

The Pepin Academies, Inc.

**A Charter School and Component Unit
of the School Board of Hillsborough County**

Financial Statements

June 30, 2017



Gregory, Sharer & Stuart

Certified Public Accountants and Business Consultants

Table of Contents

	Page No.
Independent Auditor's Report	3-4
Management's Discussion and Analysis (Unaudited)	6-9
Basic Financial Statements	
Government-Wide	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of the Governmental Funds to the Statement of Activities	16
Notes to Basic Financial Statements	17-22
Required Supplementary Information (Unaudited)	
Budgetary Comparison Schedule - General Fund (Unaudited)	24
Budgetary Comparison Schedule - Special Revenue Fund (Unaudited)	25
Budgetary Comparison Schedule - Debt Service Fund (Unaudited)	26
Budgetary Comparison Schedule - Capital Project Fund (Unaudited)	27
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 <i>Government Auditing Standards</i>	28-29
Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Charter School Audits</i>	
Independent Auditor's Management Letter	30-31



Independent Auditor's Report

Board of Directors
The Pepin Academies, Inc.
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. (Pepin), a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pepin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. as of June 30, 2017, 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

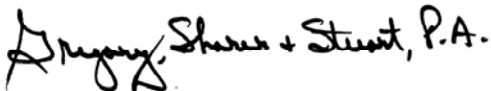
Required Supplementary Information

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 27 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 October 2, 2017 on our consideration of The Pepin Academies, Inc.'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.'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." The signature is written in a cursive style with a large initial 'G'.

St. Petersburg, Florida
October 2, 2017

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

The following pages represent Management's Discussion and Analysis (MD&A) of The Pepin Academies, Inc. (Pepin). It depicts and reviews the financial picture and activities of Pepin as of and for the year ended June 30, 2017.

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), 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.
A Charter School and Component Unit of the School District of Hillsborough County
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Financial Highlights

- The year ended June 30, 2017 was Pepin's fourth year operating under a single charter serving grade three through grade 12 students and the second year including Pepin Academies Transitional School. In prior years, Pepin operated as separate schools under separate charters: Pepin Elementary School, Pepin Middle School, Pepin High School, and Pepin Transitional School. In addition, the campus in Riverview, Florida also completed its fourth year of operations and the first year at its new facility. Pepin Academies finished the year at 759 students for all campuses.
- Net position decreased \$773,720 from \$3,711,645 at June 30, 2016 to \$2,937,925 at June 30, 2017. The net decrease is composed of the following:

	Net Position, End of Year		
	Governmental Activities		
	June 30, 2017	June 30, 2016	Increase (Decrease)
Assets			
Current and other assets	\$ 3,368,163	\$ 1,986,383	\$ 1,381,780
Capital assets, net	12,262,196	4,357,062	7,905,134
Total assets	<u>\$15,630,359</u>	<u>\$ 6,343,445</u>	<u>\$ 9,286,914</u>
Liabilities			
Current liabilities	\$ 782,790	\$ 722,199	\$ 60,591
Noncurrent liabilities	11,909,644	1,909,601	10,000,043
Total liabilities	<u>12,692,434</u>	<u>2,631,800</u>	<u>10,060,634</u>
Net position			
Net investment in capital assets	352,552	2,059,457	(1,706,905)
Unrestricted	2,585,373	1,652,188	933,185
Total net position	<u>\$ 2,937,925</u>	<u>\$ 3,711,645</u>	<u>\$ (773,720)</u>

Current and other assets consist of cash, restricted cash and cash equivalents, accounts receivable, prepaid and other current assets. Restricted cash and cash equivalents represents funds that are restricted for future debt service and project construction requirements under the terms of the bond agreements. Capital assets are reported net of depreciation and consist of leasehold improvements and furniture, fixtures, and equipment. Current liabilities consist of accounts payable, accrued salaries, various accrued expenses, while long-term liabilities consist of revenue bonds payable.

