

**The Pepin Academies, Inc.  
d/b/a Pepin High School**

**A Charter School And Component Unit  
Of The Hillsborough County District School Board**

**Financial Statements**

**June 30, 2013**

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## Independent Auditor's Report

Board of Directors  
The Pepin Academies, Inc.  
d/b/a Pepin High School  
Tampa, Florida

### Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Pepin Academies, Inc. d/b/a Pepin High School (Charter School), a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

#### *Management's Responsibility For The Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Pepin Academies, Inc. d/b/a Pepin High School, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

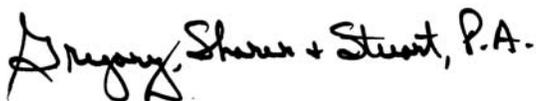
### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 6 through 10 and the Budgetary Comparison Schedules on pages 26 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013 on our consideration of The Pepin Academies, Inc. d/b/a Pepin High School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Pepin Academies, Inc. d/b/a Pepin High School's internal control over financial reporting and compliance.

## **Gregory, Sharer & Stuart, P.A.**



St. Petersburg, Florida  
September 27, 2013

## **Management's Discussion And Analysis**

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Management's Discussion And Analysis**  
**June 30, 2013**

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The following pages represent Management's Discussion and Analysis (MD&A) of The Pepin Academies, Inc. d/b/a Pepin High School (Pepin). It depicts and reviews the financial picture and activities of Pepin as of and for the year ended June 30, 2013.

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 review 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), the 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 financial statements explain some of the information in the financial statements and provide more detail. The statements are followed by a section of required supplementary information that further explains and supports the information in the 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 two government-wide financial statements report Pepin's net position and 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 is an indicator of whether Pepin's 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.

#### *Fund Financial Statements –*

The fund financial statements provide more detailed information about Pepin's most significant funds, not Pepin as a whole. A fund is a self-balancing set of accounts which Pepin uses to keep track of sources of funding and spending.

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.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Management's Discussion And Analysis**  
**June 30, 2013**

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**Financial Highlights**

- The year ended June 30, 2013 was Pepin's eighth year of operations exclusively as a high school. In prior years, the predecessor served a student population consisting of high school students and students from other grades.
- Net position increased \$200,772 from \$1,569,124 at June 30, 2012 to \$1,769,896 at June 30, 2013. The net increase is composed of the following:

	<u>Increase (Decrease)</u>
Net position invested in capital assets, net of related debt	\$ 221,010
Unrestricted net position	(20,238)
	<u>\$ 200,772</u>

The net increase in Net Position Invested in Capital Assets, net of related debt resulted from the following:

	<u>Increase (Decrease)</u>
Principal payment on debt	\$ 256,293
Incurrence of long-term debt	(400,000)
Capital assets purchased	541,469
Depreciation expense	(176,752)
	<u>\$ 221,010</u>

The net decrease in Unrestricted Net Position resulted from operating activities the significant elements of which are described below.

- Total assets increased \$1,166,469 from \$5,154,780 at June 30, 2012 to \$6,321,249 at June 30, 2013. The net increase is attributable to the following:

	<u>Increase (Decrease)</u>
Cash	\$ 783,301
Accounts receivable	876
Accounts receivable, related entities	3,031
Inventory	12,355
Other assets	25,898
Deferred charges	(23,709)
Capital assets, net of accumulated depreciation	364,717
	<u>\$ 1,166,469</u>

The net increase in Capital Assets resulted from \$541,469 of capital assets purchased less \$176,752 of depreciation expense. Other changes resulted from ordinary operations as discussed below.

- Total liabilities increased \$965,697 from \$3,585,656 at June 30, 2012 to \$4,551,353 at June 30, 2013. The net increase is attributable to the following:

	<u>Increase (Decrease)</u>
Accounts payable	\$ 90,805
Accounts payable, related entities	639,205
Accrued payroll	91,980
Revenue bonds payable	(256,293)
Note payable	400,000
	<u>\$ 965,697</u>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Management's Discussion And Analysis**  
**June 30, 2013**

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- Total revenues were \$2,359,187 for the year ended June 30, 2013, a net increase of \$252,578 from total revenues of \$2,106,609 for the year ended June 30, 2012, and consisted of the following:

Federal sources passed through local school district	\$ 138,469
State and local sources	2,087,837
Contributions and other revenue	132,881
	<u>\$ 2,359,187</u>

State and local sources revenues were based on the student population and the proportion of the student population entitled to ESE Guaranteed Allocation. The total weighted FTE was 182.7440 students for the 2012/2013 school year, an increase of 16.5440 from the 2011/2012 school year. The ESE Guaranteed Allocation FTE population was 169.2510 students for the 2012/2013 school year, an increase of 18.0838 from the 2011/2012 school year.

