



PEPIN ACADEMIES OF PASCO COUNTY, INC.

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

Financial Statements

June 30, 2023

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
District School Board of Pasco County
Financial Statements
June 30, 2023

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PRIDA, GUIDA & PEREZ, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
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, 2023, 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, 2023, 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.

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.

INDEPENDENT AUDITORS' REPORT (Continued)

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 - 10 and 33 - 36, 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, 2023 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, 2023

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, 2023

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, 2023.

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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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, 2023 was the 10th year of operations for Pepin. Enrollment at the end of the school year was 330, which was an increase from the School’s prior year enrollment.

The 2022/2023 school year marked the second 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, 2023

Financial Highlights (Continued)

The following is a summary of the School's current year and prior year. Net position decreased \$20,428 from \$(203,188) at June 30, 2022 to \$(223,616) at June 30, 2023. The net decrease is comprised of the following:

	Net Position		
	Governmental Activities		
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 1,829,889	\$ 1,799,103	\$ 30,786
Non-current assets	10,139,655	10,405,313	(265,658)
Total assets	<u>\$ 11,969,544</u>	<u>\$ 12,204,416</u>	<u>\$ (234,872)</u>
Liabilities			
Current liabilities	\$ 606,187	\$ 598,730	\$ 7,457
Noncurrent liabilities	11,586,973	11,808,874	(221,901)
Total liabilities	<u>12,193,160</u>	<u>12,407,604</u>	<u>(214,444)</u>
Net position			
Net investment in capital assets	(1,645,948)	(1,598,233)	(47,715)
Restricted for debt service	1,179,447	1,053,771	125,676
Unrestricted	242,885	341,274	(98,389)
Total net position	<u>(223,616)</u>	<u>(203,188)</u>	<u>(20,428)</u>
Total liabilities and net position	<u>\$ 11,969,544</u>	<u>\$ 12,204,416</u>	<u>\$ (234,872)</u>

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

PEPIN ACADEMIES OF PASCO COUNTY, INC.
A Charter School and Component Unit of the
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Management’s Discussion and Analysis (Unaudited)
June 30, 2023

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 \$6,504 from \$(13,924) for the year ended June 30, 2022 to \$(20,428) for the year ended June 30, 2023. The change in net position is comprised of the following:

Change in Net Position			
Governmental Activities			
	Year Ended June 30, 2023	Year Ended June 30, 2022	Increase (Decrease)
Revenue			
Federal through state and local sources	\$ 547,190	\$ 184,877	\$ 362,313
State and local sources	4,642,365	4,645,502	(3,137)
Contributions and other revenue	136,730	139,381	(2,651)
Total revenue	<u>5,326,285</u>	<u>4,969,760</u>	356,525
Expenses			
Exceptional	2,449,135	2,361,511	87,624
Student support services	873,804	682,031	191,773
Instructional media services	11,009	9,839	1,170
Instructional staff training	1,500	5,797	(4,297)
School district administration fee	28,910	31,888	(2,978)
School administration	818,959	750,830	68,129
Fiscal services	55,185	45,352	9,833
Food service	15,001	15,001	-
Transportation	2,495	75	2,420
Operation of plant	481,012	476,056	4,956
Maintenance of plant	22,852	26,339	(3,487)
Community service	43,002	30,920	12,082
Debt service interest	543,849	548,045	(4,196)
Total expenses	<u>5,346,713</u>	<u>4,983,684</u>	363,029
Change in net position	<u>\$ (20,428)</u>	<u>\$ (13,924)</u>	<u>\$ (6,504)</u>

Pepin’s primary funding sources come from Pepin’s sponsor, the District School Board of Pasco County (“Sponsor” or “District”). Approximately 87% 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.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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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), and Elementary and Secondary Emergency Relief (“ESSER”) funds. Contributions and other revenues consist of fundraising revenue and donations and childcare services.

Pepin’s largest expenditure is for exceptional expenses, which account for 46% of the total expenses for the 2022/2023 school year. Pepin’s next largest expenses are for student support services and school administration, which account for 16% and 15%, respectively, of the total expenses for the 2022/2023 school year.

The largest increase in expenses was in student support services, increasing \$191,773 or 28%, attributed to addition of contracted speech-language pathologist services and increase in employee staff count. The second largest increase in expenses was in exceptional expenses, increasing \$87,624 or 4%, which is attributed to increases in payroll and a new curriculum.

There were no significant decreases in expenses in the current year.