The Pepin Academies, Inc.
A Charter School and Component Unit of the School District of Hillsborough County
Management's Discussion and Analysis (Unaudited)
June 30, 2017

Changes in the School's Net Position for the fiscal years ended June 30, 2017 and 2016 are shown in the table below.

	Operating Results for the Year		
	Governmental Activities		
	June 30, 2017	June 30, 2016	Increase (Decrease)
Revenue			
Federal through state and local	\$ -	\$ -	\$ -
State and local sources	9,452,783	8,662,732	790,051
Contributions and other revenue	390,320	203,538	186,782
Total revenue	9,843,103	8,866,270	976,833
Expenses			
Instruction	5,821,365	5,142,066	679,299
Pupil personnel services	936,942	711,079	225,863
Instructional media services	2,167	5,377	(3,210)
Instructional staff training	4,032	10,355	(6,323)
School district administration fee	73,983	111,814	(37,831)
School administration	1,756,164	1,474,831	281,333
Facilities acquisition	-	30,813	(37,813)
Fiscal services	73,460	70,100	3,360
Food serves	57,594	25,367	32,227
Transportation	28,119	21,225	6,896
Operation of plant	835,767	665,501	170,266
Maintenance of plant	56,484	44,346	12,138
Community service	(1,146)	16,868	(18,014)
Bond issuance costs	357,452	23,709	333,743
Debt service interest	614,440	120,933	493,507
Total expenses	10,616,823	8,474,384	2,142,439
Change in net position	\$ (773,720)	\$ 391,886	\$ (1,165,606)

The funding sources comes primarily from the School's sponsor which is the School District of Hillsborough County ("sponsor"). Approximately 86% of this funding is revenues received by the Florida Education Finance Program (FEFP) that is funded by the State of Florida. Calculation of FEFP revenues involves a funding formula based upon student enrollment data. The school serves a population of students on a fulltime basis with a wide range of learning and learning related differences. Because of this population, each student at the school has an IEP (Individual Education Plan). The level of funding for each student is determined by the need or level of service each individual child requires. A representative from the sponsor, school staff, and each student's parent(s) or guardian(s) determine these levels jointly.

Other revenue sources but are not limited to include the State of Florida Charter School Capital Outlay funds and IDEA (Federal sourced) disbursements. Contributions and other revenues consist of fundraising revenue and donations, childcare services, cafeteria revenues, and rents received from tenant of space located at the Riverview campus.

The largest expenditures are for instructional expenses, which account for approximately 55% of the total expenses for the 2016/2017 school year. Instruction, pupil personnel, school administration, and food services increased from prior year resulting in an increase in staffing and service needs due to increase in enrollment. Operation of plant increase is a result of the purchase of the new site for Pepin's Riverview campus. During the 2016/2017 year Riverview operated out of two campuses while transition was being made to permanent site. Bond issuance costs increased as a result of the expensing of bond issuance costs incurred during the year and writing off bond issuance costs related to bonds that were refinanced in the current year. Other remaining expense categories have increased and decreased due to general economic financial needs of the school.

Governmental Funds

The School reported combined fund balance of \$2,937,925 for the year ended June 30, 2017 down from \$3,711,645 reported on June 30, 2016.

Budgetary Highlights

The School's budget was prepared and approved by the school's Board of Directors at the start of 2016/2017 school year and developed based on the anticipated revenues and expenditures and expected student enrollment.

Capital Assets

Assets acquired during the school year with a cost greater than the school's minimum capitalization threshold of \$750 were \$8,303,600. Depreciation expense in the government-wide financial statements was calculated utilizing the straight-line method and useful life of 7 years for furniture and fixtures, 5 years for classroom equipment, and 30 to 39 years for buildings and improvements. Total depreciation for the year ended June 30, 2017 was \$398,466 and the investment in capital assets as of June 30, 2017 (net of accumulated depreciation) is \$12,262,196. Additional information regarding the School's capital assets can be found in Note D to the financial statements.

