



PEPIN ACADEMIES OF PASCO COUNTY, INC.

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

Financial Statements

June 30, 2022

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Financial Statements
June 30, 2022

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1106 N. FRANKLIN STREET
TAMPA, FLORIDA 33602

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise Pepin's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pepin Academies of Pasco County, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 2 to the financial statements, in 2022, Pepin adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management 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; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pepin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt about shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pepin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pepin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters we identified during the audit.

INDEPENDENT AUDITORS' REPORT (Continued)

Required Supplementary Information

Accounting principles general accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 5 - 11 and 36 - 39, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pepin's 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, 2022

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, 2022

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, 2022.

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.
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June 30, 2022

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, 2022 was the 9th year of operations for Pepin. Enrollment at the end of the school year was 323, which is consistent with the School’s prior year enrollment.

The 2021/2022 school year marked the first full year of operations for Pepin’s permanent campus located in New Port Richey, Florida. Pepin closed on the purchase of the property on January 30, 2020. The property consists of 14 acres of land and included several buildings and structures. Proceeds from a series 2020 bond 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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Management's Discussion and Analysis (Unaudited)
June 30, 2022

Financial Highlights (Continued)

The following is a summary of the School's current year and prior year. Net position decreased \$13,924 from \$(189,264) at June 30, 2021 to \$(203,188) at June 30, 2022. The net decrease is comprised of the following:

	Net Position		
	Governmental Activities		
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 1,799,103	\$ 2,040,416	\$ (241,313)
Non-current assets	10,405,313	10,503,048	(97,735)
Total assets	<u>\$ 12,204,416</u>	<u>\$ 12,543,464</u>	<u>\$ (339,048)</u>
Liabilities			
Current liabilities	\$ 598,730	\$ 751,108	\$ (152,378)
Noncurrent liabilities	11,808,874	11,981,620	(172,746)
Total liabilities	<u>12,407,604</u>	<u>12,732,728</u>	<u>(325,124)</u>
Net position			
Net investment in capital assets	(1,598,233)	(1,436,931)	(161,302)
Restricted for debt service	1,053,771	1,037,470	16,301
Unrestricted	<u>341,274</u>	<u>210,197</u>	<u>131,077</u>
Total net position	<u>(203,188)</u>	<u>(189,264)</u>	<u>(13,924)</u>
Total liabilities and net position	<u>\$ 12,204,416</u>	<u>\$ 12,543,464</u>	<u>\$ (339,048)</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.
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Management’s Discussion and Analysis (Unaudited)
June 30, 2022

Financial Highlights (Continued)

The following is the School’s summary of the change in Pepin’s net position, The School’s change in net position decreased \$145,259 from \$131,335 for the year ended June 30, 2021 to \$(13,924) for the year ended June 30, 2022. The change in net position is comprised of the following:

	Change in Net Position		
	Governmental Activities		
	Year Ended June 30, 2022	Year Ended June 30, 2021	Increase (Decrease)
Revenue			
Federal through state and local sources	\$ 184,877	\$ 184,294	\$ 583
Federal grant	-	665,135	(665,135)
State and local sources	4,645,502	4,675,457	(29,955)
Contributions and other revenue	139,381	60,617	78,764
Total revenue	4,969,760	5,585,503	(615,743)
Expenses			
Instruction	2,361,511	2,554,970	(193,459)
Exceptional	-	150	(150)
Pupil personnel services	682,031	732,438	(50,407)
Instructional media services	9,839	4,875	4,964
Instructional staff training	5,797	4,112	1,685
School district administration fee	31,888	72,090	(40,202)
School administration	750,830	731,420	19,410
Fiscal services	45,352	44,449	903
Food service	15,001	19,234	(4,233)
Transportation	75	391	(316)
Operation of plant	476,056	677,118	(201,062)
Maintenance of plant	26,339	52,297	(25,958)
Community service	30,920	33,931	(3,011)
Debt service interest	548,045	526,693	21,352
Total expenses	4,983,684	5,454,168	(470,484)
Change in net position	\$ (13,924)	\$ 131,335	\$ (145,259)

Financial Highlights (Continued)

Pepin’s primary funding sources come from Pepin’s sponsor, the District School Board of Pasco County (“Sponsor” or “District”). Approximately 93% of this funding is revenue received from 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.

