

***PARAGON ACADEMY OF TECHNOLOGY, INC.***  
***A Charter School and Component Unit of the***  
***District School Board Of Broward County, Florida***

***BASIC FINANCIAL STATEMENTS AND***  
***SUPPLEMENTAL INFORMATION***

***Year Ended June 30, 2018***

**Paragon Academy of Technology, Inc.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Paragon Academy of Technology, Inc.  
*A Charter School and Component Unit of the  
District School Board of Broward County, Florida*  
Hollywood, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Paragon Academy of Technology, Inc. ("PAT"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprises the Paragon Academy of Technology, Inc.'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 *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 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 entity'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 entity'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 opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PAT, as of June 30, 2018, and the respective changes in financial position for the year then 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 and budgetary comparison information on pages 3 - 6 and 21 - 22 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 historical 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 the 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 September 27, 2018 on our consideration of PAT'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 PAT's internal control over financial reporting and compliance.

*Infante + Company*

Hollywood, FL  
September 27, 2018

**PARAGON ACADEMY OF TECHNOLOGY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Our discussion and analysis of the Paragon Academy of Technology, Inc.'s ("PAT") financial program provides an overview of PAT's financial activities for the year ended June 30, 2018.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with PAT's financial statements which begin on page 7.

For financial statement purposes, PAT is considered a component unit of the District School Board of Broward County, Florida, which is a primary government entity for financial reporting. PAT has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of PAT by providing information on inflows and outflows of spendable resources, while the Statement of Net Position and the Statement of Activities provide information on the activities of PAT.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of PAT's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

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

*The Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

### ***Fund 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.

*Governmental Funds* - All of PAT's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of PAT's governmental activities and the basic services it provides.

**PARAGON ACADEMY OF TECHNOLOGY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*Notes to the 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 13-20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of PAT's financial position. PAT's assets exceeded liabilities by \$356,802 and \$261,801 at June 30, 2018 and 2017, respectively.

**NET POSITION**

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Current assets	\$ 378,562	\$ 315,548	\$ 63,014
Capital assets	<u>32,347</u>	<u>10,952</u>	<u>21,395</u>
Total assets	<u>\$ 410,909</u>	<u>\$ 326,500</u>	<u>\$ 84,409</u>
Current liabilities	<u>\$ 54,107</u>	<u>\$ 64,699</u>	<u>\$ (10,592)</u>
Total liabilities	<u>54,107</u>	<u>64,699</u>	<u>(10,592)</u>
Net position			
Investment in capital assets	\$ 32,347	\$ 10,952	\$ 21,395
Unrestricted	<u>324,455</u>	<u>250,849</u>	<u>73,606</u>
Total net position	<u>356,802</u>	<u>261,801</u>	<u>\$ 95,001</u>
Total liabilities and net position	<u>\$ 410,909</u>	<u>\$ 326,500</u>	<u>\$ 84,409</u>

<u>Revenue Source</u>	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Federal passed through local schools	\$ 116,641	\$ 101,219	\$ 15,422
State passed through local school	925,158	953,573	(28,415)
Other revenue	<u>7,701</u>	<u>4,100</u>	<u>3,601</u>
Total	<u>\$1,049,500</u>	<u>\$ 1,058,892</u>	<u>\$ (9,392)</u>

**PARAGON ACADEMY OF TECHNOLOGY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Revenues for governmental activities totaled \$1,049,500 and \$1,058,892 for the years ended June 30, 2018 and 2017, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP") and it represented approximately 82% and 85% of total revenue for the years ended June 30, 2018 and 2017, respectively.

Expenses for major functions of PAT are shown in the following table:

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Instruction	\$ 452,857	\$ 439,089	\$ 13,768
Pupil personnel services	11,160	9,330	1,830
Instruction and curriculum	29,269	24,689	4,580
Instructional related technology	1,760	5,876	(4,116)
Board expenses	64,797	76,944	(12,147)
School administration	96,899	95,008	1,891
Facilities acquisition & construction	141,438	144,299	(2,861)
Fiscal services	33,909	34,511	(602)
Pupil transportation	53,785	49,356	4,429
Operation of plant	55,938	40,943	14,995
Maintenance of plant	4,040	745	3,295
Community services	8,646	5,960	2,686
Totals	<u>\$ 954,498</u>	<u>\$ 926,750</u>	<u>\$ 27,748</u>