Contributions and other revenue for the year ended June 30, 2013 consisted of \$43,854 student-paid lunches and miscellaneous donations and other revenue of \$89,027.

Pepin anticipates increased state and local sources revenue during the 2013/2014 school year due to increased FEFP rates. Pepin anticipates no substantive change in enrollment. Contributions and other revenues will likely remain unchanged.

- General Fund expenditures were \$2,317,100 for the year ended June 30, 2013, an increase of \$481,009 from the year ended June 30, 2012. The increase was primarily driven by \$535,942 of facilities acquisition and construction costs, funded in part by \$400,000 of new debt incurred during the year ended June 30, 2013. Total general fund expenditures for the year ended June 30, 2013 consisted of the following:

Instruction and pupil personnel services	\$ 1,234,728
School administration	421,876
Facilities acquisition and construction	535,942
Fiscal services	21,791
Food service	57,215
Transportation	9,372
Operation and maintenance of plant	36,176
	<u>\$ 2,317,100</u>

The above facilities acquisition and construction costs were incurred to facilitate the growth in the student population served by Pepin. The other costs are proportionate to the level of costs incurred in serving the student population.

The facilities acquisition and construction costs are expected to decrease considerably and the other costs to remain approximately the same in the 2013/2014 school year. It is anticipated that FTE's for the coming year will be approximately the same as in the 2012/2013 school year.

- Capital Outlay Funding received from the state was \$79,977 in the 2012/2013 school year. This amount was used in total to fund Debt Service Fund expenses of \$256,293. An additional \$176,316 was transferred from the General Fund to the Debt Service Fund to fund the excess of debt service expense over capital outlay revenue received.

During the 2012/2013 school year, the Academies repaid \$256,293 of revenue bonds payable. All debt service payments have been made timely and it is anticipated that all future debt service payments will be made timely as well. Revenue bond principal due during the 2013/2014 school year is \$269,007.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Management's Discussion And Analysis**  
**June 30, 2013**

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**General Fund Budget Comparison**

Pepin's budget was prepared prior to the start of the 2012/2013 school year and was revised several times during the school year to reflect unbudgeted revenues and savings in the costs of providing services to students. The net variance from the final General Fund budget was \$11,087 negative and was a consequence of the following general factors:

	<b>Positive (Negative) Variance</b>
Revenue impact of FTE and student population mix variance from budget	\$ (2,153)
Actual contribution and fund raising event revenue higher than amount budgeted	925
Higher than anticipated costs of providing services to students	(10,135)
Lower than anticipated administration, fiscal services, and plant operation costs	109,781
Excess of debt service principal over revenue earmarked for debt service	(109,505)
	<u>\$ (11,087)</u>

**Capital Assets**

Over \$500,000 of capital assets were acquired during the 2012/2013 school year with cost greater than Pepin's minimum capitalization threshold (\$750). Depreciation expense in the government-wide financial statements was calculated utilizing the straight-line method and useful lives of thirty, seven, and five years for building and improvements, furniture and fixtures, and classroom equipment, respectively. Total depreciation expense for the year ended June 30, 2013 was \$176,752.

At June 30, 2013 capital assets consist of:

Land, building, and improvements	\$ 5,602,541
Furniture, fixtures, and equipment	464,645
	<u>6,067,186</u>
Accumulated depreciation	(1,591,780)
Total capital assets, net of depreciation	<u>\$ 4,475,406</u>

**Economic Factors And Next Year's Budget**

The 2012/2013 school year was Pepin's eighth year of operations. It was a very successful year educationally and satisfactory from a financial point of view. Pepin was able to successfully expand classroom space by adding and outfitting twelve additional classrooms at an approximate cost of \$535,000.

At the beginning of the 2012/2013 school year, total budgeted General Fund costs were \$2,390,919. Actual General Fund costs for the 2012/2013 school year were \$2,317,100, a variance to budget of \$73,819. That variance consists of two primary components: an increase of nearly \$120,000 in capital outlay expenditures related to the classroom expansion, and savings of approximately \$194,000 related to operating costs from realized economies of scale due to the classroom expansion.