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Other revenue sources include, but are not limited to, the State of Florida Charter School Capital Outlay funds, IDEA, and Title I (federal sourced) disbursements. 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 47% of the total expenses for the 2021/2022 school year. Pepin's next largest expenses are for school administration and pupil personnel services, which account for 15% and 14%, respectively, of the total expenses for the 2021/2022 school year.

The largest increase in expenses was in debt service expense, increasing \$21,352 or 4%, attributed to bond interest expense, lease liability interest expense, and offset by amortization of bond premiums. The second largest increase in expenses was in school administration expenses, increasing \$19,410 or 3%, which is attributed to an increase in recruiting and marketing efforts.

The largest decrease in expenses was in operation of plant expenses, decreasing \$201,062 or 30%, which is attributed to the School no longer operating out of two locations, as the transition to the new permanent campus was complete in the current year. The second largest decrease in expenses was in instruction expenses, decreasing \$193,459 or 8%, which is attributed to reduction in staff headcount.

Other remaining expense categories are increased and decreased due to general economic financial needs of Pepin.

Debt service interest of \$548,045, relates primarily to interest expense on the bonds payable that financed the purchase and buildout of the School's new permanent campus location, and increased \$21,352, or 4% compared to the prior year. \$19,921 of the increase relates to interest expense on the bonds payable. The remaining \$1,431 of the increase relates interest expense on the School's lease liabilities, which are new in the 2021/2022 school year, due to implementation of a new accounting standard on leases.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Management's Discussion and Analysis (Unaudited)
June 30, 2022

Governmental Funds

Pepin reported a total fund balance of \$1,679,963 at June 30, 2022, up from \$1,573,433 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 2021/2022 school year and was developed based on the anticipated revenues and expenditures and expected student enrollment.

Right to Use Leased Assets

During the 2021/2022 school year, Pepin implemented a new accounting standard on accounting for leases based on the principle that a lease is a financing of the right to use underlying assets. And, as such, a lessee is required to recognize lease liabilities and an intangible right to use leased assets.

Effective at the beginning of the year, the School recorded \$9,527 of right to use leased assets and related lease liabilities based on the leases in effect as of that time. During the year, the School recorded an additional \$42,129 in right to use leased assets and related lease liabilities due to 2 new leases entered into during the year. All of the leases are for equipment.

For the year ended June 30, 2022, the School also recorded amortization expense of \$8,094 related to the right to use leased assets calculated using the straight-line basis over the lives of the related leases.

The balance of right to use leased assets (net of accumulated amortization) as of June 30, 2022 is \$43,562. Additional information regarding Pepin's leases can be found in Notes 2 and 4 to the financial statements.

Capital Assets

Assets acquired during the school year with a cost greater than Pepin's minimum capitalization threshold of \$750 totaled \$148,979. 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, 2022 was \$284,988 and the investment in capital assets (net of accumulated depreciation) as of June 30, 2022 is \$10,361,751. Additional information regarding Pepin's capital assets can be found in Note 5 to the financial statements.

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June 30, 2022

Debt

At June 30, 2022, 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

At June 30, 2022, the School has outstanding lease liabilities totaling \$44,354 maturing at various times through 2027.

Economic Factors and Next Year’s Budget

Enrollment for the 2022/2023 school year is expected to increase to 335, 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, 2022

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 510,270
Restricted cash and cash equivalents	1,053,771
Accounts receivable	202,817
Prepaid expenses	15,745
Other current assets	16,500
Total current assets	<u>1,799,103</u>
Non-current assets	
Right to use leased assets	51,656
Accumulated amortization	<u>(8,094)</u>
Total right to use leased assets, net of accumulated amortization	43,562
Capital assets	
Land	870,250
Buildings	9,118,694
Building improvements	696,439
Furniture, fixtures, and equipment	232,174
	<u>10,917,557</u>
Accumulated depreciation	<u>(555,806)</u>
Total capital assets, net of accumulated depreciation	<u>10,361,751</u>
Total non-current assets	<u>10,405,313</u>
Total assets	<u><u>\$ 12,204,416</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
Statement of Net Position (Continued)
June 30, 2022