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

Debt service interest of \$543,849, relates primarily to interest expense on the bonds payable that financed the purchase and buildout of the School’s new permanent campus location, and decreased \$4,196, or 1% compared to the prior year. \$3,768 of the decrease relates to interest expense on the bonds payable. The remaining \$428 of the decrease relates to interest expense on the School’s lease liabilities.

Governmental Funds

Pepin reported a total fund balance of \$1,703,469 at June 30, 2023, up from \$1,679,963 reported at June 30, 2022.

Budgetary Highlights

Pepin’s budget was prepared and approved by Pepin’s Board of Directors at the start of the 2022/2023 school year and was developed based on the anticipated revenues and expenditures and expected student enrollment.

Right to Use Leased Assets

The balance of right to use leased assets (net of accumulated amortization) as of June 30, 2023 is \$32,255. Additional information regarding Pepin’s leases can be found in Note 4 to the financial statements.

During the year, the School recorded no additional right to use leased assets or related lease liabilities. All of the School’s leases are for equipment.

For the year ended June 30, 2023, the School also recorded amortization expense of \$11,307 related to the right to use leased assets calculated using the straight-line basis over the lives of the related leases.

PEPIN ACADEMIES OF PASCO COUNTY, INC.
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Capital Assets

Assets acquired during the school year with a cost greater than Pepin’s minimum capitalization threshold of \$750 totaled \$39,565. 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, 2023 was \$93,916 and the investment in capital assets (net of accumulated depreciation) as of June 30, 2023 is \$10,107,400. Additional information regarding Pepin’s capital assets can be found in Note 5 to the financial statements.

Debt

At June 30, 2023, the School has an education facility revenue bond liability outstanding with a face value of \$11,180,000 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	\$60,000	January 1, 2024

At June 30, 2023, the School has outstanding lease liabilities totaling \$33,890 maturing at various times through 2027.

Economic Factors and Next Year’s Budget

Enrollment for the 2023/2024 school year is expected to remain at 330 students. Pepin estimates that revenues and expenditures from school operations will remain consistent with the previous year.

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, 2023

	Governmental Activities
Assets	
Current assets	
Cash	\$ 441,328
Restricted cash and cash equivalents	1,179,447
Accounts receivable	189,404
Prepaid expenses	3,210
Other current assets	16,500
Total current assets	1,829,889
Non-current assets	
Right to use leased assets	51,656
Accumulated amortization	(19,401)
Total right to use leased assets, net of accumulated amortization	32,255
Capital assets	
Land	870,250
Buildings	9,118,694
Building improvements	696,439
Furniture, fixtures, and equipment	271,739
	10,957,122
Accumulated depreciation	(849,722)
Total capital assets, net of accumulated depreciation	10,107,400
Total non-current assets	10,139,655
Total assets	\$ 11,969,544

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, 2023

	<u>Governmental Activities</u>
Liabilities and net position	
Liabilities	
Current liabilities	
Accounts payable	\$ 32,242
Accrued expenses	6,836
Accrued payroll	77,779
Accrued interest	279,502
Accrued other	9,563
Non-current liabilities due within one year	
Revenue bonds payable	190,000
Lease liabilities payable	10,265
Total non-current liabilities due within one year	<u>200,265</u>
Total current liabilities	606,187
Long-term debt	
Revenue bonds payable	11,563,348
Lease liabilities payable	23,625
Total long-term debt	<u>11,586,973</u>
Total liabilities	<u>12,193,160</u>
Net position	
Invested in capital assets, net of related debt	(1,645,948)
Restricted for debt service	1,179,447
Unrestricted	242,885
Total net position	<u>(223,616)</u>
Total liabilities and net position	<u>\$ 11,969,544</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, 2023

	Program Revenues				Net (Expense)
	Charges for	Operating	Capital Grants	and	Revenue and
Expenses	Services	Grants and	and	Contributions	Change in Net
		Contributions			Position -
					Governmental
					Activities
Governmental activities:					
Exceptional	\$ 2,449,135	\$ -	\$ 96,111	\$ -	\$ (2,353,024)
Student support services	873,804	-	376,539	-	(497,265)
Instructional media services	11,009	-	-	-	(11,009)
Instructional staff training	1,500	-	-	-	(1,500)
School district administration fee	28,910	-	-	-	(28,910)
School administration	818,959	-	-	-	(818,959)
Fiscal services	55,185	-	-	-	(55,185)
Food service	15,001	-	-	-	(15,001)
Transportation	2,495	-	753	-	(1,742)
Operation of plant	481,012	-	73,787	-	(407,225)
Maintenance of plant	22,852	-	-	-	(22,852)
Community service	43,002	15,164	-	-	(27,838)
Debt service interest	543,849	-	-	-	(543,849)
	5,346,713	15,164	547,190	-	(4,784,359)
General revenues					
Federal sources passed through local school district					-
State and local sources					4,642,365
Contributions and other revenue					121,566
Total general revenues					4,763,931
Change in net position					(20,428)
Net position at beginning of year					(203,188)
Net position at end of year					\$ (223,616)

