

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

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

Financial Statements

June 30, 2014

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Independent Auditor's Report

Board of Directors
The Pepin Academies, Inc.
d/b/a Pepin Transitional 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 Transitional School (Charter School), a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2014, 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 Transitional School as of June 30, 2014, 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

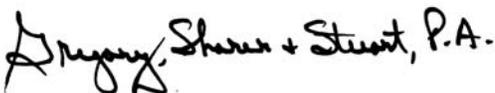
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 9 and the Budgetary Comparison Schedules on pages 24 through 26 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 which 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 26, 2014 on our consideration of The Pepin Academies, Inc. d/b/a Pepin Transitional 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 Transitional School's internal control over financial reporting and compliance.

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 26, 2014

**Management's Discussion And Analysis
(Unaudited)**

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Management's Discussion And Analysis (Unaudited)
June 30, 2014

The following pages represent Management's Discussion and Analysis (MD&A) of The Pepin Academies, Inc., d/b/a Pepin Transitional School (Pepin). It depicts and reviews the financial picture and activities of Pepin as of and for the year ended June 30, 2014.

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 assets and how they have 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.

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 Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Management's Discussion And Analysis (Unaudited)
June 30, 2014

Financial Highlights

- The year ended June 30, 2014 was Pepin's eighth year of operations.
- Net position increased \$21,769 from \$388,854 at June 30, 2013 to \$410,623 at June 30, 2014. The net increase is composed of the following:

	<u>Increase</u>
Invested in capital assets	\$ 12,611
Unrestricted net assets	<u>9,158</u>
	<u>\$ 21,769</u>

The net increase in Net Assets Invested in Capital Assets resulted from the following:

	<u>Increase (Decrease)</u>
Capital assets purchased	\$ 17,043
Depreciation expense	<u>(4,432)</u>
	<u>\$ 12,611</u>

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

- Total assets increased \$36,888 from \$409,058 at June 30, 2013 to \$445,946 at June 30, 2014. The net increase is attributable to the following:

	<u>Increase (Decrease)</u>
Cash	\$ 266,684
Accounts receivable, related entities	(245,746)
Accounts receivable, other	3,339
Capital assets, net of accumulated depreciation	<u>12,611</u>
	<u>\$ 36,888</u>

The net increase in Capital Assets resulted from \$17,043 of capital assets purchased less \$4,432 of depreciation expense. Other changes resulted from ordinary operations as discussed below.

- Total liabilities increased \$15,119 from \$20,204 at June 30, 2013 to \$35,323 at June 30, 2014. The net increase is attributable to the following:

	<u>Increase (Decrease)</u>
Accounts payable	\$ (1,407)
Accrued payroll	<u>16,526</u>
	<u>\$ 15,119</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional School
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Management's Discussion And Analysis (Unaudited)
June 30, 2014

- Total revenues were \$985,163 for the year ended June 30, 2014, a net decrease of \$61,595 from total revenues of \$1,046,758 for the year ended June 30, 2013, and consisted of the following:

Federal sources passed through local school district	\$ 47,350
State and local sources	772,980
Contributions and other revenue	164,833
	<u>\$ 985,163</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 62.1765 students for the 2013/2014 school year, a decrease of 6.6735 from the 2012/2013 school year. The ESE Guaranteed Allocation FTE population was 61.5000 students for the 2013/2014 school year, a decrease of 6.000 from the 2012/2013 school year.

Contributions and other revenue for the year ended June 30, 2014 consisted of \$7,860 student-paid lunches, \$103,434 community service child care fees, plus miscellaneous donations and other revenue of \$53,539.

Pepin anticipates increased state and local sources revenue during the 2014/2015 school year due to increased FEFP rates. Pepin anticipates no substantive change in enrollment. Contributions and other revenues will likely be unchanged.