**FUND FINANCIAL ANALYSIS**

Key highlights for the fiscal years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
Revenues	\$ 1,049,500	\$ 1,058,892	\$ (9,392)
Expenditures	<u>(975,894)</u>	<u>(920,946)</u>	<u>(54,948)</u>
Change in fund balance	<u>\$ 73,606</u>	<u>\$ 137,946</u>	<u>\$ (64,340)</u>
Fund balance, beginning of year	<u>\$ 250,849</u>	<u>\$ 112,903</u>	<u>\$ 137,946</u>
Fund balance, end of year	<u>\$ 324,455</u>	<u>\$ 250,849</u>	<u>\$ 73,606</u>

**PARAGON ACADEMY OF TECHNOLOGY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**CURRENT YEAR VS PRIOR YEAR RESULTS**

The 2017-2018 school year was the twelfth year that PAT enrolled students. Total revenue was \$1,049,500 and \$1,058,892 for the years ended June 30, 2018 and 2017, respectively. The slight decrease in revenue was the result of a decrease in FEFP funding as the student count decreased from 2017 to 2018, a decrease in Title I funding from 2017 to 2018 and an increase in capital outlay funding. Total expenses were \$975,894 and \$920,946 for the years ended June 30, 2018 and 2017, respectively. The approximate \$56,000 increase in expenses is primarily attributable to the an increase instruction costs and purchases of capital assets that are expensed immediately for fund accounting purposes.

**BUDGETARY HIGHLIGHTS – GENERAL FUND**

Actual revenue was \$16,198 less than budgeted as PAT anticipated a higher student count when they prepared their final budget and PAT received additional capital outlay funds than initially budgeted for. Total expenses were budgeted approximately \$79,000 more than the actual amount primarily as a result of PAT anticipating a higher student count which would have resulted in a higher cost of operating the school with an increased budget primarily in the instruction, administration and facility acquisition functions.

**PROSPECTS FOR THE FUTURE**

PAT is currently in negotiations with their landlord to purchase its current location with a related school that they currently share the location with in order to serve the demand for adding a high school on campus.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Paragon Academy of Technology, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Paragon Academy of Technology, Inc., 502 N. 28 Avenue, Hollywood, Florida 33020.



**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Statement of Net Position**  
**June 30, 2018**

		Governmental Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$	361,867
Prepaid Expense		11,744
Due From Other Agencies		-
Accounts Receivable		4,951
Total current assets		378,562
<b>CAPITAL ASSETS</b>		
Capital Assets, Net of Accumulated Depreciation		
Furniture, fixtures and equipment		32,347
Total capital assets		32,347
Total assets	\$	410,909
<b>LIABILITES AND NET POSITION</b>		
<b>LIABILITES</b>		
Salaries and Wages Payable	\$	51,220
Accounts Payable		2,887
Total liabilities		54,107
<b>NET POSITION</b>		
Investment in Capital Assets		32,347
Unrestricted		324,455
Total net position		356,802
Total liabilities and net position	\$	410,909

The accompanying notes are an integral part of these basic financial statements.

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 452,857	\$ -	\$ 87,372	\$ -	\$ (365,485)
Pupil personnel services	11,160	-	-	-	(11,160)
Instructional media services	-	-	-	-	-
Instruction and curriculum development services	29,269	-	29,269	-	-
Instructional staff training services	-	-	-	-	-
Instructional related technology	1,760	-	-	-	(1,760)
Board expenses	64,797	-	-	-	(64,797)
School administration	96,899	-	-	-	(96,899)
Facilities acquisition & construction	141,438	-	-	59,243	(82,195)
Fiscal services	33,909	-	-	-	(33,909)
Pupil transportation	53,785	-	-	-	(53,785)
Operation of plant	55,938	-	-	-	(55,938)
Maintenance of plant	4,040	-	-	-	(4,040)
Community services	8,646	-	-	-	(8,646)
Total governmental activities	\$ 954,498	\$ -	\$ 116,641	\$ 59,243	\$ (778,614)
			General Revenues		
			State through local school district	865,915	
			Investment earnings	-	
			Miscellaneous revenues	7,701	
			Total General Revenues	873,616	
			Change in net position	95,002	
			Net position, July 1, 2017	261,800	
			Net position June 30, 2018	\$ 356,802	

The accompanying notes are an integral part of these basic financial statements.