The 2013/2014 school year will bring the following changes:

- Effective July 1, 2013 Pepin's charter has been renewed for an additional 10 years. As part of this renewal, Pepin is combining Pepin High School's operations with the operations of its sister schools, Pepin Elementary School (PES) and Pepin Middle School (PMS), under one charter and the reporting entity will then include services rendered to students in grades K – 12.
- The name will be changing to Pepin Academies.
- A satellite campus is opening to serve approximately 120 students in the Riverview, Florida area.
- The computer infrastructure will be expanded and upgraded and other capital and operating improvements will be made to better serve Pepin's students.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Management's Discussion And Analysis**  
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It is anticipated that the administrative cost savings associated with combining operations with PES and PMS, together with continued operating efficiency savings realized from the 2012/2013 expansion will furnish ample resources to fund the computer infrastructure upgrade and Riverview expansion.

Pepin is very confident that it has the staff and other resources in place to effectively manage the school and plan to capitalize on its proven ability to effectively serve its students at the highest level.

Pepin serves a population of students on a full-time basis with a wide range of learning disabilities. Because of this population, each student at Pepin has an IEP (Individual Education Plan). The level of funding for each student at Pepin is determined by the need or level of service each individual child requires. A representative from the School District of Hillsborough County, Pepin staff, and each student's parent(s) or guardian(s) determine these levels jointly.

## **Basic Financial Statements**

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Statement Of Net Position**  
**June 30, 2013**

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 1,588,356
Accounts Receivable	876
Due From Academies, Inc.	3,031
Inventory	14,307
Prepaid Expenses And Other Assets	25,898
Bond Issuance Costs, Net	213,375
Capital Assets	
Land, buildings, and improvements	5,602,541
Furniture, fixtures, and equipment	464,645
	<u>6,067,186</u>
Accumulated depreciation	(1,591,780)
Total Capital Assets, Net of Depreciation	<u>4,475,406</u>
<b>Total Assets</b>	<b><u>\$ 6,321,249</u></b>
 <b>Liabilities And Net Position</b>	
Liabilities	
Accounts payable	\$ 144,784
Accounts payable, related entities	787,939
Accrued payroll	223,839
Revenue bonds payable	
Due within one year	269,007
Due in more than one year	2,725,784
Note payable due in more than one year	400,000
Total Liabilities	<u>4,551,353</u>
Net Position	
Invested in capital assets, net of related debt	1,080,615
Restricted	5,000
Unrestricted	684,281
Total Net Position	<u>1,769,896</u>
<b>Total Liabilities And Net Position</b>	<b><u>\$ 6,321,249</u></b>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Statement Of Activities**  
**Year Ended June 30, 2013**

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	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position - Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 1,252,837	\$ -	\$ -	\$ -	\$ (1,252,837)
Pupil personnel services	203,848	-	-	-	(203,848)
Instructional media services	3,796	-	-	-	(3,796)
Instructional staff training	1,565	-	-	-	(1,565)
School district administration fee	45,137	-	-	-	(45,137)
School administration	438,911	-	-	-	(438,911)
Facilities acquisition	(5,527)	-	-	-	5,527
Fiscal services	21,791	-	-	-	(21,791)
Food service	126,362	43,854	-	-	(82,508)
Transportation	9,372	-	-	-	(9,372)
Operation of plant	27,576	-	-	-	(27,576)
Maintenance of plant	9,038	-	-	-	(9,038)
Amortization of bond issuance costs	23,709	-	-	-	(23,709)
<b>Total Primary Government</b>	<u>\$ 2,158,415</u>	<u>\$ 43,854</u>	<u>\$ -</u>	<u>\$ -</u>	(2,114,561)
<b>General Revenues</b>					
Federal sources passed through local school district					138,469
State and local sources					2,087,837
Contributions and other revenue					89,027
<b>Total General Revenues</b>					<u>2,315,333</u>
<b>Change in Net Position</b>					200,772
<b>Net Position At Beginning Of Year</b>					<u>1,569,124</u>
<b>Net Position At End Of Year</b>					<u>\$ 1,769,896</u>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Balance Sheet - Government Funds**  
**June 30, 2013**