	<u>Governmental Activities</u>
Liabilities and net position	
Liabilities	
Current liabilities	
Accounts payable	\$ 5,076
Accrued expenses	18,528
Accrued payroll	80,744
Accrued interest	284,126
Accrued other	14,792
Non-current liabilities due within one year	
Revenue bonds payable	185,000
Lease liabilities payable	10,464
Total non-current liabilities due within one year	<u>195,464</u>
Total current liabilities	<u>598,730</u>
Long-term debt	
Revenue bonds payable	11,774,984
Lease liabilities payable	33,890
Total long-term debt	<u>11,808,874</u>
Total liabilities	<u>12,407,604</u>
Net position	
Invested in capital assets, net of related debt	(1,598,233)
Restricted for debt service	1,053,771
Unrestricted	341,274
Total net position	<u>(203,188)</u>
Total liabilities and net position	<u><u>\$ 12,204,416</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
Statement of Activities
Year Ended June 30, 2022

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,361,511	\$ -	\$ -	\$ -	\$ (2,361,511)
Pupil personnel services	682,031	-	130,810	-	(551,221)
Instructional media services	9,839	-	-	-	(9,839)
Instructional staff training	5,797	-	-	-	(5,797)
School district administration fee	31,888	-	-	-	(31,888)
School administration	750,830	-	-	-	(750,830)
Fiscal services	45,352	-	-	-	(45,352)
Food service	15,001	-	-	-	(15,001)
Transportation	75	-	-	-	(75)
Operation of plant	476,056	-	-	-	(476,056)
Maintenance of plant	26,339	-	-	-	(26,339)
Community service	30,920	17,143	-	-	(13,777)
Debt service interest	548,045	-	-	-	(548,045)
Total governmental activities	<u>4,983,684</u>	<u>17,143</u>	<u>130,810</u>	<u>-</u>	<u>(4,835,731)</u>
General revenues					
Federal sources passed through local school district					54,067
State and local sources					4,645,502
Contributions and other revenue					60,612
Related party contributions					61,626
Total general revenues					<u>4,821,807</u>
Change in net position					(13,924)
Net position at beginning of year					<u>(189,264)</u>
Net position at end of year					<u>\$ (203,188)</u>

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, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Assets					
Cash	\$ 510,270	\$ -	\$ -	\$ -	\$ 510,270
Restricted cash	1,053,771	-	-	-	1,053,771
Accounts receivable	202,817	-	-	-	202,817
Prepaid expenses	15,745	-	-	-	15,745
Other current assets	16,500	-	-	-	16,500
Total assets	\$ 1,799,103	\$ -	\$ -	\$ -	\$ 1,799,103
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 5,076	\$ -	\$ -	\$ -	\$ 5,076
Accrued expenses	18,528	-	-	-	18,528
Accrued payroll	80,744	-	-	-	80,744
Accrued other	14,792	-	-	-	14,792
Total liabilities	119,140	-	-	-	119,140
Fund balance					
Nonspendable prepaid expenses and other current assets	32,245	-	-	-	32,245
Restricted	1,053,771	-	-	-	1,053,771
Unassigned	593,947	-	-	-	593,947
Total fund balance	1,679,963	-	-	-	1,679,963
Total liabilities and fund balance	\$ 1,799,103	\$ -	\$ -	\$ -	\$ 1,799,103

See accompanying notes to basic financial statements.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total fund balance of governmental funds \$ 1,679,963

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.

Right to use leased assets at year end consist of:

Right to use leased assets	\$ 51,656	
Accumulated amortization	<u>(8,094)</u>	
		43,562

Capital assets at year end consist of:

Cost of capital assets	\$ 10,917,557	
Accumulated depreciation	<u>(555,806)</u>	
		10,361,751

Accrued general long-term debt interest expenses are not financial uses, and therefore, are not reported in the governmental funds. (284,126)

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	(594,984)	
Lease liabilities payable	<u>(44,354)</u>	
		<u>(12,004,338)</u>

