



PEPIN ACADEMIES OF PASCO COUNTY, INC.

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

Financial Statements

June 30, 2021

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Financial Statements
June 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pepin Academies of Pasco County, Inc.
New Port Richey, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Pepin Academies of Pasco County, Inc. ("Pepin"), a component unit of the District School Board of Pasco County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pepin'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

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 Pepin Academies of Pasco County, Inc. as of June 30, 2021, 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.

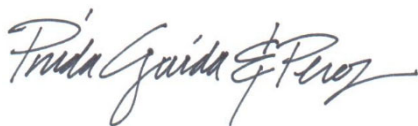
Other Matter

Required Supplementary Information

Accounting principles general accepted in the United States of America require that the management's discussion and analysis on pages 4 - 9 and the budgetary comparison schedules on pages 31 - 34 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 August 30, 2021 on our consideration of Pepin'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 Pepin's internal control over financial reporting and compliance.



Prida Guida Perez P.A.
Tampa, Florida
August 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Management’s Discussion and Analysis (Unaudited)
June 30, 2021

The following pages represent Management’s Discussion and Analysis (“MD&A”) of Pepin Academies of Pasco County, Inc. (“Pepin” or “School”). The MD&A depicts and reviews the financial picture and activities of Pepin as of and for the year ended June 30, 2021.

The intent of this MD&A is to present a picture and assessment of Pepin’s financial performance in an effort to more clearly demonstrate to readers the results of this year’s financial operations. Readers should consider this MD&A along with the basic financial statements and the notes to the basic financial statements.

Using the Financial Statements

This financial report consists of three parts - management’s discussion and analysis (this section), basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of Pepin:

- The first two statements are government-wide financial statements that provide information about Pepin’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of Pepin, reporting Pepin’s operations in more detail than the government-wide statements.

The notes to the basic financial statements explain some of the information in the basic financial statements and provide more detail. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements.

This document also includes the independent auditors’ report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Florida Auditor General.

Government-Wide Financial Statements

The government-wide financial statements report information about Pepin as a whole using accounting methods similar to those used by the private sector. The statement of net position includes all of Pepin’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The first government-wide financial statement report Pepin’s net position and the second reports how it has changed. Net position, the difference between Pepin’s assets and liabilities, is one way to measure Pepin’s financial position. Over time, increases or decreases in Pepin’s net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall financial position of Pepin, one needs to consider additional nonfinancial factors such as changes in Pepin’s student base funding level.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Notes to Basic Financial Statements
June 30, 2021

Using the Financial Statements (Continued)

Fund Financial Statements

A fund is a self-balancing set of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used by Pepin to keep track of sources of funding and spending. The fund financial statements provide more detailed information about Pepin's most significant funds, not Pepin as a whole.

Government 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. Pepin's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. This short-term view is useful when comparing with 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 funds to governmental activities.

Pepin maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances. The general fund, special revenue fund, debt service fund, and capital project fund are considered Pepin's major funds.

Pepin adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for Pepin's major funds 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.

Financial Highlights

The year ended June 30, 2021 was the 8th year of operations for Pepin. Enrollment at the end of the school year was 325, which is consistent with the School's prior year enrollment.

On January 30, 2020, Pepin closed on the purchase of a property that is now being used as its new permanent campus location. The property consists of approximately 14 acres of land and includes several buildings and structures. Proceeds from a series 2020 bonds issuance were loaned by the issuer to Pepin to finance the property acquisition, demolition of certain existing structures, renovation of other existing structures, and construction and equipping of three additional educational, administrative, and ancillary facilities on the site.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Financial Highlights (Continued)

Net position increased \$131,335 from \$(320,599) at June 30, 2020 to \$(189,264) at June 30, 2021. The net increase is composed of the following:

	Net Position		
	Governmental Activities		
	June 30, 2021	June 30, 2020	Increase (Decrease)
Assets			
Current	\$ 2,040,416	\$ 7,959,483	\$ (5,919,067)
Capital assets, net	10,503,048	5,753,542	4,749,506
Total assets	<u>\$ 12,543,464</u>	<u>\$ 13,713,025</u>	<u>\$ (1,169,561)</u>
Liabilities			
Current liabilities	\$ 751,108	\$ 1,699,357	\$ (948,249)
Noncurrent liabilities	11,981,620	12,334,267	(352,647)
Total liabilities	<u>12,732,728</u>	<u>14,033,624</u>	<u>(1,300,896)</u>
Net position			
Net investment in capital assets	(1,436,931)	(908,038)	(528,893)
Restricted for debt service	1,037,470	1,294,552	(257,082)
Unrestricted	210,197	(707,113)	917,310
Total net position	<u>(189,264)</u>	<u>(320,599)</u>	<u>131,335</u>
Total liabilities and net position	<u>\$ 12,543,464</u>	<u>\$ 13,713,025</u>	<u>\$ (1,169,561)</u>