- General Fund expenditures were \$892,449 for the year ended June 30, 2014, a decrease of \$36,951 from the year ended June 30, 2013 and consisted of the following:

Instruction and pupil personnel services	\$ 439,255
School administration	234,721
Fiscal services	4,798
Food service	9,715
Transportation	9,201
Operation and maintenance of plant	49,304
Community service	145,455
	<u>\$ 892,449</u>

The above costs are proportionate to the level of costs incurred in serving the student population.

Costs are expected to be approximately the same in the 2014-2015 school year.

- Capital Outlay Funding received from the state was \$39,460 in the 2013/2014 school year. This amount was used to fund debt service expenses of \$36,206. \$3,254 was transferred to the general fund from the debt service fund to cover the instructional capital outlay costs paid from the general fund.

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Management's Discussion And Analysis (Unaudited)
June 30, 2014

General Fund Budget Comparison

Pepin's budget was prepared prior to the start of the 2013/2014 school year and was revised several times during the school year to reflect revenue decreases and under budgeted costs of providing services to students. The net variance from the final budget was \$17,042 positive and was a consequence of the following general factors:

	Positive (Negative) Variance
Revenue impact of FTE and student population mix variance from budget	\$ 3,520
Actual contribution and fund raising event revenue lower than amount budgeted	6,433
Higher than anticipated costs of providing services to students	(32,942)
Lower than anticipated administration, fiscal services, and plant operation costs	3,548
Excess of debt service principal over revenue earmarked for debt service	36,483
	<u>\$ 17,042</u>

Capital Assets

Capital assets acquired during the 2013/2014 school year with cost greater than Pepin's minimum capitalization threshold (\$750) were \$17,043. Depreciation expense in the government-wide financial statements was calculated utilizing the straight-line method and useful life of 5 years for furniture, fixtures, and classroom equipment. Total depreciation expense for the year ended June 30, 2014 was \$4,432.

At June 30, 2014 capital assets consist of:

Furniture, fixtures, and classroom equipment	\$ 62,053
Accumulated depreciation	(44,187)
Total capital assets, net of depreciation	<u>\$ 17,866</u>

Economic Factors And Next Year's Budget

The 2013/2014 school year was Pepin's eighth year of operations. It was a very successful year educationally but somewhat challenging financially because of an approximate 10% decrease in student enrollment.

Pepin hoped to enroll additional students during the school year but were not able to. Pepin foresaw the decrease in enrollment and was able to manage costs such that a modest excess of revenues over expenditures was achieved for the school year.

Pepin is very confident that it has the staff and other resources in place to continually deliver first rate educational services and is actively seeking new ways to enroll additional students for the coming school year.

Pepin serves a population of students on a fulltime 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 Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Statement Of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash	\$ 342,469
Accounts Receivable	3,341
Accounts Receivable, Related Entities	82,270
Capital Assets	
Furniture, fixtures, and classroom equipment	62,053
Accumulated depreciation	<u>(44,187)</u>
Total Capital Assets, Net of Depreciation	<u>17,866</u>
Total Assets	<u><u>\$ 445,946</u></u>
 Liabilities And Net Position	
Liabilities	
Accounts payable	\$ 619
Accrued payroll	<u>34,704</u>
Total Liabilities	<u>35,323</u>
Net Position	
Invested in capital assets	17,866
Unrestricted	<u>392,757</u>
Total Net Position	<u>410,623</u>
Total Liabilities And Net Position	<u><u>\$ 445,946</u></u>

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Statement Of Activities
Year Ended June 30, 2014