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	<u>Governmental Funds</u>
<b>Assets</b>	
Cash	\$ 1,588,356
Accounts Receivable	876
Due From Academies, Inc.	3,031
Inventory	14,307
Prepaid Expenses And Other Assets	<u>25,898</u>
<b>Total Assets</b>	<b><u>\$ 1,632,468</u></b>
<b>Liabilities And Fund Balance</b>	
Liabilities	
Accounts payable	\$ 144,784
Accounts payable, related parties	787,939
Accrued payroll	<u>223,839</u>
<b>Total Liabilities</b>	1,156,562
Fund Balance	
Nonspendable:	
Inventory	14,307
Prepaid expenses and other assets	25,898
Restricted for donor designated purpose	5,000
Unassigned	<u>430,701</u>
Total Fund Balance	<u>475,906</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 1,632,468</u></b>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Reconciliation Of The Governmental Funds Balance Sheet To The Statement Of Net Position**  
**June 30, 2013**

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<b>Total Fund Balance - Governmental Funds</b>	\$ 475,906
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Deferred charges incurred in governmental activities are not financial resources and, therefore, are not reported in Governmental Funds	213,375
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Governmental Funds	4,475,406
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds	<u>(3,394,791)</u>
<b>Total Net Position - Statement of Net Position</b>	<u><u>\$ 1,769,896</u></u>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Statement Of Revenues, Expenditures, And Change In Fund Balances - Governmental Funds**  
**Year Ended June 30, 2013**

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>				
Federal sources passed				
through local school district	\$ -	\$ 138,469	\$ -	\$ 138,469
State and local sources	2,007,860	-	79,977	2,087,837
Contributions and other revenue	89,027	-	-	89,027
Debt proceeds	400,000	-	-	400,000
<b>Total Revenues</b>	<u>2,496,887</u>	<u>138,469</u>	<u>79,977</u>	<u>2,715,333</u>
<b>Expenditures</b>				
Instruction	1,027,429	119,582	-	1,147,011
Pupil personnel services	203,848	-	-	203,848
Instructional media services	1,886	-	-	1,886
Instructional staff training	1,565	-	-	1,565
School district administration fee	45,137	-	-	45,137
School administration	376,739	-	-	376,739
Facilities acquisition and construction	535,942	-	-	535,942
Fiscal services	21,791	-	-	21,791
Food service	57,215	18,887	-	76,102
Transportation	9,372	-	-	9,372
Operation of plant	27,138	-	-	27,138
Maintenance of plant	9,038	-	-	9,038
Debt service principal	-	-	256,293	256,293
<b>Total Expenditures</b>	<u>2,317,100</u>	<u>138,469</u>	<u>256,293</u>	<u>2,711,862</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	176,316	176,316
Transfers out	(176,316)	-	-	(176,316)
<b>Net Other Financing Sources (Uses)</b>	<u>(176,316)</u>	<u>-</u>	<u>176,316</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	3,471	-	-	3,471
<b>Fund Balances At Beginning Of Year</b>	<u>472,435</u>	<u>-</u>	<u>-</u>	<u>472,435</u>
<b>Fund Balances At End Of Year</b>	<u>\$ 475,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,906</u>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Reconciliation Of The Statement Of Revenues, Expenditures**  
**And Change In Fund Balances Of The Governmental Funds To The Statement Of Activities**  
**June 30, 2013**

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<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 3,471
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense reported in the Statement of Activities is not reported as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(176,752)
Capital outlays reported as an expenditure in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds not reported in the Statement of Activities	541,469
Amortization of bond issuance costs reported in the Statement of Activities is not reported in the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	(23,709)
Issuance of long-term debt (note payable) provides current financial resources to governmental funds, while the repayment of the principal consumes current financial resources of governmental funds. Neither transaction has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items increased net position.	(400,000)
Principal expenditures on revenue bonds payable are expenditures in the Governmental Funds, but reduce noncurrent liabilities in the Statement of Net Position	<u>256,293</u>
<b>Change in Net Position - Statement of Activities</b>	<u><u>\$ 200,772</u></u>

## **Note A - Reporting Entity**

The Pepin Academies, Inc. (Academies) is a not-for-profit corporation formed under the laws of the state of Florida on April 20, 1999. Academies operates four charter schools, one of which is Pepin High School (Charter School). The governing body of the Academies is the not-for-profit corporation board of directors composed of no less than three members.