Total net position of governmental activities **\$ (203,188)**

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, 2022

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Federal sources passed through local school district	\$ -	\$ 184,877	\$ -	\$ -	\$ 184,877
State and local sources	4,432,138	-	-	213,364	4,645,502
Contributions and other revenue	77,755	-	-	-	77,755
Related party contributions	61,626	-	-	-	61,626
Total revenues	4,571,519	184,877	-	213,364	4,969,760
Expenditures					
Instruction	2,188,327	54,067	-	-	2,242,394
Pupil personnel services	542,001	130,810	-	-	672,811
Instructional media services	260	-	-	-	260
Instructional staff training	5,797	-	-	-	5,797
School district administration fee	31,888	-	-	-	31,888
School administration	668,015	-	-	-	668,015
Facilities acquisition and construction	-	-	-	102,490	102,490
Fiscal services	45,352	-	-	-	45,352
Transportation	75	-	-	-	75
Operation of plant	476,056	-	-	-	476,056
Maintenance of plant	18,922	-	-	-	18,922
Community service	30,920	-	-	-	30,920
Debt service interest	-	-	568,250	-	568,250
Total expenditures	4,007,613	184,877	568,250	102,490	4,863,230
Other financing sources (uses)					
Transfers in	-	-	568,250	-	568,250
Transfers out	(457,376)	-	-	(110,874)	(568,250)
	(457,376)	-	568,250	(110,874)	-
Change in fund balance	106,530	-	-	-	106,530
Fund balance at beginning of year	1,573,433	-	-	-	1,573,433
Fund balance at end of year	<u>\$ 1,679,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,679,963</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 Statement of Revenues, Expenditures, and Change in Fund Balances of the
Governmental Funds to the Statement of Activities
Year Ended June 30, 2022

Change in fund balance - total governmental funds \$ 106,530

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 right to use leased assets expenditures exceeded amortization in the current period:

Expenditures for right to use leased assets	\$ 42,129	
Less current year amortization	<u>(8,094)</u>	
		34,035

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

Expenditures for capital assets	\$ 148,979	
Less current year depreciation	<u>(284,988)</u>	
		(136,009)

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

The loss is not a use of current resources and thus is not reported in the funds. (5,288)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items:

New lease liabilities issued	(42,129)	
Principal payments on lease liabilities	<u>7,302</u>	
		(34,827)

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	<u>(1)</u>	
		21,635

Change in net position - governmental activities \$ (13,924)

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, 2022

Note 1 – Reporting Entity

Pepin Academies of Pasco County, Inc. (“Pepin” or “School”) 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.

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, 2022

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.
A Charter School and Component Unit of the
District School Board of Pasco County
Notes to Basic Financial Statements
June 30, 2022

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.

New Accounting Pronouncement

During the year, the School implemented GASB Statement No. 87, *Leases*, which enhances the relevance and consistency of information presented regarding the School’s leasing activities.

GASB Statement No. 87 establishes requirements for lease accounting based on the principle that a lease is a financing of the right to use underlying assets. A lessee is required to recognize lease liabilities and an intangible right to use leased assets.

The changes related to GASB Statement No. 87 are incorporated in the School’s 2022 financial statements, effective as of the beginning of the year, but had no effect on the beginning fund balance of the general fund. As of July 1, 2021, the School recognized \$9,527 in net book value for the intangible right to use leased assets and recognized the corresponding lease liabilities. The net effect did not change the beginning fund balance of the general fund.

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, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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

Right to use leased assets – Pepin has recorded right to use leased assets as a result of implementing GASB Statement No. 87, *Leases*. The right to use leased assets were initially measured at an amount equal to the initial measurement of the related lease liabilities. The right to use leased assets are amortized on a straight-line basis over the lives of the related leases. The related leases are discussed in the lease liabilities subsection of the long-term liabilities footnote.

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, 2022

Note 2 – Summary of Significant Accounting Policies (Continued)

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 2021/2022 school year Pepin reported 322.51 unweighted FTE.

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, 2022

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 97% 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 and amortization expenses in the government-wide financial statements are allocated to functions based on the function's usage of the related assets.

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.
A Charter School and Component Unit of the
District School Board of Pasco County
Notes to Basic Financial Statements
June 30, 2022

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, 2022, restricted cash is held by Pepin’s trustee, Wilmington Trust, as required by the 2020 revenue bond agreements. Restricted cash is to be used for future debt service.