Current assets consist of cash, restricted cash, prepaid expenses, and other current assets. Restricted cash represents funds that are restricted for future debt service and project construction requirements under the terms of the revenue bond agreement. Capital assets are reported net of accumulated depreciation and consist of land; buildings; building improvements; furniture, fixtures, and equipment; and construction in progress. Current liabilities consist of accounts payable, accrued construction costs, accrued payroll, accrued interest, and accrued other expenses, while non-current liabilities consist of revenue bonds payable.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Notes to Basic Financial Statements
June 30, 2021

Financial Highlights (Continued)

Pepin's change in net position increased \$950,828 from \$(819,493) for the year ended June 30, 2020 to \$131,335 for the year ended June 30, 2021. The change in net position is comprised of the following:

	Change in Net Position		
	Governmental Activities		
	Year Ended June 30, 2021	Year Ended June 30, 2020	Increase (Decrease)
Revenue			
Federal through state and local sources	\$ 184,294	\$ 236,385	\$ (52,091)
Federal grant	665,135	-	665,135
State and local sources	4,675,457	4,132,378	543,079
Contributions and other revenue	60,617	188,292	(127,675)
Total revenue	<u>5,585,503</u>	<u>4,557,055</u>	<u>1,028,448</u>
Expenses			
Instruction	2,554,970	2,371,735	183,235
Exceptional	150	180	(30)
Pupil personnel services	732,438	662,027	70,411
Instructional media services	4,875	-	4,875
Instructional staff training	4,112	-	4,112
School district administration fee	72,090	97,551	(25,461)
School administration	731,420	566,599	164,821
Fiscal services	44,449	39,404	5,045
Food service	19,234	165,503	(146,269)
Transportation	391	89	302
Operation of plant	677,118	738,616	(61,498)
Maintenance of plant	52,297	15,461	36,836
Community service	33,931	12,004	21,927
Bond issuance costs	-	455,492	(455,492)
Debt service interest	526,693	251,887	274,806
Total expenses	<u>5,454,168</u>	<u>5,376,548</u>	<u>77,620</u>
Change in net position	<u>\$ 131,335</u>	<u>\$ (819,493)</u>	<u>\$ 950,828</u>

Pepin's primary funding sources come from Pepin's sponsor, the District School Board of Pasco County ("Sponsor" or "District"). Approximately 84% of this funding is revenue received by the Florida Education Finance Program ("FEFP") that is funded by the state of Florida. Calculation of FEFP revenues involves a funding formula based upon student enrollment data. Pepin serves a population of students on a full-time basis with a wide range of learning and learning related differences. Because of this population, each student at Pepin has an Individual Education Plan ("IEP"). The level of funding for each student is determined by the need or level of service each individual child requires. A representative from the sponsor, school staff, and each student's parent(s) or guardian(s) determine these levels jointly.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Financial Highlights (Continued)

Other revenue sources include, but are not limited to, the State of Florida Charter School Capital Outlay funds, IDEA, Title I (Federal sourced) disbursements, and forgiveness of debt. Contributions and other revenues consist of fundraising revenue and donations, childcare services, and cafeteria revenues.

Pepin's largest expenditure is for instructional expenses, which account for approximately 48% of the total expenses for the 2020/2021 school year. The largest increase expenses (other than expenses related to debt service) compared to the prior year was instructional expenses, increasing \$243,248 or 10%, which can be attributed to the purchase of additional classroom technology as well as standard increases in instructional staff salaries and benefits. Pupil personnel services also increased due to increased staff headcount. Food service expenses decreased due to the School outsourcing lunch services to the District. Other remaining expense categories are increased and decreased due to general economic financial needs of Pepin.

Debt service interest of \$526,693, which relates primarily to the bonds payable that financed the purchase and buildout of the School's new permanent campus location, increased \$274,806, or 109%, as Pepin had a full year of bond payable interest during the year ended June 30, 2021, versus only 6 months of interest expense in the prior year. In contrast, there were no bond issuance costs during the year ended June 30, 2021, versus \$455,492 of bond issuance costs in the prior year.

Governmental Funds

Pepin reported a total fund balance of \$1,573,433 at June 30, 2021, down from \$6,852,520 reported at June 30, 2021.

Budgetary Highlights

Pepin's budget was prepared and approved by Pepin's Board of Directors at the start of the 2020/2021 school year and was developed based on the anticipated revenues and expenditures and expected student enrollment.