Debt

At June 30, 2017, the school has an education facility revenue bond liability outstanding with a face value of \$12,165,000 and an origination date of July 21, 2016. Maturity of these bonds are as follows:

Series 2016A Nontaxable	\$2,725,000 maturity date 7/1/2036
Series 2016A Nontaxable	\$6,785,000 maturity date 7/1/2046
Series 2016B Taxable	\$1,000,000 maturity date 7/1/2023
Series 2016B Taxable	\$1,655,000 maturity date 7/1/2029

Economic Factors and Next Year's Budget

The 2016/2017 school year was a very exciting year as the school opened its permanent site for its Riverview campus and is targeting enrollment of 800 students for the 2017/2018 school year. This is an increase of 41 students.

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

Requests for Information

This financial report is to provide a general overview of The Pepin Academies Inc. finances. Questions concerning any of the information contained in this report should be addressed to CFO, The Pepin Academies, Inc., 9304 Camden Field Parkway, Riverview, Florida 33578.

Basic Financial Statements

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,631,665
Restricted cash and cash equivalents	1,561,111
Accounts receivable	23,751
Accounts receivable, related entities	102,294
Prepaid expenses and other assets	49,342
Capital assets	
Land, buildings, and improvements	14,150,694
Furniture, fixtures, and equipment	1,168,600
	<u>15,319,294</u>
Accumulated depreciation	(3,057,098)
Total capital assets, net of depreciation	<u>12,262,196</u>
Total assets	<u>\$ 15,630,359</u>
 Liabilities and net position	
Liabilities	
Accounts payable	\$ 48,875
Accrued payroll	201,857
Accrued expenses	208,349
Accrued interest	323,709
Revenue bonds payable, net	
Due in more than one year	11,909,644
Total liabilities	<u>12,692,434</u>
Net position	
Invested in capital assets, net of related debt	352,552
Unrestricted	2,585,373
Total net position	<u>2,937,925</u>
Total liabilities and net position	<u>\$ 15,630,359</u>

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Statement of Activities
Year Ended June 30, 2017

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Position - Governmental Activities</u>
Governmental activities					
Instruction	\$ 5,821,365	\$ -	\$ -	\$ -	\$ (5,821,365)
Pupil personnel services	1,236,942	-	300,000	-	(936,942)
Instructional media services	2,167	-	-	-	(2,167)
Instructional staff training	4,032	-	-	-	(4,032)
School district administration fee	73,983	-	-	-	(73,983)
School administration	1,756,164	-	-	-	(1,756,164)
Fiscal services	73,460	-	-	-	(73,460)
Food service	344,150	90,299	196,257	-	(57,594)
Transportation	28,119	-	-	-	(28,119)
Operation of plant	1,115,059	-	279,292	-	(835,767)
Maintenance of plant	56,484	-	-	-	(56,484)
Community service	212,554	213,700	-	-	1,146
Bond issuance costs	357,452	-	-	-	(357,452)
Debt service interest	614,440	-	-	-	(614,440)
Total primary government	<u>\$ 11,696,371</u>	<u>\$ 303,999</u>	<u>\$ 775,549</u>	<u>\$ -</u>	(10,616,823)
General revenues					
Federal sources passed through local school district					-
State and local sources					9,452,783
Contributions and other revenue					390,320
Total general revenues					<u>9,843,103</u>
Change in net position					(773,720)
Net position at beginning of year					<u>3,711,645</u>
Net position at end of year					<u>\$ 2,937,925</u>

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Balance Sheet - Governmental Funds
June 30, 2017

	<u>Governmental Funds</u>
Assets	
Cash	\$ 1,631,665
Restricted cash and cash equivalents	1,561,111
Accounts receivable	23,751
Accounts receivable, related entities	102,294
Prepaid expenses and other assets	<u>49,342</u>
Total assets	<u>\$ 3,368,163</u>
 Liabilities and fund balance	
Liabilities	
Accounts payable	\$ 48,875
Accrued payroll	201,857
Accrued expenses	<u>208,349</u>
Total liabilities	459,081
 Fund balance	
Nonspendable:	
Prepaid expenses and other assets	49,342
Restricted	1,561,111
Unassigned	<u>1,298,629</u>
Total fund balance	<u>2,909,082</u>
Total liabilities and fund balance	<u>\$ 3,368,163</u>

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total fund balance - governmental funds	\$ 2,909,082
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	12,262,196
Accrued interest is not due and payable in the current period and, therefore, is not reported in the governmental funds	(323,709)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(11,909,644)</u>
Total net position - statement of net position	<u><u>\$ 2,937,925</u></u>

The Pepin Academies, Inc.