Note 4 – Right to Use Leased Assets

Right to use leased asset activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental activities				
Right to use assets				
Equipment	\$ 9,527	\$ 42,129	\$ -	\$ 51,656
Less accumulated amortization				
Equipment	-	(8,094)	-	(8,094)
	\$ 9,527	\$ 34,035	\$ -	\$ 43,562

Amortization expense of \$8,094 was charged to school administration expense.

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, 2022

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Transfers	Balance June 30, 2022
Governmental activities					
Land	\$ 870,250	\$ -	\$ -	\$ -	\$ 870,250
Buildings	9,118,694	-	-	-	9,118,694
Building improvements	99,210	77,166	-	520,063	696,439
Furniture, fixtures, and equipment	190,973	46,489	(5,288)	-	232,174
Construction in progress	494,739	25,324	-	(520,063)	-
	<u>10,773,866</u>	<u>148,979</u>	<u>(5,288)</u>	<u>-</u>	<u>10,917,557</u>
Less accumulated depreciation					
Buildings	142,939	233,813	-	-	376,752
Building improvements	1,245	17,187	-	-	18,432
Furniture, fixtures, and equipment	126,634	33,988	-	-	160,622
	<u>270,818</u>	<u>284,988</u>	<u>-</u>	<u>-</u>	<u>555,806</u>
	<u>\$ 10,503,048</u>	<u>\$ (136,009)</u>	<u>\$ (5,288)</u>	<u>\$ -</u>	<u>\$ 10,361,751</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 209,836
Pupil personnel services	9,220
Instructional media services	9,579
School administration	33,935
Food service	15,001
Operation of plant	7,417
	<u>\$ 284,988</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. There was no capitalized interest on construction projects during the year ended June 30, 2022.

Construction in progress at the beginning of the year consisted of costs related to the renovation of the School's cafeteria and gymnasium. The project was completed and placed into service during the year ended June 30, 2022.

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, 2022

Note 6 – Long-Term Liabilities

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%	\$245,000 due January 1, 2024 @ 5%
	\$6,255,000 due January 1, 2050 @ 5%	

Bonds payable activity for the year ended June 30, 2022 is as follows:

	Balance			Balance
	June 30, 2021	Additions	Reductions	June 30, 2022
Revenue bonds payable:				
Series 2020A	\$ 11,120,000	\$ -	\$ -	\$ 11,120,000
Series 2020B Taxable	245,000	-	-	245,000
	11,365,000	-	-	11,365,000
Less current portion	-			(185,000)
Premium	616,620	-	(21,636)	594,984
	\$ 11,981,620	\$ -	\$ (21,636)	\$ 11,774,984

The revenue bonds payable contain certain financial covenants beginning with the year ending June 30, 2021, that require, among other things, the following:

Covenant	Status
Minimum debt service ratio of 1.10	Passed
45 days cash on hand as of June 30, 2022	Failed

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, 2022

Note 6 – Long-Term Liabilities (Continued)

Educational Facility Revenue Bonds, Series 2020 (Continued)

In response to failed bond covenants, the School must engage a management consultant, to deliver a written report to the borrower and the trustee containing recommendations concerning the borrower's: (i) operations of the School; (ii) investment management practices; (iii) fundraising activities; and (iv) other factors relevant to meeting such financial covenants for the next ending fiscal year.

Lease Liabilities

The School had entered into certain agreements to lease equipment prior to the implementation of GASB Statement No. 87, *Leases*. The then existing lease agreements qualified as other than short-term leases under the new standard. To implement the standard, the leases that existed at July 1, 2021 were recorded as lease liabilities using the present value of the remaining future minimum lease payments.

At the time of the initial measurement of the leases, there was no interest rate specified in the original lease agreements. The School used the discount rates in the table below which were based on management's experience in the market and its best estimate of what a reasonable interest rate would be based on the nature and terms of the related lease agreements.