Capital Assets

Assets acquired during the school year with a cost greater than Pepin's minimum capitalization threshold of \$750 totaled \$4,915,256. Depreciation expense in the government-wide financial statements was calculated utilizing the straight-line method and estimated useful lives of 5 to 7 years for furniture, fixtures, and equipment, 5 to 25 years for building improvements, and 30 to 39 years for buildings. Total depreciation expense for the year ended June 30, 2021 was \$168,680 and the investment in capital assets (net of accumulated depreciation) as of June 30, 2021 is \$10,503,048. Additional information regarding Pepin's capital assets can be found in Note 4 to the financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Notes to Basic Financial Statements
June 30, 2021

Debt

At June 30, 2021, the School has an education facility revenue bond liability outstanding with a face value of \$11,365,000 and an origination date of January 30, 2020. Maturities of these bonds are as follows:

Series	Amount	Maturity Date
Series 2020A	\$4,865,000	January 1, 2040
Series 2020A	\$6,255,000	January 1, 2050
Series 2020B Taxable	\$245,000	January 1, 2024

In April 2020, Pepin borrowed \$660,700 under the Small Business Administration’s (“SBA”) Paycheck Protection Program. The loan was forgiven during the year ended June 30, 2021.

Economic Factors and Next Year’s Budget

Enrollment for the 2021/2022 school year is expected to increase modestly, as a result of increased capacity at the new campus that opened in January 2021. Pepin estimates that revenues and expenditures from school operations will increase modestly because of the improvements in general economic factors.

Pepin is confident that it has the staff and other resources in place to deliver and provide first-rate educational services and is actively seeking new ways to provide a higher level of education as efficiently as possible by managing its cost and being innovative in its approach to providing educational services.

Requests for Information

This financial report is to provide a general overview of Pepin Academies of Pasco County, Inc.’s finances. Questions concerning any of the information contained in this report should be addressed to:

CFO, Pepin Academies of Pasco County, Inc.
7710 Osteen Road
New Port Richey, FL 34653

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Statement of Net Position
June 30, 2021

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 914,124
Restricted cash and cash equivalents	1,079,111
Prepaid expenses	30,681
Other current assets	16,500
Total current assets	<u>2,040,416</u>
Capital assets	
Land	870,250
Buildings	9,118,694
Building improvements	99,210
Furniture, fixtures, and equipment	190,973
Construction in progress	494,739
	<u>10,773,866</u>
Accumulated depreciation	(270,818)
Total capital assets, net of accumulated depreciation	<u>10,503,048</u>
Total assets	<u><u>\$ 12,543,464</u></u>
Liabilities and net position	
Current liabilities	
Accounts payable	\$ 12,543
Accrued construction costs	186,979
Accrued payroll	260,066
Accrued interest	284,125
Accrued other expenses	7,395
Total current liabilities	<u>751,108</u>
Long-term debt:	
Revenue bonds payable, net	11,981,620
Total liabilities	<u>12,732,728</u>
Net position	
Invested in capital assets, net of related debt	(1,436,931)
Restricted for debt service	1,037,470
Unrestricted	210,197
Total net position	<u>(189,264)</u>
Total liabilities and net position	<u><u>\$ 12,543,464</u></u>

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Statement of Activities
Year Ended June 30, 2021

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position - Governmental Activities
Governmental activities:					
Instruction	\$ 2,554,970	\$ -	\$ -	\$ -	\$ (2,554,970)
Exceptional	150	-	-	-	(150)
Pupil personnel services	732,438	-	124,281	-	(608,157)
Instructional media services	4,875	-	-	-	(4,875)
Instructional staff training	4,112	-	-	-	(4,112)
School district administration fee	72,090	-	-	-	(72,090)
School administration	731,420	-	-	-	(731,420)
Fiscal services	44,449	-	-	-	(44,449)
Food service	19,234	1,496	-	-	(17,738)
Transportation	391	-	-	-	(391)
Operation of plant	677,118	-	-	-	(677,118)
Maintenance of plant	52,297	-	-	-	(52,297)
Community service	33,931	-	-	-	(33,931)
Debt service interest	526,693	-	-	-	(526,693)
	<hr/>				
Total governmental activities	5,454,168	1,496	124,281	-	(5,328,391)
General revenues					
Federal sources passed through local school district					60,013
Federal grant					665,135
State and local sources					4,675,457
Contributions and other revenue					43,271
Related party contributions					15,850
Total general revenues					<hr/> 5,459,726 <hr/>
Change in net position					131,335
Net position at beginning of year					<hr/> (320,599) <hr/>
Net position at end of year					<hr/> \$ (189,264) <hr/>

See accompanying notes to basic financial statements.