A Charter School and Component Unit of the School Board of Hillsborough County

Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds

Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues					
Federal sources passed					
through local school district	\$ -	\$ 496,257	\$ -	\$ -	\$ 496,257
State and local sources	9,452,783	-	279,292	-	9,732,075
Contributions and other revenue	694,319	-	-	-	694,319
Total revenues	<u>10,147,102</u>	<u>496,257</u>	<u>279,292</u>	<u>-</u>	<u>10,922,651</u>
Expenditures					
Instruction	5,608,052	-	-	-	5,608,052
Pupil personnel services	936,942	300,000	-	-	1,236,942
Instructional media services	2,167	-	-	-	2,167
Instructional staff training	4,032	-	-	-	4,032
School district administration fee	73,983	-	-	-	73,983
School administration	1,648,769	-	-	-	1,648,769
Facilities acquisition and construction	-	-	-	8,241,846	8,241,846
Fiscal services	73,460	-	-	-	73,460
Food service	132,853	196,257	-	-	329,110
Transportation	28,119	-	-	-	28,119
Operation of plant	1,114,095	-	-	-	1,114,095
Maintenance of plant	56,484	-	-	-	56,484
Community services	212,554	-	-	-	212,554
Bond issuance costs	-	-	215,202	-	215,202
Debt service principal	-	-	2,297,605	-	2,297,605
Debt service interest	-	-	290,731	-	290,731
Total expenditures	<u>9,891,510</u>	<u>496,257</u>	<u>2,803,538</u>	<u>8,241,846</u>	<u>21,433,151</u>
Other financing sources (uses)					
Proceeds from long-term debt	-	-	12,165,000	-	12,165,000
Discount on long-term debt	-	-	(255,356)	-	(255,356)
Transfers in	1,143,552	-	-	8,241,846	9,385,398
Transfers out	-	-	(9,385,398)	-	(9,385,398)
Net other financing sources	<u>1,143,552</u>	<u>-</u>	<u>2,524,246</u>	<u>8,241,846</u>	<u>11,909,644</u>
Net change in fund balances	1,399,144	-	-	-	1,399,144
Fund balances at beginning of year	<u>1,509,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,509,938</u>
Fund balances at end of year	<u>\$ 2,909,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,909,082</u>

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances
of the Governmental Funds to the Statement of Activities
June 30, 2017

Net change in fund balances - governmental funds	\$ 1,399,144
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	(398,466)
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	8,303,600
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	(142,250)
Proceeds from bond issuance reported in the statement of revenues, expenditures, and change in fund balances - is not reported in the statement of activities	(12,165,000)
Bond underwriter discounts reported in the statement of revenues, expenditures, and change in fund balances - is not reported in the statement of activities	255,356
Principal expenditures on revenue bonds payable are expenditures in the governmental funds, but reduce liabilities in the statement of net position	2,297,605
Interest expenditures on revenue bonds payable are expenditures in the governmental funds once paid, but are accrued liabilities in the statement of net position	<u>(323,709)</u>
Change in net position - statement of activities	<u><u>\$ (773,720)</u></u>

The Pepin Academies, Inc.

A Charter School and Component Unit of the School District of Hillsborough County

Notes to the Basic Financial Statements

June 30, 2017

Note A - Reporting Entity

The Pepin Academies, Inc. (Pepin) is a not-for-profit corporation formed under the laws of the state of Florida on April 20, 1999. Pepin operates Florida charter schools at two campuses in Hillsborough County.