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position - Governmental Activities
Governmental Activities					
Instruction	\$ 410,249	\$ -	\$ -	\$ -	\$ (410,249)
Pupil personnel services	75,884	-	-	-	(75,884)
Instructional media services	398	-	-	-	(398)
Instructional staff training	3,309	-	-	-	(3,309)
School district administration fee	16,960	-	-	-	(16,960)
School administration	218,958	-	-	-	(218,958)
Facilities acquisition and construction	(17,043)	-	-	-	17,043
Fiscal services	4,798	-	-	-	(4,798)
Food service	17,575	7,860	-	-	(9,715)
Transportation	9,201	-	-	-	(9,201)
Operation of plant	47,013	-	-	-	(47,013)
Maintenance of plant	2,291	-	-	-	(2,291)
Community services	248,889	103,434	-	-	(145,455)
Debt service interest	36,206	-	-	-	(36,206)
Total Primary Government	<u>\$ 1,074,688</u>	<u>\$ 111,294</u>	<u>\$ -</u>	<u>\$ -</u>	(963,394)
General Revenues					
Federal sources passed through local school district					47,350
State and local sources					772,980
Contributions and other revenue					<u>164,833</u>
Total General Revenues					<u>985,163</u>
Change in Net Position					21,769
Net Position At Beginning Of Year					<u>388,854</u>
Net Position At End Of Year					<u>\$ 410,623</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Balance Sheet - Governmental Funds
June 30, 2014

	<u>Governmental Funds</u>
Assets	
Cash	\$ 342,469
Accounts Receivable	3,341
Accounts Receivable, Related Entities	<u>82,270</u>
Total Assets	<u>\$ 428,080</u>
Liabilities And Fund Balance	
Liabilities	
Accounts payable	\$ 619
Accrued payroll	<u>34,704</u>
Total Liabilities	35,323
Fund Balance	
Unassigned	<u>392,757</u>
Total Liabilities and Fund Balance	<u>\$ 428,080</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional 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, 2014

Total Fund Balance - Governmental Funds \$ 392,757

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are
not reported in the Governmental Funds 17,866

Total Net Position - Statement of Net Position \$ 410,623

The Pepin Academies, Inc. d/b/a Pepin Transitional 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, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Revenues				
Federal sources passed				
through local school district	\$ -	\$ 47,350	\$ -	\$ 47,350
State and local sources	733,520	-	39,460	772,980
Contributions and other revenue	164,833	-	-	164,833
Total Revenues	<u>898,353</u>	<u>47,350</u>	<u>39,460</u>	<u>985,163</u>
Expenditures				
Instruction	359,664	47,350	-	407,014
Pupil personnel services	75,884	-	-	75,884
Instructional media services	398	-	-	398
Instructional staff training	3,309	-	-	3,309
School district administration fee	16,960	-	-	16,960
School administration	217,761	-	-	217,761
Fiscal services	4,798	-	-	4,798
Food service	9,715	-	-	9,715
Transportation	9,201	-	-	9,201
Operation of plant	47,013	-	-	47,013
Maintenance of plant	2,291	-	-	2,291
Community services	145,455	-	-	145,455
Debt service interest	-	-	36,206	36,206
Total Expenditures	<u>892,449</u>	<u>47,350</u>	<u>36,206</u>	<u>976,005</u>
Other Financing Sources (Uses)				
Transfers in	3,254	-	-	3,254
Transfers out	-	-	(3,254)	(3,254)
Net Other Financing Sources (Uses)	<u>3,254</u>	<u>-</u>	<u>(3,254)</u>	<u>-</u>
Net Change in Fund Balances	9,158	-	-	9,158
Fund Balances At Beginning Of Year	<u>383,599</u>	<u>-</u>	<u>-</u>	<u>383,599</u>
Fund Balances At End Of Year	<u>\$ 392,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,757</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional 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, 2014

Net Change in Fund Balances - Governmental Funds \$ 9,158

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 Change in Fund Balances - Governmental Funds (4,432)

Capital outlays reported as an expenditure in the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds not reported in the Statement of Activities 17,043

Change in Net Position - Statement of Activities \$ 21,769

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 two charter schools, one of which is Pepin Transitional School (Charter School). The governing body of Academies is a 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.

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.

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.

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Notes To Basic Financial Statements
June 30, 2014

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 action 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.
- *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).

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Notes To Basic Financial Statements
June 30, 2014

Revenue Sources

Revenues for current operations 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 fulltime 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 2013/2014 school year, the Charter School reported 62.1765 unweighted FTE. Weighted funding represented approximately 54% 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.

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.

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 of five to seven years for furniture, fixtures, and classroom equipment.