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, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Assets					
Cash	\$ 441,328	\$ -	\$ -	\$ -	\$ 441,328
Restricted cash	1,179,447	-	-	-	1,179,447
Accounts receivable	189,404	-	-	-	189,404
Prepaid expenses	3,210	-	-	-	3,210
Other current assets	16,500	-	-	-	16,500
Total assets	\$ 1,829,889	\$ -	\$ -	\$ -	\$ 1,829,889
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 32,242	\$ -	\$ -	\$ -	\$ 32,242
Accrued expenses	6,836	-	-	-	6,836
Accrued payroll	77,779	-	-	-	77,779
Accrued other	9,563	-	-	-	9,563
Total liabilities	126,420	-	-	-	126,420
Fund balance					
Nonspendable prepaid expenses and other current assets	19,710	-	-	-	19,710
Restricted	1,179,447	-	-	-	1,179,447
Unassigned	504,312	-	-	-	504,312
Total fund balance	1,703,469	-	-	-	1,703,469
Total liabilities and fund balance	\$ 1,829,889	\$ -	\$ -	\$ -	\$ 1,829,889

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, 2023

Total fund balance of governmental funds \$ 1,703,469

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

Right to use leased assets and 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>(19,401)</u>	
		32,255

Capital assets at year end consist of:

Cost of capital assets	\$ 10,957,122	
Accumulated depreciation	<u>(849,722)</u>	
		10,107,400

Accrued general long-term debt interest expenses are not financial uses, and therefore, are not reported in the governmental funds. (279,502)

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	(11,180,000)	
Premium on bonds payable	(573,348)	
Lease liabilities payable	<u>(33,890)</u>	
		<u>(11,787,238)</u>

Total net position of governmental activities **\$ (223,616)**

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, 2023

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Federal sources passed through local school district	\$ -	\$ 547,190	\$ -	\$ -	\$ 547,190
State and local sources	4,413,729	-	-	228,636	4,642,365
Contributions and other revenue	136,730	-	-	-	136,730
Total revenues	4,550,459	547,190	-	228,636	5,326,285
Expenditures					
Exceptional	2,158,376	96,111	-	-	2,254,487
Student support services	488,045	376,539	-	-	864,584
Instructional media services	1,430	-	-	-	1,430
Instructional staff training	1,500	-	-	-	1,500
School district administration fee	28,910	-	-	-	28,910
School administration	802,150	-	-	-	802,150
Fiscal services	55,185	-	-	-	55,185
Transportation	1,742	753	-	-	2,495
Operation of plant	407,225	73,787	-	-	481,012
Maintenance of plant	14,774	-	-	-	14,774
Community service	43,002	-	-	-	43,002
Debt service principal	185,000	-	-	-	185,000
Debt service interest	-	-	568,250	-	568,250
Total expenditures	4,187,339	547,190	568,250	-	5,302,779
Other financing sources (uses)					
Transfers in	-	-	568,250	-	568,250
Transfers out	(339,614)	-	-	(228,636)	(568,250)
	(339,614)	-	568,250	(228,636)	-
Change in fund balance	23,506	-	-	-	23,506
Fund balance at beginning of year	1,679,963	-	-	-	1,679,963
Fund balance at end of year	\$ 1,703,469	\$ -	\$ -	\$ -	\$ 1,703,469

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, 2023

Change in fund balance - total governmental funds \$ 23,506

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	\$ -	
Less current year amortization	(11,307)	
	(11,307)	(11,307)

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

Expenditures for capital assets	\$ 39,565	
Less current year depreciation	(293,916)	
	(254,351)	(254,351)

Repayment of long-term debt principal is an expenditure in the governmental funds. However, the payment reduces long-term liabilities in the statement of net position.

185,000

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	\$ -	
Principal payments on lease liabilities	10,464	
	10,464	10,464

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	4,624	
	26,260	26,260

Change in net position - governmental activities \$ (20,428)

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, 2023

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, 2023

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, 2023

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.
A Charter School and Component Unit of the
District School Board of Pasco County
Notes to Basic Financial Statements
June 30, 2023

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.

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.

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.

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, 2023

Note 2 – Summary of Significant Accounting Policies (Continued)

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 2022/2023 school year Pepin reported 330.24 unweighted FTE.