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

The general operating authority for Pepin is contained in Section 228.056, Florida Statutes. Pepin operates under a charter of the sponsoring school district, the School Board of Hillsborough County (District). Pepin'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 Pepin's purpose has been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify Pepin in writing at least 90 days prior to such action. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by Pepin with public funds and any unencumbered public funds revert back to the District. Pepin is considered a component unit of the School Board of Hillsborough County and, for financial reporting purposes, is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of Pepin that should be reported with Pepin's general purpose financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600.

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

Note B - Summary of Significant Accounting Policies

Basis of Presentation

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

Basic Financial Statements - Government-Wide Financial Statements

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

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

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

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

Basic Financial Statements - Fund Financial Statements

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

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

The Pepin Academies, Inc.

A Charter School and Component Unit of the School District of Hillsborough County

Notes to the Basic Financial Statements

June 30, 2017

Pepin utilizes the following governmental funds:

- General Fund - Accounts for all financial activity not required to be accounted for in another fund.
- Special Revenue Fund - Accounts for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditures for specific purpose and to provide a single source of accountability for all the monies received.
- Debt Service Fund - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- Capital Project Fund - Accounts for state capital outlay funding that is legally restricted to expenditures for particular purpose.

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 (Pepin's highest level of decision-making authority).
- *Assigned* fund balance is intended to be used by Pepin 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 Pepin's general fund and includes all spendable amounts not contained in the other classifications.

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

Basis of Accounting

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).

Revenue Sources

Revenues for current operations are received primarily from the School District of Hillsborough County pursuant to the funding provisions included in Pepin's charter.

In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, Pepin reports the number of 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 Pepin is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted FTE students reported by Pepin during the designated FTE student survey periods.

The Pepin Academies, Inc.

A Charter School and Component Unit of the School District of Hillsborough County

Notes to the Basic Financial Statements

June 30, 2017

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 2016/2017 school year, Pepin reported 751.17 unweighted FTE. Weighted funding represented approximately 52% 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)

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

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

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

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.

Accounts Receivable and Allowance

Accounts receivable are stated at cost less an allowance for doubtful accounts. Management's determination of the allowance is based on an evaluation of past collection history. Management provides for probable uncollectable amounts through a charge to earnings and a credit to valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

An allowance for accounts receivable is considered unnecessary by management as of June 30, 2017.

Bond Issuance Costs

Bond issuance costs incurred in connection with obtaining revenue bond financing are expensed in year of bond issuance. Bond issuance costs incurred in prior periods in connection with previously outstanding bond issuances were expensed in the current year when the previous bond issuances were refinanced.

Bond Discounts

Discounts on revenue bonds payable incurred in connection with obtaining revenue bond financing are presented as a reduction of revenue bonds payable on the accompanying statement of net position. Bond discounts are amortized over the life of the related loan.

Capital Assets

Expenditures for general capital assets acquired for general school purposes are reported in the governmental funds that financed the acquisition. The capital assets acquired are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Capital assets are defined by Pepin as assets that are used in operations and have useful lives that extend beyond a single accounting period.

All capital assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Building & improvements	30-39 years
Furniture & Fixtures	7 years
Classroom equipment	5 years

Accounting for Lease Transactions

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

The Pepin Academies, Inc.
A Charter School and Component Unit of the School District of Hillsborough County
Notes to the Basic Financial Statements
June 30, 2017

Income Taxes

Pepin is a not-for-profit organization exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these basic financial statements.

Pepin has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

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

Allocation of Indirect Costs

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

Note C - Restricted Cash and Cash Equivalents

At June 30, 2017, restricted cash and cash equivalents consisted of \$1,561,111 held by Pepin's trustee, Wilmington Trust, as required by the bond agreements relating to the bond issuance for series 2016A and 2016B Educational Facility Revenue Bond Payable. The trustee is holding cash on behalf of Pepin to be used for future debt service and project construction requirements in the amounts of \$1,207,420 and \$353,691, respectively. All restricted cash and cash equivalents are invested in a money market fund as of June 30, 2017.