BASIC FINANCIAL STATEMENTS

Fund Financial Statements

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Balance Sheet – Governmental Funds
June 30, 2021

	<u>Governmental Funds</u>
Assets	
Cash	\$ 914,124
Restricted cash	1,079,111
Prepaid expenses	30,681
Other current assets	<u>16,500</u>
Total assets	<u><u>\$ 2,040,416</u></u>
Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 12,543
Accrued construction costs	186,979
Accrued payroll	260,066
Accrued expenses	<u>7,395</u>
Total liabilities	466,983
Fund balance	
Nondisposable prepaid expenses and other current assets	47,181
Restricted	1,079,111
Unassigned	<u>447,141</u>
Total fund balance	<u><u>1,573,433</u></u>
Total liabilities and fund balance	<u><u>\$ 2,040,416</u></u>

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total fund balance of governmental funds \$ 1,573,433

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

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

Capital assets at year end consist of:

Cost of capital assets	\$ 10,773,866	
Accumulated depreciation	<u>(270,818)</u>	
		10,503,048

Accrued general long-term debt interest expenses are not financial uses, and therefore, are not reported in the governmental funds.

(284,125)

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

Long-term liabilities at year end consist of:

Bonds payable	(11,365,000)	
Premium on bonds payable	<u>(616,620)</u>	
		<u>(11,981,620)</u>

Total net position of governmental activities \$ (189,264)

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Statement of Revenues, Expenditures, and Change in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Federal sources passed through					
local school district	\$ -	\$ 184,294	\$ -	\$ -	\$ 184,294
State and local sources	4,465,338	-	-	210,119	4,675,457
Contributions and other revenue	44,767	-	-	-	44,767
Related party contributions	15,850	-	-	-	15,850
Total revenues	4,525,955	184,294	-	210,119	4,920,368
Expenditures					
Instruction	2,466,765	60,013	-	-	2,526,778
Pupil personnel services	600,944	124,281	-	-	725,225
Instructional media services	86	-	-	-	86
Instructional staff training	4,112	-	-	-	4,112
School district administration fee	72,090	-	-	-	72,090
School administration	675,043	-	-	-	675,043
Facilities acquisition and construction	-	-	-	4,853,317	4,853,317
Fiscal services	44,449	-	-	-	44,449
Food service	14,027	-	-	-	14,027
Transportation	391	-	-	-	391
Operation of plant	677,118	-	-	-	677,118
Maintenance of plant	50,414	-	-	-	50,414
Community service	33,931	-	-	-	33,931
Debt service interest	-	-	522,474	-	522,474
Total expenditures	4,639,370	184,294	522,474	4,853,317	10,199,455
Other financing sources (uses)					
Transfers in	-	-	522,474	4,643,198	5,165,672
Transfers out	(5,165,672)	-	-	-	(5,165,672)
	(5,165,672)	-	522,474	4,643,198	-
Change in fund balance	(5,279,087)	-	-	-	(5,279,087)
Fund balance at beginning of year	6,852,520	-	-	-	6,852,520
Fund balance at end of year	\$ 1,573,433	\$ -	\$ -	\$ -	\$ 1,573,433

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of the
Governmental Funds to the Statement of Activities
June 30, 2021

Change in fund balance - total governmental funds \$ (5,279,087)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those costs over the life of the assets.

The amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets	\$ 4,915,256	
Less current year depreciation	<u>(168,680)</u>	
		4,746,576

In the statement of activities the gain on disposition of capital assets is reported.

The gain is not a use of current resources and thus is not reported in the funds. 2,930

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds:

Amortization of bond premium	21,636	
Current year change in accrued interest on bonds payable	(22,888)	
Current year change in accrued interest on note payable	<u>(2,967)</u>	
		(4,219)

Some revenues reported in the statement of activities do not provide current financial resources, and therefore, are not reported as revenues in the governmental funds:

Forgiveness of long-term debt	660,700	
Forgiveness of accrued interest on long-term debt	<u>4,435</u>	
		<u>665,135</u>

Change in net position - governmental activities \$ 131,335

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Notes to Basic Financial Statements
June 30, 2021

Note 1 – Reporting Entity

Pepin Academies of Pasco County, Inc. (“Pepin”) is a not-for-profit corporation formed under the laws of the state of Florida on November 25, 2013. Pepin operates a Florida charter school at one campus in Pasco County, Florida.

The governing body of Pepin is a not-for-profit corporation board of directors composed of no less than three members.

The general operating authority for the Pepin is contained in Section 228.056, Florida Statutes. Pepin operates under a charter of the sponsoring school district, the District School Board of Pasco County (“District”). Pepin’s current charter is effective until June 30, 2029. The charter may be renewed at the end of the contract term provided that the program review demonstrates that Pepin's purpose has been successfully accomplished. 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 which case the District is required to notify Pepin in writing at least 90 days prior to such action. 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, any property purchased by Pepin with public funds and any unencumbered public funds revert to the District. Pepin is considered a component unit of the District School Board of Pasco County and, for financial reporting purposes, is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of Pepin that should be reported with Pepin's general purpose 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 Pepin is financially accountable and other organizations for which the nature and significance of their relationship with Pepin are such that exclusion would cause Pepin's general purpose financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of Pepin.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – Pepin's basic financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Accordingly, both government-wide (reporting on Pepin as a whole) and fund financial statements (reporting on the governmental funds only) are presented. Both the government-wide and fund financial statements present only governmental activities. Pepin has no business-type activities.