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Notes To Basic Financial Statements
June 30, 2014

Income Taxes

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. 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

Academies has evaluated its tax positions for all open tax years and has not identified any uncertain tax positions which would require disclosure in the financial statements. Academies is no longer subject to examination by the Internal Revenue Service (IRS) for years before 2010. Academies is not currently under audit nor has 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 83% 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.

Note C - Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities				
Furniture, fixtures, and classroom equipment	\$ 45,010	\$ 17,043	\$ -	\$ 62,053
Less accumulated depreciation	39,755	4,432	-	44,187
	<u>\$ 5,255</u>	<u>\$ 12,611</u>	<u>\$ -</u>	<u>\$ 17,866</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 3,235
Administration	1,197
	<u>\$ 4,432</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Notes To Basic Financial Statements
June 30, 2014

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, 2014:

School District of Hillsborough County	
Base student allocation	\$ 236,151
ESE guaranteed allocation	390,659
Supplemental academic instruction	11,993
Class size reduction funds	56,666
Other FAFP	989
Discretionary local effort	14,218
Discretionary millage	8,118
Proration to funds available.	(1,105)
Discretionary lottery	577
Instructional and science laboratory materials	4,801
Teacher salary allocation	10,244
Additional allocation	209
Charter school capital outlay	39,460
Federal via Florida Department of Education	47,350
Donations and other local sources	164,833
	<u>\$ 985,163</u>

Capital Outlay Funding received from the State was \$39,460 in the 2013/2014 school year. This amount was used to fund debt service fund expenses of \$36,206. An additional \$3,254 was transferred from the debt service fund to the general fund representing the excess of capital outlay revenue over debt service expenditures.

Note E - 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 F - Related Party Transactions

The buildings housing Academies' two schools are owned by Academies and subject to bonded debt and a note payable. Academies also owns furniture and other equipment shared by the two schools. The cost of these assets, the bonded debt, and the note payable is reflected on The Pepin Academies, Inc.'s financial statements.

The total cost and accumulated depreciation of Academies' building and equipment was approximately \$6,675,000 and \$2,133,000, respectively, at June 30, 2014. The outstanding principal on the debt collateralized by the buildings was approximately \$3,020,000 at June 30, 2014.

Certain common expenses, including the costs associated with the buildings and equipment discussed above, are paid by Academies and allocated proportionately to the schools based on each school's FTEs or other drivers based on resource usage. The remainder of each school's expenses is paid directly by the respective school. During the year ended June 30, 2014, the following expenses, including the costs associated with the buildings and equipment discussed above, were paid by Academies and allocated to the Charter School:

Costs	
Instruction	\$ 12,789
Pupil personnel	523
Instructional media services	246
Instructional staff training	1,768
School administration	33,413
Facilities acquisition	-
Fiscal services	4,441
Food services	5,212
Transportation	1,506
Plant operating costs	36,270
Maintenance of plant	2,806
Debt service interest	36,208
Costs Incurred	<u>\$ 135,182</u>
Reimbursements Received	<u>\$ 135,182</u>

The Charter School in turn remitted \$135,182 to Academies during the year ended June 30, 2014 in payment of these expenses.

The debt service interest allocated represents the estimated rental value of the portion the total facility utilized by the Charter School.

At June 30, 2014, the net amount due the Charter School on noninterest-bearing advances to Academies was \$82,270.

Pepin Academies Support Services, Inc. (PASS) was formed to promote and raise funds for Academies' schools. During the year ended June 30, 2014, the Charter School's received \$12,000 fundraising proceeds PASS.

Note G - 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, 2014, the Charter School made discretionary matching contributions to the Plan totaling \$9,834.

Note H - Subsequent Events

Management has evaluated all events subsequent to the statement of net position date of June 30, 2014 through September 26, 2014, which is the date these financial statements were available to be issued.