The general operating authority for the Charter School is contained in Section 228.056, Florida Statutes. The Charter School operates under a charter of the sponsoring school district, the Hillsborough County District School Board (District). The Charter School's current charter is effective until June 30, 2023. The charter may be renewed at the end of the contract term provided that the program review demonstrates that the Charter School'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 the Charter School 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 the Charter School with public funds and any unencumbered public funds revert back to the District. The Charter School is considered a component unit of the Hillsborough County District School Board and, for financial reporting purposes, is required to follow generally accepted accounting principles applicable to state and local governmental units.

The Charter School's financial statements include all assets, liabilities, revenue, and expenses not allocated to or used exclusively by any of the Academies' three other charter schools, and represent common assets utilized by all of the schools and liabilities for which the schools are liable.

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

## **Note B - Summary Of Significant Accounting Policies**

### *Basis Of Presentation*

The Charter School's basic financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. Accordingly, both government-wide (reporting on the Charter School 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. The Charter School has no business type activities.

### *Basic Financial Statements - Government-Wide Financial Statements*

In the government-wide statement of net position, the Charter School'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. The Charter School's net position is reported in three parts (as applicable): invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

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The government-wide statement of activities reports both the gross and net cost of each of the Charter School'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 the Charter School as an entity and the change in the Charter School's financial position resulting from the current year's activities.

*Basic Financial Statements - Fund Financial Statements*

The Charter School'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/expenses.

The individual generic fund type in the Charter School'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.

The Charter School utilizes the following governmental funds:

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

For purposes of these financial statements, the above funds are considered to be major funds.

Current accounting guidance defines the different types of fund balances that a governmental entity must use for financial reporting purposes and requires the fund balance amounts to be properly reported within one of the fund balance categories listed 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 Board (the Charter School's highest level of decision-making authority).
- *Assigned* fund balance is intended to be used by the Charter School for specific purposes but that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the Charter School's general fund and includes all spendable amounts not contained in the other classifications.

The Charter School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

*Basis Of Accounting*

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.

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- 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 exceptions to this general rule is that principal and interest on general obligation long-term debt, if any, is 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).

*Revenue Sources*

Revenues for current operation are received primarily from the Hillsborough County District School Board pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the Charter School 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 the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted FTE students reported by the Charter School 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 2012/2013 school year the Charter School reported 174.2510 unweighted FTE. Weighted funding represented approximately 55% of total state funding.

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), FS, and Rule 6A-03411, FAC)

The Charter School 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.

The Charter School receives charter school capital outlay funding from the District. The amount received under this program is based on the Charter School'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.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
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Additional revenues are derived from fundraising activities, contributions and investment earnings.

*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.

*Bond Issuance Costs*

Bond issuance costs incurred in connection with obtaining revenue bond financing are capitalized and amortized, on a straight-line basis over 12 years, the term of the related bond.

*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 the Charter School as assets that are used in operations and have useful lives that extend beyond a single accounting period. All capital assets are depreciated using the straight-line method over the estimated useful lives of the assets, 30 years for buildings and improvements and five to seven years for furniture, fixtures, and equipment.

*Inventory*

Inventory is recorded on a first in first out basis at the lower of cost or fair market value. The expenditure is recorded at the time the inventory is used in operations.

*Income Taxes*

The Academies 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. The Academies 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).

*Uncertain Tax Positions*

The Academies has evaluated its tax position for all open tax years and has not identified any uncertain tax positions which would require disclosure in the financial statements. The Academies is no longer subject to examination by the Internal Revenue Service (IRS) for years before 2009. The Academies is not currently under audit nor has the Academies been contacted by the IRS.

*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.

*Concentration Of Revenue Sources*

Approximately 96% of the Charter School'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 is renewable every 10 years. The level of the Charter School's operations and program services may be impacted or segments discontinued if funding is not renewed.