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Balance Sheet - Governmental Funds**  
**June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 361,867	\$ -	\$ 361,867
Prepaid Expense	11,744	-	11,744
Due from Funds	2,734	-	2,734
Accounts Receivable	2,217	2,734	4,951
Total Assets	<u>\$ 378,562</u>	<u>\$ 2,734</u>	<u>\$ 381,296</u>
<b>LIABILITES</b>			
Salaries and Wages Payable	\$ 51,220	\$ -	\$ 51,220
Due To Funds	-	2,734	2,734
Accounts Payable	2,887	-	2,887
Total Liabilities	<u>54,107</u>	<u>2,734</u>	<u>56,841</u>
<b>FUND BALANCES</b>			
Nonspendable	11,744	-	11,744
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	312,711	-	312,711
Total Fund Balances	<u>324,455</u>	<u>-</u>	<u>324,455</u>
Total Liabilities and Fund Balances	<u>\$ 378,562</u>	<u>\$ 2,734</u>	<u>\$ 381,296</u>

The accompanying notes are an integral part of these basic financial statements.

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2018**

Fund Balance - Governmental Funds \$ 324,455

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 50,949	
Less accumulated depreciation	<u>(18,602)</u>	
		<u>32,347</u>

Net Position of Governmental Activities \$ 356,802

The accompanying notes are an integral part of these basic financial statements.

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Total
<b>REVENUES</b>			
Federal passed through local school district	\$ -	\$ 116,641	\$ 116,641
State passed through local school district	925,158	-	925,158
Interest income	-	-	-
Other revenue	7,701	-	7,701
	932,859	116,641	1,049,500
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES/EXPENSES</b>			
Instruction	362,761	87,372	450,133
Pupil personnel services	11,160	-	11,160
Instructional media services	-	-	-
Instruction and curriculum development services	-	29,269	29,269
Instructional staff training services	-	-	-
Instructional related technology	1,760	-	1,760
Board expenses	64,797	-	64,797
School administration	99,210	-	99,210
Facilities acquisition & construction	155,441	-	155,441
Fiscal services	33,909	-	33,909
Pupil transportation	53,785	-	53,785
Operation of plant	63,744	-	63,744
Maintenance of plant	4,040	-	4,040
Community services	8,646	-	8,646
Total expenditures	859,253	116,641	975,894
Revenues over Expenses	73,606	-	73,606
<b>Other Financing Sources</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	-	-	-
Total Other Financing Sources	-	-	-
Fund balances, July 1, 2017	250,849	-	250,849
Fund balances, June 30, 2018	\$ 324,455	\$ -	\$ 324,455

The accompanying notes are an integral part of these basic financial statements.

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**June 30, 2018**

Net Change in fund balances - governmental funds \$ 73,606

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 29,000	
Less current year depreciation	<u>(7,604)</u>	<u>21,396</u>
Change in Net Position of Governmental Activities		\$ <u><u>95,002</u></u>

The accompanying notes are an integral part of these basic financial statements.

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting entity

Paragon Academy of Technology, Inc. (“PAT”) operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the School District of Broward County, Florida (“the District”). Under the Contract, PAT provides a middle school education to children who reside in Broward County. The governing body of PAT is the Board of Directors.

The general operating authority of PAT is under Florida Statutes 228.056(7) as a Charter School Contract with the School Board of Broward County, Florida. Under the Charter, PAT provides education to children from the sixth through the eighth grade in Broward County. In April 2014, PAT’s charter was amended to permit PAT to operate a charter school for grades six through twelve. The Charter Contract was renewed and is now effective through June 30, 2020.

Criteria for determining if other entities are potential component units which should be reported within PAT’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 provide for identification of any entities for which PAT is financially accountable and other organizations for which the nature and significance of their relationship with PAT are such that exclusion would cause PAT’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of PAT. PAT is a component unit of the District.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of PAT. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as PAT does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs PAT has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of PAT's highest level of decision-making authority. Commitments may be changed or lifted only by PAT taking the same formal action that imposed the constraint originally.
- Assigned fund balance - comprises amounts intended to be used by PAT for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.