Basic Financial Statements - Government-Wide Financial Statements

In the government-wide statement of net position, Pepin’s governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and other obligations. Pepin’s net position is reported in three parts (as applicable): invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

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June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - Government-Wide Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of Pepin's functions. The functions are also supported by general government revenues (funding from the sponsoring school board). The statement of activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs, by function, are normally covered by general revenue funding from the sponsoring school district.

The government-wide financial statement focus is more on the sustainability of Pepin as an entity and the change in Pepin's financial position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

Pepin's financial transactions are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures.

The individual generic fund type in Pepin's financial statements is a governmental fund. The focus of the governmental fund's measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income.

Pepin utilizes the following governmental funds:

General fund – Accounts for all financial activity not required to be accounted for in another fund.

Special revenue fund – Accounts for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditures for specific purpose and to provide a single source of accountability for all the monies received.

Debt service fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital project fund – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for specific purposes, such as acquisition or construction of facilities or other capital assets.

For purposes of these financial statements, the above funds are all major funds.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Note 2 – Summary of Significant Accounting Policies (Continued)

Fund balances – The different types of fund balances that a governmental entity must use for financial reporting purposes are described below:

Nonspendable fund balance is associated with items such as inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal vote of the District (Pepin’s highest level of decision-making authority). Pepin has no committed fund balance at year end.

Assigned fund balance is intended to be used by Pepin for specific purposes that do not meet the criteria to be classified as restricted or committed. Pepin has no assigned fund balance at year end.

Unassigned fund balance is the residual classification for Pepin’s general fund and includes all spendable amounts not contained in the other classifications.

Pepin’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 by adjusting journal entries.

Basis of accounting – The basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual – The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year-end. 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Budgetary basis accounting – Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies, and capital outlay).

Cash – Cash consists of demand deposits with commercial banks. From time to time, cash balances may exceed federally insured limits. Management believes the risk of loss is remote.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Note 2 – Summary of Significant Accounting Policies (Continued)

Prepaid expenses and other assets – Advanced payments to vendors for expenses that are applicable to future accounting periods.

Capital assets – Expenditures for general capital assets acquired for general school purposes are reported in the governmental funds that financed the acquisition. The capital assets acquired are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets are defined by Pepin as assets that are used in operations and have useful lives that extend beyond a single accounting period. Capital assets acquired during the year with a cost greater than Pepin’s minimum capitalization threshold of \$750 are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	30 - 39 years
Building improvements	5 - 25 years
Furniture, fixtures, and equipment	5 - 7 years

Bond issuance costs – Bond issuance costs incurred in connection with obtaining revenue bond financing were expensed in the year of bond issuance.

Bond premiums – Premiums on revenue bonds payable incurred in connection with obtaining revenue bond financing are presented as an increase in revenue bonds payable on the accompanying statement of net position. Bond premiums are amortized over the life of the related bonds and are recorded as a reduction of bond service interest in the accompanying statement of activities.

Revenue sources – Revenues for current operations are received primarily from the District pursuant to the funding provisions included in Pepin's charter.

In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, Pepin reports the number of full-time equivalent (“FTE”) students and related data to the District. Under provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (“FEFP”). Funding for Pepin is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted FTE students reported by Pepin during the designated FTE student survey periods.

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, multiplied 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 2019/2020 school year Pepin reported 326.00 unweighted FTE.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain auditable records and 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)

Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)

Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), Florida Statutes, and Rule 6A-03411, FAC)

Pepin receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. These funds are accounted for in the special revenue fund.

Pepin receives charter school capital outlay funding from the District. The amount received under this program is based on Pepin's actual and projected student enrollment during the year. Funds received under this program may only be used for lawful capital outlay expenditures and are accounted for in the debt service fund.

Additional revenues consist of miscellaneous donations, lunch receipts, rental income, fundraising activities, contributions, and other revenue.

Concentration of revenue sources – Approximately 99% of Pepin's revenue is derived from grants from the federal government passed through the State of Florida Department of Education and state and local funds passed through the District, which are renewable every 10 years. The level of Pepin's operations and program services may be impacted, or segments discontinued if funding is not renewed.

Allocation of indirect costs – Depreciation expense in the government-wide financial statements is allocated to a function based on the function's usage of the related capital asset.

Leases – Rent expense on operating leases is recognized on a straight-line basis over the life of the leases commencing with the date of possession.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Note 2 – Summary of Significant Accounting Policies (Continued)

Income taxes – Pepin is a not-for-profit organization exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these basic financial statements. Pepin has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Pepin is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Management believes Pepin met the requirements to maintain their tax-exempt status and have no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The income tax returns for the past three years are subject to examination by taxing authorities and may change upon examination.