*Allocation Of Indirect Costs*

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

*Change In Accounting Principles*

The Charter School implemented GASB Statements 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, Deferred Inflows of Resources, and Net Position.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
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**Note C - Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities				
Land, buildings, and improvements	\$ 5,084,816	\$ 517,725	\$ -	\$ 5,602,541
Furniture, fixtures, and equipment	440,901	23,744	-	464,645
	<u>5,525,717</u>	<u>541,469</u>	<u>-</u>	<u>6,067,186</u>
Less accumulated depreciation				
Land, buildings, and improvements	1,061,850	145,198	-	1,207,048
Furniture, fixtures, and equipment	353,178	31,554	-	384,732
	<u>1,415,028</u>	<u>176,752</u>	<u>-</u>	<u>1,591,780</u>
	<u>\$ 4,110,689</u>	<u>\$ 364,717</u>	<u>\$ -</u>	<u>\$ 4,475,406</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 105,826
Instructional media services	1,910
Administration	62,172
Food services	6,406
Operation of plant	438
	<u>\$ 176,752</u>

**Note D - 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, 2013:

School District of Hillsborough County	
Base student allocation	\$ 663,083
ESE guaranteed allocation	1,056,204
Supplemental academic instruction	34,327
Class size reduction funds	167,193
Other FEFP	3,182
Discretionary local effort	40,014
Discretionary millage	23,285
Proration to funds available	(3,121)
Instructional and science laboratory materials	13,232
Transportation	10,461
Charter school capital outlay	79,977
Federal via Florida Department of Education	119,582
Food service	18,887
Donations and other local sources	89,027
	<u>\$ 2,315,333</u>

**Note E - Revenue Bonds Payable And Note Payable**

*Revenue Bonds Payable*

On June 28, 2010 the City of Tampa, Florida (the City) issued \$3.7 million of revenue bonds (City of Tampa, Florida Educational Facilities Refunding Revenue Bonds (Pepin Academy of Tampa, Inc. Project), Series 2010). Immediately thereafter, the City loaned the \$3.7 million proceeds to the Academies on a note payable.

In connection with the transaction, the City assigned its rights in its note receivable from the Academies to a commercial bank. This note payable matures July 15, 2022; requires monthly payments of \$34,032, including interest at 4.785%; and is collateralized by substantially all of the Academies' assets, including property and equipment.

Long-term debt changes related to revenue bonds payable during the year ended June 30, 2013 are as follows:

Revenue Bonds Payable	
Balance at July 1, 2012	\$ 3,251,084
Less: principal payments	<u>256,293</u>
Balance at June 30, 2013	<u>\$ 2,994,791</u>

*Note Payable*

On July 25, 2012, the Academies incurred a \$400,000 note payable to a commercial bank. The note requires monthly interest only payments of \$1,688. The entire principal balance is due July 25, 2014. This note is collateralized by a modular building containing six classrooms which was acquired during the 2012/2013 school year.

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Long-term debt changes related to note payable during the year ended June 30, 2013 are as follows:

Note Payable	
Balance at July 1, 2012	\$ -
Borrowings	400,000
Balance at June 30, 2013	<u>\$ 400,000</u>

Capital Outlay Funding received from the state was \$79,977 in the 2012/2013 school year. This amount was used in total to fund Debt Service Fund expenses of \$256,293. An additional \$176,316 was transferred from the General Fund to the Debt Service Fund to fund the excess of debt service expense over capital outlay revenue received.

Following is a summary of the future annual debt service requirements at June 30, 2013:

Year ending June 30,	Revenue Bonds Payable			Note Payable		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 269,007	\$ 139,377	\$ 408,384	\$ -	\$ 20,253	\$ 20,253
2015	282,352	126,032	408,384	400,000	1,688	401,688
2016	296,056	112,328	408,384	-	-	-
2017	311,045	97,339	408,384	-	-	-
2018	326,476	81,908	408,384	-	-	-
2019 - 2023	1,509,855	157,714	1,667,569	-	-	-
	<u>\$ 2,994,791</u>	<u>\$ 714,698</u>	<u>\$ 3,709,489</u>	<u>\$ 400,000</u>	<u>\$ 21,941</u>	<u>\$ 421,941</u>

Interest expense and related fees paid during the year ended June 30, 2013 was approximately \$152,091. The note payable contains certain financial covenants that require, among other things, maintenance of minimum debt service coverage ratio.

