated and maintained adequate resources in the account. For the fiscal year ended June 30, 2018, the School has a Long-Term Debt Service Coverage Ratio of 1.005, as required by the loan agreement.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2019	\$ 1,089,050	\$ 210,000	\$ 879,050
2020	1,086,825	220,000	866,825
2021	1,088,950	235,000	853,950
2022	1,085,325	245,000	840,325
2023	1,086,050	260,000	826,050
2024-2028	5,440,750	1,525,000	3,915,750
2029-2033	5,432,700	1,990,000	3,442,700
2034-2038	5,434,500	2,665,000	2,769,500
2039-2043	5,444,038	3,590,000	1,854,038
2044-2046	4,355,838	3,815,000	540,838
Total	\$31,544,026	\$ 14,755,000	\$ 16,789,026

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

11. PROMISSORY NOTE PAYABLE

All long-term debt represents amounts to be repaid from governmental activities. As of June 30, 2018, the Schools long-term debt included the following promissory note payable:

	Balance at 6-30-18
<u>Note Payable - Wells Fargo</u>	
Note Payable for improvements to facilities. Interest Rate of 11.5%. Payments are to be made in equal monthly installments of \$1,962.86 through June 2022.	\$ 75,000
	\$ 75,000

Scheduled payments for the note payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2019	\$ 23,554	\$ 15,884	\$ 7,670
2020	23,554	17,668	5,886
2021	23,554	19,810	3,744
2022	22,974	21,638	1,336
Total	\$ 93,636	\$ 75,000	\$ 18,636

12. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Bonds Payable	\$ 10,215,000	\$ 4,550,000	\$ (10,000)	\$ 14,755,000	\$ 210,000
Unamortized Discount	(122,785)	(53,160)	4,465	(171,480)	(6,043)
Total Bonds Payable	10,092,215	4,496,840	(5,535)	14,583,520	203,957
Note Payable	-	75,000	-	75,000	15,884
Total Governmental Activities	\$ 10,092,215	\$ 4,571,840	\$ (5,535)	\$ 14,658,520	\$ 219,841

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

13. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 3,007,230
Class Size Reduction	795,507
Supplementary Academic Instruction	176,456
Discretionary Local Effort	174,893
Discretionary Millage Compression	149,935
Capital Outlay	121,319
Best and Brightest Teacher Scholarship Program	100,000
ESE Guarantee	74,481
Instructional Materials	53,713
Transportation	39,886
Reading Allocation	28,728
Digital Classroom Allocation	15,074
Safe Schools	12,588
Florida Teachers Classroom Supply Program	10,993
Miscellaneous State Revenue	8,573
Discretionary Lottery	1,161
Total State Revenue	<u>\$ 4,770,537</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$89,479.

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

14. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 403(b) plan for participating employees. Contributions made by the School totaled \$47,553 for the year ended June 30, 2018. Employer matching and discretionary contributions were made in accordance with the Plan Document. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

15. 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.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

16. 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 collectibility of any related receivables at June 30, 2018, 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.

17. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

18. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**CLASSICAL PREP CHARTER SCHOOL, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
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, 2018**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State Sources	\$ 4,504,824	\$ 4,649,218	\$ 4,649,218	\$ -
Local and Other	220,640	254,011	254,011	-
Total Revenues	<u>4,725,464</u>	<u>4,903,229</u>	<u>4,903,229</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	2,700,157	2,864,597	2,864,597	-
Instructional Staff Training	-	26,986	26,986	-
Board	119,009	107,869	107,869	-
School Administration	644,670	886,423	886,423	-
Facilities Acquisition & Construction	-	75,143	75,143	-
Fiscal Services	112,369	95,428	95,428	-
Food Services	15,000	10,561	10,561	-
Student Transportation Services	84,000	46,933	46,933	-
Operation of Plant	284,484	377,099	377,099	-
Community Service	100,000	116,231	116,231	-
Fixed Capital Outlay:				
Other Capital Outlay	-	68,364	68,364	-
Total Expenditures	<u>4,059,689</u>	<u>4,675,634</u>	<u>4,675,634</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over/(Under) Expenditures	<u>665,775</u>	<u>227,595</u>	<u>227,595</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds from Bonds Issued	-	4,550,000	4,550,000	-
Proceeds from Promissory Note	-	75,000	75,000	-
Loan Transactions	-	(93,300)	(93,300)	-
Transfers In/(Out)	(478,995)	(4,627,676)	(4,627,676)	-
Total Other Financing Sources (Uses)	<u>(478,995)</u>	<u>(95,976)</u>	<u>(95,976)</u>	<u>-</u>
Net Change in Fund Balance	<u>186,780</u>	<u>131,619</u>	<u>131,619</u>	<u>-</u>
Fund Balances, July 1, 2017	36,377	36,377	36,377	-
Adjustment to Beginning Fund Balance	-	(79,178)	(79,178)	-
Fund Balance - Restated	<u>36,377</u>	<u>(42,801)</u>	<u>(42,801)</u>	<u>-</u>
Fund Balance, June 30, 2018	<u>\$ 223,157</u>	<u>\$ 88,818</u>	<u>\$ 88,818</u>	<u>\$ -</u>

See Independent Auditor's Report.

CLASSICAL PREPARATORY, INC.
D/B/A CLASSICAL PREPARATORY SCHOOL
A Charter School and Component Unit of the District School Board of Pasco County, Florida
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

1. BUDGETARY BASIS OF 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.

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

To the Board of Directors Classical Preparatory, Inc.
d/b/a Classical Preparatory School,
a Charter School and Component Unit of the
District School Board of Pasco County, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Classical Preparatory, Inc. d/b/a Classical Preparatory School ("School"), a charter school and component unit of the District School Board of Pasco County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

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

August 30, 2018
Tampa, Florida

Members:
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Government Audit Quality Center

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

To the Board of Directors Classical Preparatory, Inc.
d/b/a Classical Preparatory School,
a Charter School and Component Unit of the
District School Board of Pasco County, Florida

Report on the Financial Statements

We have audited the financial statements of the Classical Preparatory, Inc. d/b/a Classical Preparatory School (“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, 2018, and have issued our report thereon dated August 30, 2018.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated August 30, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity Classical Preparatory, Inc. d/b/a Classical Preparatory School.

Financial Condition

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Pasco County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

August 30, 2018
Tampa, Florida