New leases entered into during the year were evaluated and recorded during the year. Lease liabilities activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Lease liabilities	\$ 9,527	\$ 42,129	\$ (7,302)	44,354
Less current portion				(10,464)
				\$ 33,890

Lease agreements are summarized as follows:

Leased Property	Date	Payment Terms	Payment Amount	Discount Rate	Total Lease Liability	Current Year Additional Outflows	Balance June 30, 2022
Copier	October 2018	63 months	\$ 170	3%	\$ 10,710	\$ 1,463	\$ 3,326
Copier	September 2019	63 months	\$ 110	3%	\$ 6,930	875	3,084
Printers	July 2021	63 months	\$ 699	5%	\$ 44,053	9,797	35,581
Postage meter	December 2021	63 months	\$ 48	4%	\$ 3,004	1,059	2,363
						\$ 13,194	\$ 44,354

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, 2022

Note 6 – Long-Term Liabilities (Continued)

Lease Liabilities (Continued)

The copiers, printers, and postage meter were leased for use at the School. Management evaluated the lease portfolio and did not identify any residual value guarantees related to its leases. Additionally, Pepin has no plans to exercise renewal options in the leases, to the extent such exist, and the School will not acquire the equipment at the end of the leases' terms. The School paid approximately \$13,000 in fees for various maintenance and overage charges on the equipment, beyond the minimum lease payments required, during the year ended June 30, 2022.

Discount Rates

The discount rates above were used to discount the minimum remaining future lease payments at July 1, 2021 in order to recognize the opening balance of the intangible right to use the related leased assets and the related lease liabilities.

The discount rates above were also used to discount the future minimum lease payments for the new leases entered into during the year.

The discount rates were also used to allocate the principal and interest payments on all of the lease liabilities.

Debt Service Requirements

Following is a summary of future annual debt service requirements for all long-term debt at June 30, 2022:

Year ending June 30,	Revenue Bonds Payable			Lease Liabilities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 185,000	\$ 568,250	\$ 753,250	\$ 10,464	\$ 1,859	\$ 12,323
2024	190,000	559,000	749,000	10,265	1,398	11,663
2025	200,000	549,500	749,500	8,561	965	9,526
2026	210,000	539,500	749,500	8,407	557	8,964
2027	220,000	529,000	749,000	6,657	141	6,798
2028 - 2032	1,280,000	2,468,250	3,748,250	-	-	-
2033 - 2037	1,635,000	2,114,750	3,749,750	-	-	-
2038 - 2042	2,090,000	1,662,500	3,752,500	-	-	-
2043 - 2047	2,665,000	1,085,000	3,750,000	-	-	-
2048 - 2050	2,690,000	309,750	2,999,750	-	-	-
	<u>\$ 11,365,000</u>	<u>\$ 10,385,500</u>	<u>\$ 21,750,500</u>	<u>\$ 44,354</u>	<u>\$ 4,920</u>	<u>\$ 49,274</u>

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, 2022

Note 6 – Long-Term Liabilities (Continued)

Interest

Accrued interest activity for the year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Revenue bonds payable	\$ 284,125	\$ 568,250	\$ (568,249)	\$ 284,126

Interest expense for the year ended June 30, 2022 consists of the following components:

Revenue bonds payable interest	\$	568,250
Amortization of bond premium		(21,636)
Lease liabilities interest		1,431
	\$	548,045

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, 2022

Note 7 – 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, 2022:

District School Board of Pasco County	
FEFP funds	\$ 1,618,987
ESE guaranteed allocation	1,789,961
Supplemental academic instruction	84,841
Class size reduction funds	342,934
Safe Schools	17,048
Discretionary local effort	116,979
Discretionary millage	86,636
Teacher salary increases	64,783
Total funds compression	13,197
Instructional materials	27,378
Digital classrooms allocation	472
Additional student reserve allocation	14,705
Mental health	12,812
Reading allocation	14,442
Capital outlay	213,364
Federal via Florida Department of Education	184,877
Contributions and other revenue	304,718
Related party contributions	61,626
	<u>\$ 4,969,760</u>

Note 8 – 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 in any of the years ended June 30, 2022, 2021, or 2020.

Note 9 – 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, 2022, Pepin received \$61,626 in contributions from PAF.

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, 2022

Note 9 – Related Party Transactions (Continued)

Certain shared management payroll expenses are paid by Academies and repaid by Pepin. During the year ended June 30, 2022, Pepin paid approximately \$90,000 related to this expense.