*Allocations To The Schools*

Debt service interest and principal approximates the rental value of the building housing the Academies' four schools. The interest expense and principal was paid by the Academies and allocated to the schools as follows:

	Allocated Amount		
	Interest	Principal	Total
Pepin High School	\$ (131,722)	\$ 256,293	\$ 124,571
Pepin Middle School	158,640	-	158,640
Pepin Elementary School	69,790	-	69,790
Pepin Transitional School	55,383	-	55,383
	<u>\$ 152,091</u>	<u>\$ 256,293</u>	<u>\$ 408,384</u>

**Note F - Risk Management Program**

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

**Note G - Related Party Transactions**

The Charter School's financial statements include all assets, liabilities, revenue and expenses not allocated to or used exclusively by any of the Academies' three other charter schools and represent common assets utilized by all of the schools and liabilities for which the schools are liable.

**The Pepin Academies, Inc. d/b/a Pepin High School**  
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The Charter School receives reimbursements from the other Academies schools of the common costs that it incurs as follows:

	Pepin Middle School (PMS)	Pepin Elementary School (PES)	Pepin Transitional School (PTS)	Total
Costs				
Instruction	\$ 48,225	\$ 32,573	\$ 8,242	\$ 89,040
Pupil personnel	14,144	9,515	6,067	29,726
Instructional media services	1,500	1,017	640	3,157
Instructional staff training	7,228	4,907	1,600	13,735
School administration	34,465	23,342	16,177	73,984
Facilities acquisition	102,350	22,350	18,782	143,482
Fiscal services	5,043	8,818	5,511	19,372
Food services	31,750	22,530	5,886	60,166
Transportation	912	416	1,456	2,784
Plant operating costs	130,874	72,287	35,980	239,141
Maintenance of plant	3,962	3,798	1,833	9,593
Debt service interest	151,551	83,455	43,627	278,633
Costs Incurred	<u>\$ 532,004</u>	<u>\$ 285,008</u>	<u>\$ 145,801</u>	<u>\$ 962,813</u>
Reimbursements Received	<u>\$ 651,925</u>	<u>\$ 441,665</u>	<u>\$ 145,801</u>	<u>\$ 1,239,391</u>

The reimbursements included amounts incurred in the prior year.

The costs are allocated in accordance with the respective schools' FTEs or other drivers based on resource usage. Debt service interest allocated represents the estimated rental value of the portion of the total facility utilized by the respective school.

The expense amounts reported in the accompanying financial statements are reported net of the above charges to PMS, PES, and PTS and represent the Charter School's costs only.

At June 30, 2013, the net amount from the Charter School on noninterest-bearing advances to and from PMS, PES, and PTS was \$787,939 and is included in accounts payable, related entities in the accompanying statement of net position.

Academies, Inc. was formed to promote and raise funds for the Charter School and the other Academies schools. During the year ended June 30, 2013, the Charter School received \$14,442 of fundraising proceeds; additionally, \$3,031 from The Academies, Inc. is included in Due From Academies, Inc. in the accompanying statement of net position at June 30, 2013.

Approximately \$2,342 is due from the Charter School's Booster Club and Parent Teacher Organization at June 30, 2013 and is included in accounts payable, related entities on the accompanying statement of net position.

#### **Note H - School Employees Benefit Plan**

The Charter School 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. The Charter School may, but is not required to, make a discretionary matching contribution to the Plan. During the year ended June 30, 2013, the Charter School made discretionary matching contributions to the Plan totaling \$25,149.

#### **Note I - Subsequent Events**

On July 1, 2013, the Pepin High School charter was renewed as a kindergarten through grade 12 charter expiring June 30, 2023. Additionally, the name of the school was changed to Pepin Academies. Effective July 1, 2013, all students previously served by PES, PMS, and Pepin High School will be served by Pepin Academies.

Management has evaluated all events subsequent to the statement of net position date of June 30, 2013 through September 27, 2013, which is the date these financial statements were available to be issued.