Use of estimates – The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – Restricted Cash

At June 30, 2021, restricted cash is held by Pepin’s trustee, Wilmington Trust, as required by the 2020 bond agreements. Restricted cash is to be used for future debt service and construction project costs, and as of June 30, 2021, consists of the following:

Debt service requirements	\$	1,037,470
Project construction requirements		41,641
		1,079,111
	\$	1,079,111

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Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Transfers	Balance June 30, 2021
Governmental activities					
Land	\$ 870,250	\$ -	\$ -	\$ -	\$ 870,250
Buildings	2,030,582	-	-	7,088,112	9,118,694
Building improvements	-	99,210	-	-	99,210
Leasehold improvements	654,516	-	(654,516)	-	-
Furniture, fixtures, and equipment	144,390	61,939	(15,356)	-	190,973
Construction in progress	2,828,744	4,754,107	-	(7,088,112)	494,739
	<u>6,528,482</u>	<u>4,915,256</u>	<u>(669,872)</u>	<u>-</u>	<u>10,773,866</u>
Less accumulated depreciation					
Buildings	-	142,939	-	-	142,939
Building improvements	-	1,245	-	-	1,245
Leasehold improvements	654,516	-	(654,516)	-	-
Furniture, fixtures, and equipment	120,424	24,496	(18,286)	-	126,634
	<u>774,940</u>	<u>168,680</u>	<u>(672,802)</u>	<u>-</u>	<u>270,818</u>
	<u>\$ 5,753,542</u>	<u>\$ 4,746,576</u>	<u>\$ 2,930</u>	<u>\$ -</u>	<u>\$ 10,503,048</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 129,034
Exceptional	150
Pupil personnel services	7,213
Instructional media services	4,789
School administration	20,404
Food service	5,207
Operation of plant	1,883
	<u>\$ 168,680</u>

Construction in Progress

Construction in progress is reported at cost, which includes the cost of construction and other direct costs attributable to construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Included in the statement of net position at June 30, 2021, are accrued construction costs of \$186,979. There was no capitalized interest on construction projects during the year ended June 30, 2021.

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Note 4 – Capital Assets (Continued)

Construction in Progress (Continued)

Construction in progress consists of costs related to the renovation of the School’s cafeteria and gymnasium. Pepin has entered into a construction contract for approximately \$495,000, the expected total cost of the project, with a general contractor to renovate existing structure. As of June 30, 2021, approximately \$187,000 is outstanding on the construction contract.

Note 5 – Debt

Note Payable

In April 2020, Pepin borrowed \$660,700 under the Small Business Administration’s (“SBA”) Paycheck Protection Program. Prior to payments beginning on the note payable, Pepin applied for and received forgiveness of the loan balance and related accrued interest in December 2020. Forgiveness of \$665,135 is reflected as federal grant revenue in the statement of activities.

Note payable activity for the year ended June 30, 2021 is as follows:

	<u>Maturity</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>
Note payable	4/10/2022	\$ 660,700	\$ -	\$ (660,700)	\$ -

Educational Facility Revenue Bonds, Series 2020

On January 30, 2020, the Florida Development Finance Corporation (“FDFC”) issued the following educational facility revenue bonds: \$11,120,000 Nontaxable Education Facility Revenue Bonds (Pepin Academies of Pasco County, Inc. Project) Series 2020A, \$245,000 Taxable Education Facility Revenue Bonds (Pepin Academies of Pasco County, Inc. Project) Series 2020B. Proceeds from the bond issuance were loaned to the school to finance the cost of acquiring and renovating the Pasco campus educational facilities.

Details of the bonds outstanding at year end are as follows:

	Educational Facility Revenue Bonds	
	Series 2020A	Series 2020B Taxable
Origination date	January 30, 2020	January 30, 2020
Balance	\$11,120,000	\$245,000
Maturity/interest	\$4,865,000 due January 1, 2040 @ 5% \$6,255,000 due January 1, 2050 @ 5%	\$245,000 due January 1, 2024 @ 5%

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Note 5 – Debt (Continued)

Educational Facility Revenue Bonds, Series 2020 (Continued)

Bonds payable activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Revenue bonds payable:				
Series 2020A	\$ 11,120,000	\$ -	\$ -	\$ 11,120,000
Series 2020B Taxable	245,000	-	-	245,000
	11,365,000	-	-	11,365,000
Current portion	-	-	-	-
Premium	638,256	-	(21,636)	616,620
	<u>\$ 12,003,256</u>	<u>\$ -</u>	<u>\$ (21,636)</u>	<u>\$ 11,981,620</u>

The revenue bonds payable contain certain financial covenants beginning with the year ending June 30, 2021, that require, among other things, maintenance of a minimum debt service coverage ratio of 1.10 and to maintain, as of June 30 and December 31 each year, at least 45 days cash on hand.