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, 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, 2023

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, 2023, 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, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Governmental activities				
Right to use assets				
Equipment	\$ 51,656	\$ -	\$ -	\$ 51,656
Less accumulated amortization				
Equipment	(8,094)	(11,307)	-	(19,401)
	\$ 43,562	\$ (11,307)	\$ -	\$ 32,255

Amortization expense of \$11,307 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, 2023

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Transfers	Balance June 30, 2023
Governmental activities					
Land	\$ 870,250	\$ -	\$ -	\$ -	\$ 870,250
Buildings	9,118,694	-	-	-	9,118,694
Building improvements	696,439	-	-	-	696,439
Furniture, fixtures, and equipment	232,174	39,565	-	-	271,739
Construction in progress	-	-	-	-	-
	<u>10,917,557</u>	<u>39,565</u>	<u>-</u>	<u>-</u>	<u>10,957,122</u>
Less accumulated depreciation					
Buildings	376,752	233,812	-	-	610,564
Building improvements	18,432	19,708	-	-	38,140
Furniture, fixtures, and equipment	160,622	40,396	-	-	201,018
	<u>555,806</u>	<u>293,916</u>	<u>-</u>	<u>-</u>	<u>849,722</u>
	<u>\$ 10,361,751</u>	<u>\$ (254,351)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,107,400</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Exceptional	\$ 215,143
Student support services	9,220
Instructional media services	9,579
School administration	36,895
Food service	15,001
Operation of plant	8,078
	<u>\$ 293,916</u>

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.

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, 2023

Note 6 – Long-Term Liabilities (Continued)

Educational Facility Revenue Bonds, Series 2020 (Continued)

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	\$60,000
Maturity/interest	\$4,865,000 due January 1, 2040 @ 5%	\$60,000 due January 1, 2024 @ 5%
	\$6,255,000 due January 1, 2050 @ 5%	

Bonds payable activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Revenue bonds payable:				
Series 2020A	\$ 11,120,000	\$ -	\$ -	\$ 11,120,000
Series 2020B Taxable	245,000	-	(185,000)	60,000
	11,365,000	-	(185,000)	11,180,000
Less current portion	-			(190,000)
Premium	594,984	-	(21,636)	573,348
	\$ 11,959,984	\$ -	\$ (206,636)	\$ 11,563,348

The revenue bonds payable contain certain financial covenants 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, 2023	Failed

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.

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, 2023

Note 6 – Long-Term Liabilities (Continued)

Lease Liabilities

Lease liabilities activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Lease liabilities	\$ 44,354	\$ -	\$ (10,464)	33,890
Less current portion				(10,265)
				\$ 23,625

New leases entered into during the year are evaluated and recorded during the year. At the time of the initial measurement of the leases, if there is no interest rate specified in the original lease agreements, the School uses a discount rates (in the table below) which are 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. There were no new lease agreements entered into during the year.

Lease agreements and liabilities are summarized as follows:

Leased Property	Date	Payment Terms	Payment Amount	Discount Rate	Initial Lease Liability	Current Year Additional Outflows	June 30, 2023
Copier	October 2018	63 months	\$ 170	3%	\$ 10,710	\$ 1,243	\$ 1,359
Copier	September 2019	63 months	\$ 110	3%	\$ 6,930	524	1,840
Printers	July 2021	63 months	\$ 699	5%	\$ 44,053	6,855	28,815
Postage meter	December 2021	63 months	\$ 48	4%	\$ 3,004	17	1,876
						\$ 8,639	\$ 33,890

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 \$7,000 in fees for various maintenance and overage charges on the equipment, beyond the minimum lease payments required, during the year ended June 30, 2023.

Discount Rates

The discount rates above were 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.

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, 2023

Note 6 – Long-Term Liabilities (Continued)

Debt Service Requirements

Following is a summary of future annual debt service requirements for all long-term debt at June 30, 2023:

Year ending June 30,	Revenue Bonds Payable			Lease Liabilities		
	Principal	Interest	Total	Principal	Interest	Total
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	230,000	518,000	748,000	-	-	-
2029 - 2033	1,345,000	2,404,250	3,749,250	-	-	-
2034 - 2038	1,720,000	2,033,000	3,753,000	-	-	-
2039 - 2043	2,195,000	1,558,000	3,753,000	-	-	-
2044 - 2048	2,795,000	951,750	3,746,750	-	-	-
2049 - 2050	2,075,000	175,250	2,250,250	-	-	-
	<u>\$ 11,180,000</u>	<u>\$ 9,817,250</u>	<u>\$ 20,997,250</u>	<u>\$ 33,890</u>	<u>\$ 3,061</u>	<u>\$ 36,951</u>