## **Supplementary Information**

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State and local sources	\$ 2,000,994	\$ 2,010,013	\$ 2,007,860	\$ (2,153)
Contributions and other revenue	93,060	88,102	89,027	925
Debt proceeds	400,000	400,000	400,000	-
<b>Total Revenues</b>	<b>2,494,054</b>	<b>2,498,115</b>	<b>2,496,887</b>	<b>(1,228)</b>
<b>Expenditures</b>				
Instruction	968,107	1,046,818	1,027,429	19,389
Pupil personnel services	264,323	168,345	203,848	(35,503)
Instructional media services	4,735	1,134	1,886	(752)
Instructional staff training	3,568	3,568	1,565	2,003
School district administration fee	100,050	45,137	45,137	-
School administration	359,948	375,223	376,739	(1,516)
Facilities acquisition and construction	405,208	513,799	535,942	(22,143)
Fiscal services	11,933	13,514	21,791	(8,277)
Food services	56,430	60,687	57,215	3,472
Transportation	16,733	10,628	9,372	1,256
Operation of plant	181,535	171,403	27,138	144,265
Maintenance of plant	18,349	6,490	9,038	(2,548)
<b>Total Expenditures</b>	<b>2,390,919</b>	<b>2,416,746</b>	<b>2,317,100</b>	<b>99,646</b>
<b>Other Financing Uses</b>				
Transfers out	(64,421)	(66,811)	(176,316)	(109,505)
<b>Net Change In Fund Balance</b>	<b>38,714</b>	<b>14,558</b>	<b>3,471</b>	<b>(11,087)</b>
<b>Fund Balance At Beginning Of Year</b>	<b>472,435</b>	<b>472,435</b>	<b>472,435</b>	<b>-</b>
<b>Fund Balance At End Of Year</b>	<b>\$ 511,149</b>	<b>\$ 486,993</b>	<b>\$ 475,906</b>	<b>\$ (11,087)</b>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Budgetary Comparison Schedule - Special Revenue Fund**  
**Year Ended June 30, 2013**

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	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Federal sources passed through local school district	\$ 131,269	\$ 132,371	\$ 138,469	\$ 6,098
Expenditures				
Instruction	103,269	117,745	119,582	(1,837)
Food service	28,000	14,626	18,887	(4,261)
Total Expenditures	131,269	132,371	138,469	(6,098)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance At Beginning Of Year</b>	-	-	-	-
<b>Fund Balance At End Of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**The Pepin Academies, Inc. d/b/a Pepin High School**  
**A Charter School And Component Unit Of The Hillsborough County District School Board**  
**Budgetary Comparison Schedule - Debt Service Fund**  
**Year Ended June 30, 2013**

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	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 84,323	\$ 76,000	\$ 79,977	\$ 3,977
Expenditures				
Debt service principal	148,744	142,811	256,293	(113,482)
Other Financing Sources				
Transfers in	64,421	66,811	176,316	109,505
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance At Beginning Of Year</b>	-	-	-	-
<b>Fund Balance At End Of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**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***

Board of Directors  
The Pepin Academies, Inc.  
d/b/a Pepin High School  
Tampa, 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 The Pepin Academies, Inc. d/b/a Pepin High School (Charter School), a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Charter School's basic financial statements, and have issued our report thereon dated September 27, 2013.

**Internal Control Over Financial Reporting**

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

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

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

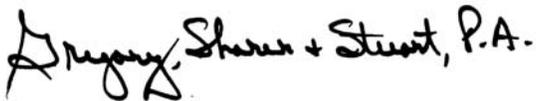
**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether The Pepin Academies, Inc. d/b/a Pepin High School '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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

**Gregory, Sharer & Stuart, P.A.**

A handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." The signature is written in a cursive style with a large initial 'G'.

St. Petersburg, Florida  
September 27, 2013



### Independent Auditor's Management Letter

Board of Directors  
The Pepin Academies, Inc.  
d/b/a Pepin High School  
Tampa, Florida

We have audited the financial statements of The Pepin Academies, Inc., d/b/a Pepin High School, a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2013, and have issued our report thereon dated September 27, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated September 27, 2013, should be considered in conjunction with this management letter.

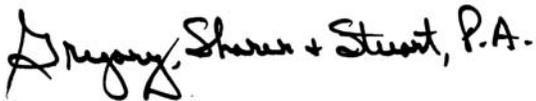
Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter schools and similar entity audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

1. 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 June 30, 2012 financial audit report.
2. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that The Pepin Academies, Inc., d/b/a Pepin High School did not meet any of the conditions described in Section 218.503(1), Florida Statutes, which may result in a state of financial emergency.
3. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
4. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is The Pepin Academies, Inc. d/b/a Pepin High School.

6. Section 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor The Pepin Academies, Inc. d/b/a Pepin High School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

**Gregory, Sharer & Stuart, P.A.**

A handwritten signature in black ink that reads "Gregory, Sharer & Stuart, P.A." with a stylized flourish at the end.

St. Petersburg, Florida  
September 27, 2013