**Required Supplementary Information
(Unaudited)**

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Budgetary Comparison Schedule - General Fund (Unaudited)
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 730,000	\$ 730,000	\$ 733,520	\$ 3,520
Contributions and other revenue	158,400	158,400	164,833	6,433
Total Revenues	888,400	888,400	898,353	9,953
Expenditures				
Instruction	329,216	329,216	359,664	(30,448)
Pupil personnel services	68,238	68,238	75,884	(7,646)
Instructional media services	325	325	398	(73)
Instructional staff training	4,174	4,174	3,309	865
School district administration fee	16,104	16,104	16,960	(856)
School administration	186,083	186,083	217,761	(31,678)
Facilities acquisition and construction	5,490	5,490	-	5,490
Fiscal services	5,663	5,663	4,798	865
Food services	10,292	10,292	9,715	577
Transportation	11,638	11,638	9,201	2,437
Operation of plant	74,451	74,451	47,013	27,438
Maintenance of plant	4,580	4,580	2,291	2,289
Community services	146,801	146,801	145,455	1,346
Total Expenditures	863,055	863,055	892,449	(29,394)
Other Financing (Uses)				
Transfers in (out)	(33,229)	(33,229)	3,254	36,483
Net Change In Fund Balance	(7,884)	(7,884)	9,158	17,042
Fund Balance At Beginning Of Year	383,599	383,599	383,599	-
Fund Balance At End Of Year	\$ 375,715	\$ 375,715	\$ 392,757	\$ 17,042

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Budgetary Comparison Schedule - Special Revenue Fund (Unaudited)
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Federal sources passed through local school district	\$ 39,091	\$ 39,091	\$ 47,350	\$ 8,259
Expenditures				
Instruction	39,091	39,091	47,350	(8,259)
Net Change in Fund Balance	-	-	-	-
Fund Balance At Beginning Of Year	-	-	-	-
Fund Balance At End Of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Pepin Academies, Inc. d/b/a Pepin Transitional School
A Charter School And Component Unit Of The Hillsborough County District School Board
Budgetary Comparison Schedule - Debt Service Fund (Unaudited)
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 21,700	\$ 21,700	\$ 39,460	\$ 17,760
Expenditures				
Debt service	54,929	54,929	36,206	18,723
Other Financing Sources				
Transfers (out) in	33,229	33,229	(3,254)	(36,483)
Net Change in Fund Balance	-	-	-	-
Fund Balance At Beginning Of Year	-	-	-	-
Fund Balance At End Of Year	<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 Transitional 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 Transitional School (Charter School), a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2014, 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 26, 2014.

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 Transitional 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 Transitional 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.

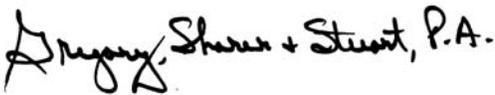
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Transitional 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 Pepin Academies, Inc. d/b/a Pepin Transitional School'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 Pepin Academies, Inc. d/b/a Pepin Transitional School'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." with a stylized flourish at the end.

St. Petersburg, Florida
September 26, 2014



Independent Auditor's Management Letter

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

Report On The Financial Statements

We have audited the financial statements of The Pepin Academies, Inc. d/b/a Pepin Transitional School, a component unit of the Hillsborough County District School Board, as of and for the year ended June 30, 2014, and have issued our report thereon dated September 26, 2014.

Auditor's Responsibility

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.

Other Reporting Required By *Government Auditing Standards*

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 26, 2014, 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.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not The Pepin Academies, Inc. d/b/a Pepin Transitional 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 Transitional School's did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for The Pepin Academies, Inc. d/b/a Pepin Transitional School. It is management's responsibility to monitor The Pepin Academies, Inc. d/b/a Pepin Transitional 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 the same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether The Pepin Academies, Inc. d/b/a Pepin Transitional School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that The Pepin Academies, Inc. d/b/a Pepin Transitional School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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.

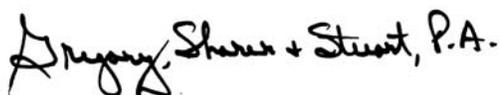
Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

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 Transitional School.

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, 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.

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

St. Petersburg, Florida
September 26, 2014