**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Separate fund financial statements report detailed information about PAT's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of PAT's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

PAT's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. PAT reports the following major governmental funds:

General Fund – the general operating fund of PAT. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

PAT has a revenue spending policy that provides policy for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of PAT.

4. Budgetary basis of accounting

PAT's annual budgets are adopted for the entire operations for PAT and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis.

A reconciliation of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at PAT and/or checking accounts held at a financial institution.

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by PAT as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2018, PAT recorded net capital assets of \$32,347.

Property, plant and equipment of PAT is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Computer software and equipment	3
Furniture, fixtures and equipment	5
Buildings and equipment	10

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital assets (continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to PAT pursuant to the funding provisions included in PAT's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, PAT reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDE) for funding through the Florida Education Finance Program (FEFP).

Funding for PAT is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by PAT during designated FTE student survey periods.

PAT receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

9. Income taxes

PAT is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Income taxes (continued)

PAT is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. PAT's federal income tax returns for 2016-2018 remain subject to examination by major tax jurisdictions.

**NOTE B - CONCENTRATIONS**

1. Revenue sources

As stated in Note A-7, PAT receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 925,158
Federal passed through local school district	116,641
Other	<u>7,701</u>
	<u>\$ 1,049,500</u>

2. Cash

Under Chapter 280, Florida Statutes, PAT's deposits must be placed in banks and savings and loans which are qualified as public depositories. PAT maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer and collateral pool. As of June 30, 2018, there were no uninsured deposit balances.

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, <u>2017</u>	Additions	Adjustments and Deletions	Balance at June 30, <u>2018</u>
Capital assets depreciated:				
Furniture, fixtures and equipment	\$ 21,949	\$ 14,260	\$ -	\$ 36,209
Building	<u>-</u>	<u>14,740</u>	<u>-</u>	<u>14,740</u>
Total assets depreciated	<u>\$ 21,949</u>	<u>\$ 29,000</u>	<u>\$ -</u>	<u>\$ 50,949</u>
Less Accumulated depreciation				
Furniture, fixtures and equipment	\$ 10,997	\$ 6,868	\$ -	\$ 17,865
Software	<u>-</u>	<u>737</u>	<u>-</u>	<u>737</u>
Total assets depreciated	<u>\$ 10,997</u>	<u>\$ 7,605</u>	<u>\$ -</u>	<u>\$ 18,602</u>
Total governmental activities				
Capital assets, net				<u>\$ 32,347</u>

Depreciation expense of \$7,605 was charged to the instruction, administration, facilities acquisition and construction and operation of plant functions for the year ended June 30, 2018.

**NOTE D - COMMITMENTS**

On January 1, 2012, PAT signed a non-cancelable operating lease with another charter school effective July 1, 2012 for a new facility. In April 2013, the lease was amended to extend the term to 15 years commencing August 1, 2013 with static increases in 2014 and 2015 followed by increases of 2% annually starting in 2016. Based on the current student count, PAT is responsible for 30% of the total rent. Total rent expense was approximately \$140,000 for the year ended June 30, 2018.

Future minimum lease payments required under the lease agreements are approximately as follows:

June 30:	
2019	\$ 143,749
2020	146,624
2021	149,557
2022	152,548
2023	155,599
Thereafter	<u>825,938</u>
Total	\$ 1,574,015

**PARAGON ACADEMY OF TECHNOLOGY, INC.**  
**A Charter School and Component Unit**  
**of the District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE E – RELATED PARTY**

As discussed in Note D, PAT shares a facility with another charter school, Sunshine Elementary Charter School, Inc. (“SECS”). The schools also share certain administrative and maintenance employees, costs to operate the facility and SECS administers the National School Lunch Program for PAT. At June 30, 2018, the total amount due from SECS for reimbursement of shared costs was \$0.

**NOTE F - RISK MANAGEMENT**

PAT is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. PAT purchases commercial insurance for all material risks of loss to which PAT is exposed, including general liability, property and workers compensation.

PAT did not have any settlements that exceeded insurance coverage for the years ended June 30, 2016 – 2018.