Debt Service Requirements

Following is a summary of future annual debt service requirements at June 30, 2021:

Year ending June 30,	Revenue Bonds Payable		
	Principal	Interest	Total
2022	\$ -	\$ 568,250	\$ 568,250
2023	185,000	568,250	753,250
2024	190,000	559,000	749,000
2025	200,000	549,500	749,500
2026	210,000	539,500	749,500
2027 - 2031	1,220,000	2,529,250	3,749,250
2032 - 2036	1,555,000	2,192,500	3,747,500
2037 - 2041	1,990,000	1,762,000	3,752,000
2042 - 2046	2,540,000	1,212,000	3,752,000
2047 - 2050	3,275,000	473,500	3,748,500
	<u>\$ 11,365,000</u>	<u>\$ 10,953,750</u>	<u>\$ 22,318,750</u>

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Note 5 – Debt (Continued)

Interest

Accrued interest activity for the year ended June 30, 2021 is as follows:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Note payable	\$ 1,468	\$ 2,967	\$ (4,435)	\$ -
Bonds payable	261,237	545,362	(522,474)	284,125
	<u>\$ 262,705</u>	<u>\$ 548,329</u>	<u>\$ (526,909)</u>	<u>\$ 284,125</u>

Interest expense for the year ended June 30, 2021 is \$526,693.

Note 6 – Schedule of Federal, State, and Local Revenue Sources

The following is a schedule of federal, state, and local revenue sources and amounts for the year ended June 30, 2021:

District School Board of Pasco County	
FEFP funds	\$ 1,696,218
ESE guaranteed	1,882,507
Supplemental academic instruction	90,139
Class size reduction funds	357,424
Safe Schools	18,116
Discretionary local effort	109,632
Discretionary millage	89,025
Teacher salary increases	61,572
Total funds compression	5,720
Instructional materials	26,143
Digital classrooms allocation	517
Mental health	11,504
Reading allocation	15,729
Capital outlay	210,119
Federal via Florida Department of Education	184,294
Food service	1,496
Contributions and other revenue	144,363
Related party contributions	15,850
	<u>\$ 4,920,368</u>

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Note 7 – Risk Management Program

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

Note 8 – Related Party Transactions

The Pepin Academies, Inc. ("Academies") is a not-for-profit corporation that operates a charter school in Hillsborough County, Florida. Academies is related to Pepin by shared management and fundraising support from Pepin Academies Foundation, Inc. ("PAF").

PAF was formed to promote and raise funds for the Pepin Academies' schools. During the year ended June 30, 2021, Pepin received \$15,850 in contributions from PAF.

Certain shared management payroll expenses are paid by Academies and repaid by Pepin. During the year ended June 30, 2021, Pepin paid approximately \$197,000 related to this expense.

At June 30, 2021, Pepin had no amounts owing to the Academies or to PAF.

Note 9 – School Employees Benefit Plan

Pepin maintains a cash or deferred profit-sharing plan ("Plan") for eligible employees. Employees may contribute to the Plan up to the lesser of 75% of their compensation or the annual limit as defined by the Internal Revenue Service. Pepin may, but is not required to, make discretionary matching contributions to the Plan. During the year ended June 30, 2021, Pepin made discretionary matching contributions to the Plan totaling \$23,856.

Note 10 – Operating Leases

Pepin had an operating lease for its facility that expired December 31, 2020. Pepin recognized lease expense of approximately \$254,261 for the year ended June 30, 2021 related to this lease.

Note 11 – Contingencies

In the normal course of operations, the School may become a defendant in various legal actions. Many of the School's risks are covered by insurance, but some are not. As a charter school that is subject to the laws relating to Florida public schools, the School will rely upon sovereign immunity caps for claims made against it. Some matters may not be covered by insurance, in whole or in part, or subject to sovereign immunity caps, and may be a liability of the School if settled adversely. The ultimate resolution of any matters existing at year end is not expected to have a material effect on the financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Notes to Basic Financial Statements
June 30, 2021

Note 11 – Contingencies (Continued)

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (“COVID-19”) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. The spread of COVID-19 has altered the behavior of businesses and people in a matter that is having negative effects on local, regional, and global economies. The impact of COVID-19 could negatively impact Pepin’s operations. Any quarantines or other disruptions to Pepin’s operations may adversely impact Pepin’s revenues, ability to provide services, and ultimately its operating results. Pepin has been significantly impacted by disruptions in its learning environment, such as remote learning mandates and social distancing requirements when remote learning is no longer compulsory. The extent to which COVID-19 could continue to impact Pepin will depend on future developments, which are highly uncertain and cannot be predicted with confidence at this time.