At June 30, 2022, Pepin had no amounts owing to the Academies or to PAF.

Note 10 – 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, 2022, Pepin made discretionary matching contributions to the Plan totaling approximately \$25,000.

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.

Note 12 – Subsequent Events

Management has evaluated all events subsequent to the statement of net position date of June 30, 2022 through August 30, 2022, 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
District School Board of Pasco County
Budgetary Comparison Schedule – General Fund (Unaudited)
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State and local sources	\$ 4,166,680	\$ 4,432,138	\$ 4,432,138	\$ -
Contributions and other revenue	31,426	77,755	77,755	-
Related party contributions	-	61,626	61,626	-
Total revenues	4,198,106	4,571,519	4,571,519	-
Expenditures				
Instruction	2,244,374	2,188,327	2,188,327	-
Pupil personnel services	655,568	542,001	542,001	-
Instructional media services	500	260	260	-
Instructional staff training	5,000	5,797	5,797	-
School district administration fee	68,202	31,888	31,888	-
School administration	836,172	668,015	668,015	-
Fiscal services	41,475	45,352	45,352	-
Transportation	-	75	75	-
Operation of plant	422,735	476,056	476,056	-
Maintenance of plant	20,000	18,922	18,922	-
Community service	21,125	30,920	30,920	-
Total expenditures	4,315,151	4,007,613	4,007,613	-
Other financing sources (uses)				
Transfers out	(343,250)	(457,376)	(457,376)	-
	(343,250)	(457,376)	(457,376)	-
Excess of revenues over expenditures	(460,295)	106,530	106,530	-
Fund balance at beginning of year	1,573,433	1,573,433	1,573,433	-
Fund balance at end of year	\$ 1,113,138	\$ 1,679,963	\$ 1,679,963	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Budgetary Comparison Schedule – Special Revenue Fund (Unaudited)
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Federal sources passed through local school district	\$ 205,489	\$ 184,877	\$ 184,877	\$ -
State and local sources	655,682	-	-	-
Total revenues	861,171	184,877	184,877	-
Expenditures				
Instruction	72,219	54,067	54,067	-
Pupil personnel services	133,270	130,810	130,810	-
Facilities acquisition and construction	655,682	-	-	-
Total expenditures	861,171	184,877	184,877	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Budgetary Comparison Schedule – Debt Service Fund (Unaudited)
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 225,000	\$ -	\$ -	\$ -
Total revenues	225,000	-	-	-
Expenditures				
Debt service interest	568,250	568,250	568,250	-
Total expenditures	568,250	568,250	568,250	-
Other financing sources (uses)				
Transfers in	343,250	568,250	568,250	-
	343,250	568,250	568,250	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Budgetary Comparison Schedule – Capital Project Fund (Unaudited)
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ -	\$ 213,364	\$ 213,364	\$ -
Total revenues	-	213,364	213,364	-
Expenditures				
Facilities acquisition and construction	-	102,490	102,490	-
Total expenditures	-	102,490	102,490	-
Other financing sources (uses)				
Transfers out	-	(110,874)	(110,874)	-
	-	(110,874)	(110,874)	-
Excess of revenues over expenditures	-	-	-	-
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 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, 2022, 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, 2022.

Report on 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") as a basis for designing 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 or significant deficiencies may exist that were not 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)***

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pepin's financial statements are free from 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 financial statements. 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.

A handwritten signature in black ink, reading "Prida Guida Perez". The signature is written in a cursive, flowing style.

Prida Guida Perez P.A.
Tampa, Florida
August 30, 2022

**INFORMATION REQUIRED BY
RULES OF THE FLORIDA AUDITOR GENERAL,
CHAPTER 10.850, *CHARTER SCHOOL AUDITS***



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, 2022, and have issued our report thereon dated August 30, 2022.

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, 2022, 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

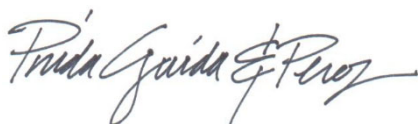
Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Pepin Academies of Pasco County, Inc. maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. 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, 2022