Interest

Accrued interest activity for the year ended June 30, 2023 is as follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Revenue bonds payable	<u>\$ 284,126</u>	<u>\$ 563,625</u>	<u>\$ (568,249)</u>	<u>\$ 279,502</u>

Interest expense for the year ended June 30, 2023 consists of the following components:

Revenue bonds payable interest	\$ 563,625
Amortization of bond premium	(21,636)
Lease liabilities interest	1,860
	<u>\$ 543,849</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, 2023

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, 2023:

District School Board of Pasco County	
FEFP funds	\$ 1,690,889
ESE guaranteed allocation	1,869,968
Supplemental academic instruction	84,626
Class size reduction funds	338,343
Safe Schools	19,826
Discretionary local effort (WFTE share)	133,824
Discretionary millage (UWFTE)	107,829
TSIA allocation - maintenance	63,496
TSIA allocation - growth	28,798
Instructional materials	27,210
Additional student reserve allocation	-
Mental health	15,066
Reading allocation	18,622
Capital outlay	228,636
Education Stabilization Fund (ESSER III)	305,423
Federal via Florida Department of Education	241,767
Contributions and other revenue	151,962
	<u>\$ 5,326,285</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, 2023, 2022, or 2021.

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, 2023, Pepin received \$0 in contributions from PAF.

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, 2023

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, 2023, Pepin paid approximately \$244,000 related to this expense which is included in school administration expenses.

At June 30, 2023, 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, 2023, Pepin made discretionary matching contributions to the Plan totaling approximately \$21,000.

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, 2023 through August 30, 2023, 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, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 4,809,448	\$ 4,413,729	\$ 4,413,729	\$ -
Contributions and other revenue	44,500	136,730	136,730	-
Total revenues	4,853,948	4,550,459	4,550,459	-
Expenditures				
Exceptional	2,179,333	2,158,376	2,158,376	-
Student support services	780,299	488,045	488,045	-
Instructional media services	500	1,430	1,430	-
Instructional staff training	6,000	1,500	1,500	-
School district administration fee	32,000	28,910	28,910	-
School administration	933,433	802,150	802,150	-
Facilities acquisition and construction	5,000	-	-	-
Fiscal services	44,600	55,185	55,185	-
Transportation	-	1,742	1,742	-
Operation of plant	439,910	407,225	407,225	-
Maintenance of plant	20,000	14,774	14,774	-
Community service	40,775	43,002	43,002	-
Debt service principal	-	185,000	185,000	-
Total expenditures	4,481,850	4,187,339	4,187,339	-
Other financing sources (uses)				
Transfers out	(349,627)	(339,614)	(339,614)	-
	(349,627)	(339,614)	(339,614)	-
Excess of revenues over expenditures	22,471	23,506	23,506	-
Fund balance at beginning of year	1,679,963	1,679,963	1,679,963	-
Fund balance at end of year	\$ 1,702,434	\$ 1,703,469	\$ 1,703,469	\$ -

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, 2023

	<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	\$ 234,087	\$ 547,190	\$ 547,190	\$ -
State and local sources	466,524	-	-	-
Total revenues	700,611	547,190	547,190	-
Expenditures				
Exceptional	363,545	96,111	96,111	-
Student support services	224,736	376,539	376,539	-
School administration	82,730	-	-	-
Transportation	-	753	753	-
Operation of plant	35,009	73,787	73,787	-
Total expenditures	706,020	547,190	547,190	-
Other financing sources (uses)				
Transfers in	5,409	-	-	-
	5,409	-	-	-
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, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 224,032	\$ -	\$ -	\$ -
Total revenues	224,032	-	-	-
Expenditures				
Debt service interest	568,250	568,250	568,250	-
Total expenditures	568,250	568,250	568,250	-
Other financing sources (uses)				
Transfers in	344,218	568,250	568,250	-
	344,218	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, 2023

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ -	\$ 228,636	\$ 228,636	\$ -
Total revenues	-	228,636	228,636	-
Expenditures				
Total expenditures	-	-	-	-
Other financing sources (uses)				
Transfers out	-	(228,636)	(228,636)	-
	-	(228,636)	(228,636)	-
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, 2023, 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, 2023.

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 style with a large initial "P" and "G".

Prida Guida Perez P.A.
Tampa, Florida
August 30, 2023

**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, 2023, and have issued our report thereon dated August 30, 2023.

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, 2023, 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 are Pepin Academies of Pasco County, Inc., 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, 2023