Note 12 – Subsequent Events

Management has evaluated all events subsequent to the statement of net position date of June 30, 2021 through August 30, 2021, which is the date these financial statements were available to be issued. Management determined there are no subsequent events that require disclosure or recognition.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 4,368,617	\$ 4,465,338	\$ 4,465,338	\$ -
Contributions and other revenue	24,500	44,767	44,767	-
Related party contributions	-	15,850	15,850	-
Total revenues	4,393,117	4,525,955	4,525,955	-
Expenditures				
Instruction	2,367,146	2,466,765	2,466,765	-
Pupil personnel services	589,187	600,944	600,944	-
Instructional media services	-	86	86	-
Instructional staff training	5,000	4,112	4,112	-
School district administration fee	107,785	72,090	72,090	-
School administration	755,212	675,043	675,043	-
Fiscal services	37,820	44,449	44,449	-
Food service	-	14,027	14,027	-
Transportation	-	391	391	-
Operation of plant	350,223	677,118	677,118	-
Maintenance of plant	-	50,414	50,414	-
Community service	27,575	33,931	33,931	-
Debt service interest	278,000	-	-	-
Total expenditures	4,517,948	4,639,370	4,639,370	-
Other financing sources (uses)				
Transfers out	(5,196,477)	(5,165,672)	(5,165,672)	-
	(5,196,477)	(5,165,672)	(5,165,672)	-
Change in fund balance	(5,321,308)	(5,279,087)	(5,279,087)	-
Fund balance at beginning of year	6,852,520	6,852,520	6,852,520	-
Fund balance at end of year	\$ 1,531,212	\$ 1,573,433	\$ 1,573,433	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Budgetary Comparison Schedule – Special Revenue Fund (Unaudited)
Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal sources passed through local school district	\$ 201,708	\$ 184,294	\$ 184,294	\$ -
Total revenues	201,708	184,294	184,294	-
Expenditures				
Instruction	57,481	60,013	60,013	-
Pupil personnel services	144,227	124,281	124,281	-
Total expenditures	201,708	184,294	184,294	-
Change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Budgetary Comparison Schedule – Debt Service Fund (Unaudited)
Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt service interest	499,586	522,474	522,474	-
Total expenditures	499,586	522,474	522,474	-
Other financing sources (uses)				
Transfers in	499,586	522,474	522,474	-
	499,586	522,474	522,474	-
Change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Budgetary Comparison Schedule – Capital Project Fund (Unaudited)
Year Ended June 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 201,098	\$ 210,119	\$ 210,119	\$ -
Total revenues	201,098	210,119	210,119	-
Expenditures				
Facilities acquisition and construction	4,668,243	4,853,317	4,853,317	-
Operation of plant	229,746	-	-	-
Total expenditures	4,897,989	4,853,317	4,853,317	-
Other financing sources (uses)				
Transfers in	4,696,891	4,643,198	4,643,198	-
	4,696,891	4,643,198	4,643,198	-
Change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -



PRIDA, GUIDA & PEREZ, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
1106 N. FRANKLIN STREET
TAMPA, FLORIDA 33602

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Board of Directors
Pepin Academies of Pasco County, Inc.
New Port Richey, 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 Pepin Academies of Pasco County, Inc. ("Pepin"), a component unit of the District School Board of Pasco County, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pepin's basic financial statements, and have issued our report thereon dated August 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pepin'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 Pepin's internal control. Accordingly, we do not express an opinion on the effectiveness of Pepin'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 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.

**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 (Continued)***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pepin'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 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.

A handwritten signature in black ink, appearing to read "Prida Guida Perez". The signature is fluid and cursive, with the first name "Prida" being the most prominent.

Prida Guida Perez P.A.
Tampa, Florida
August 30, 2021



PRIDA, GUIDA & PEREZ, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
1106 N. FRANKLIN STREET
TAMPA, FLORIDA 33602

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Board of Directors
Pepin Academies of Pasco County, Inc.
New Port Richey, Florida

Report on the Financial Statements

We have audited the financial statements of Pepin Academies of Pasco County, Inc., a component unit of the District School Board of Pasco County, as of and for the year ended June 30, 2021, and have issued our report thereon dated August 30, 2021.

Auditors' 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 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*. Disclosures in that report, which is dated August 30, 2021, 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 or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Pepin Academies of Pasco County, Inc and the school code assigned by the Florida Department of Education is 4328.

INDEPENDENT AUDITORS' MANAGEMENT LETTER (Continued)

Financial Condition and Management

Section 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 Pepin Academies of Pasco County, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Pepin Academies of Pasco County, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Pepin Academies of Pasco County, Inc. It is management's responsibility to monitor Pepin Academies of Pasco County, Inc.'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 the 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

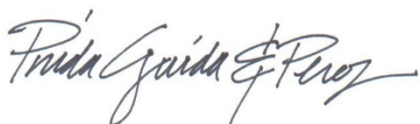
Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Pepin Academies of Pasco County, Inc. maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Pepin Academies of Pasco County, Inc. maintained on its website 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 note 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.



Prida Guida Perez P.A.
Tampa, Florida
August 30, 2021