**NOTE G – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated subsequent events through September 27, 2018, which is the date the financial statements became available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	Original Budget	Final Budget	General Fund	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ -	\$ -	\$ -
State passed through local school district	948,894	948,894	925,158	23,736
Investment earnings	-	-	-	-
Other revenue	163	163	7,701	(7,538)
	<u>949,057</u>	<u>949,057</u>	<u>932,859</u>	<u>16,198</u>
<b>Expenses</b>				
Instruction	420,295	420,295	362,761	57,534
Pupil personnel services	16,306	16,306	11,160	5,146
Instructional media services	-	-	-	-
Instruction and curriculum development service	-	-	-	-
Instructional staff training services	-	-	-	-
Instructional related technology	1,701	1,701	1,760	(59)
Board expenses	73,678	73,678	64,797	8,881
School administration	113,823	113,823	99,210	14,613
Facilities acquisition & construction	178,375	178,375	155,441	22,934
Fiscal services	36,457	36,457	33,909	2,548
Pupil transportation	54,657	54,657	53,785	872
Operation of plant	36,377	36,377	63,744	(27,367)
Maintenance of plant	760	760	4,040	(3,280)
Community services	6,178	6,178	8,646	(2,468)
Total expenses	<u>938,607</u>	<u>938,607</u>	<u>859,253</u>	<u>79,354</u>
Expenses over Revenues	\$ 10,450	\$ 10,450	73,606	\$ (63,156)
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	-	-	-	-
Fund Balance, July 1, 2017	<u>250,849</u>	<u>250,849</u>	<u>250,849</u>	<u>-</u>
Fund Balance, June 30, 2018	<u>\$ 261,299</u>	<u>\$ 261,299</u>	<u>\$ 324,455</u>	<u>\$ (63,156)</u>

The accompanying notes are an integral part of these basic financial statements.



**Paragon Academy of Technology, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2018**  
**(Unaudited)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Federal passed through local school district	\$ -	\$ -	\$ 116,641	\$ (116,641)
State passed through local school district	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
	-	-	-	-
Total revenues	-	-	116,641	(116,641)
<b>Expenses</b>				
Instruction	-	-	87,372	(87,372)
Pupil personnel services	-	-	-	-
Instruction and curriculum development services	-	-	29,269	(29,269)
Instructional staff training services	-	-	-	-
Instructional related technology	-	-	-	-
Board expenses	-	-	-	-
School administration	-	-	-	-
Facilities acquisition & construction	-	-	-	-
Fiscal services	-	-	-	-
Pupil transportation	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	-	-	-	-
Community services	-	-	-	-
Total expenses	-	-	116,641	(116,641)
Revenues over Expenses	\$ -	\$ -	-	\$ -
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Total Other Financing Sources	-	-	-	-
Fund Balance, July 1, 2017	-	\$ -	\$ -	-
Fund Balance, June 30, 2018	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these basic financial statements.



## Members of:

- American Institute of CPAs
  - Center for Audit Quality
  - Employee Benefit Plan Audit Quality Center
  - Government Audit Quality Center
  - Private Companies Practice Section
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- Florida Institute of CPAs

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**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***

To the Board Members of Paragon Academy of Technology, Inc.  
*A Charter School and Component Unit of the  
District School Board of Broward County, Florida*  
Hollywood, 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 and each major fund of Paragon Academy of Technology, Inc., ("PAT", a nonprofit organization), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Paragon Academy of Technology, Inc.'s basic financial statements and have issued our report thereon dated September 27, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PAT'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 PAT's internal control. Accordingly, we do not express an opinion on the effectiveness of the PAT'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 PAT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Infante + Company*

September 27, 2018  
Hollywood, Florida



Members of:

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  - Government Audit Quality Center
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**Management Letter as Required by the Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Paragon Academy of Technology, Inc., Florida,  
a Charter School and Component Unit of the District School Board  
of Broward County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Paragon Academy of Technology, Inc., Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 27, 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 Reporting Requirements**

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 that report, which is dated September 27, 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 findings and recommendations made in the preceding annual financial audit report.

**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 is Paragon Academy of Technology, Inc.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Paragon Academy of Technology, Inc. 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 Paragon Academy of Technology, Inc. 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 Paragon Academy of Technology, Inc. It is management's responsibility to monitor the Paragon Academy of Technology, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Paragon Academy of Technology, Inc. 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 Paragon Academy of Technology, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 District School Board of Broward County and is not intended to be and should not be used by anyone other than these specified parties.



Infante & Company  
September 27, 2018