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Increase	Transfers	Ending Balance
Governmental activities				
Land, buildings, and improvements	\$ 5,755,622	\$ 8,241,846	\$ 153,226	\$14,150,694
Furniture, fixtures, and equipment	1,106,846	61,754	-	1,168,600
Construction in progress	153,226	-	(153,226)	-
	7,015,694	8,303,600	-	15,319,294
Less accumulated depreciation				
Land, buildings, and improvements	1,720,495	321,413	-	2,041,908
Furniture, fixtures, and equipment	938,137	77,053	-	1,015,190
	2,658,632	398,466	-	3,057,098
	<u>\$ 4,357,062</u>	<u>\$ 7,905,134</u>	<u>\$ -</u>	<u>\$12,262,196</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
Instruction	\$ 243,946
School administration	138,516
Food services	15,040
Operation of plant	964
	<u>\$ 398,466</u>

The Pepin Academies, Inc.

A Charter School and Component Unit of the School District of Hillsborough County

Notes to the Basic Financial Statements

June 30, 2017

Note E - 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, 2017:

School District of Hillsborough County	
Base student allocation	\$ 3,249,407
ESE guaranteed allocation	4,802,557
Supplemental academic instruction	145,450
Class size reduction funds	725,360
Safe school allocation	12,354
Discretionary local effort	211,611
Discretionary tax compression allocation	123,688
Proration to funds available	(1,925)
Discretionary lottery	12,230
Instructional materials allocation	57,946
Digital Classroom allocation	13,565
Reading allocation	31,561
Additional allocation	200
Charter school capital outlay	279,292
Other state sources	68,779
Federal via Florida Department of Education	300,000
Food service	196,257
Donations and other local sources	694,319
	\$10,922,651

Note F - Long-Term Debt

Educational Facility Revenue Bond

On July 21, 2016, the Florida Development Finance Corporation (FDIC) issued the following bonds: \$9,510,000 Nontaxable Education Facility Revenue Bonds (The Pepin Academies, Inc.) Series 2016A, \$2,655,000 Taxable Education Facility Revenue Bonds (The Pepin Academies, Inc.) Series 2016B. Proceeds of the bonds were loaned to the school to finance the cost of acquiring and renovating the Riverview campus educational facilities, as well as to refund the outstanding principal amount of the City of Tampa, Florida, Florida Educational Facilities Refunding Revenue Bonds and to pay off Pepin's existing note payable. Bonds outstanding at year-end are as follows:

Educational Facility Revenue Bond, Series 2016A

Origination date	7/21/2016
Balance	\$9,510,000
Maturity/interest	\$2,725,000 due 7/1/2036 @ 5.000%
	\$6,785,000 due 7/1/2046 @ 5.125%

Educational Facility Revenue Bond, Series 2016B

Origination date	7/21/2016
Balance	\$2,655,000
Maturity/interest	\$1,000,000 due 7/1/2023 @ 6.000%
	\$1,655,000 due 7/1/2029 @ 6.250%

The following is a summary of changes in long-term liabilities for Pepin for the year ended June 30, 2017:

	Balance		Balance	
	June 30, 2016	Additions	Reductions	June 30, 2017
Revenue bond payable	\$ 2,147,376	\$ -	\$(2,147,376)	\$ -
Note payable	150,229	-	(150,229)	-
Revenue bond payable, Series 2016A	-	9,510,000	-	9,510,000
Revenue bond payable, Series 2016B	-	2,655,000	-	2,655,000
	2,297,605	12,165,000	(2,297,605)	12,165,000
Discounts on revenue bonds payable	-	(255,356)	-	(255,356)
	\$ 2,297,605	\$11,909,644	\$(2,297,605)	\$11,909,644

Following is a summary of the future annual debt service requirements at June 30, 2017:

Year ending June 30,	Revenue Bonds Payable		
	Principal	Interest	Total
2018	\$ -	\$ 647,419	\$ 647,419
2019	-	647,419	647,419
2020	175,000	642,169	817,169
2021	190,000	631,219	821,219
2022	200,000	619,519	819,519
2023 - 2027	1,185,000	2,895,206	4,080,206
2028 - 2032	1,590,000	2,473,063	4,063,063
2033 - 2037	2,040,000	2,003,406	4,043,406
2038 - 2042	2,605,000	1,418,216	4,023,216
2043 - 2047	4,180,000	637,550	4,817,550
	\$12,165,000	\$12,615,186	\$24,780,186

Interest expense and related fees paid or accrued during the year ended June 30, 2017 total \$614,440. Beginning with the year ending June 30, 2018, the revenue bonds payable contain certain financial covenants that require, among other things, maintenance of minimum debt service coverage ratio of 1.10 and to maintain, as of June 30 and December 31 each year, at least 45 days cash on hand.

The Pepin Academies, Inc.

A Charter School and Component Unit of the School District of Hillsborough County

Notes to the Basic Financial Statements

June 30, 2017

Note G - 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 H - Related Party Transactions

The Pepin Academies of Pasco County, Inc. (Pepin Pasco) is a not-for-profit corporation that operates under a separate charter school contract in Pasco County, Florida. Pepin Pasco is related to the Charter School by shared management and fundraising support from Pepin Academies Foundation, Inc. (PAF).

PAF was formed to promote and raise funds for the Pepin Academies' schools. During the year ended June 30, 2017 the Charter School received \$13,946 in donations from PAF. At June 30, 2017, PAF owed Pepin \$68,745 from non interest-bearing advances that is included in accounts receivable, related parties in the accompanying statement of net position.

Certain shared management payroll expenses are paid by the school and repaid by Pepin Pasco. During the year ended June 30, 2017, Pepin Pasco had paid approximately \$56,808 related to this expense. At June 30, 2017, Pepin Pasco owed \$33,549 to the school.

Note I - School Employees Benefit Plan

Pepin maintains a cash or deferred profit-sharing plan (Plan) for eligible employees. Employees may contribute to the Plan up to the lesser of 75% of their compensation or the annual limit as defined by the Internal Revenue Service. Pepin may, but is not required to, make a discretionary matching contribution to the Plan. During the year ended June 30, 2017, Pepin made discretionary matching contributions to the Plan totaling \$73,283.

Note J - Operating Lease

The operating lease for the Riverview facility with a lease term through June 30, 2017 was not renewed as a result of relocating to the school's permanent facility in Riverview. Pepin recognized lease expense of \$120,000 related to this lease for the year ended June 30, 2017.

Note K - Rental Income

Pepin leases approximately 20,000 square feet of the Riverview campus facility to its current tenant. This lease was transferred to Pepin upon purchase of its Riverview campus on July 21, 2016. Pepin recognized rental income in the amount of \$273,216 during the year ended June 30, 2017 included in contributions and other revenue in the accompanying statement of activities. The lease expires on January 31, 2024. Future rental income is as follows:

Year ending June 30,	
2018	\$ 292,600
2019	299,883
2020	307,367
2021	315,133
2022	323,133
Thereafter	527,217
	<u>\$ 2,065,333</u>

Note L - Subsequent Events

Management has evaluated all events subsequent to the statement of net position date of June 30, 2017 through October 2, 2017, which is the date these financial statements were available to be issued.

**Required Supplementary Information
(Unaudited)**

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Budgetary Comparison Schedule - General Fund (Unaudited)
Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 9,690,000	\$ 9,690,000	\$ 9,452,783	\$ (237,217)
Contributions and other revenue	712,048	712,048	694,319	(17,729)
Total revenues	10,402,048	10,402,048	10,147,102	(254,946)
Expenditures				
Instruction	5,812,557	5,812,557	5,308,052	504,505
Pupil personnel services	649,692	649,692	1,236,942	(587,250)
Instructional media services	4,000	4,000	2,167	1,833
Instructional staff training	11,000	11,000	4,032	6,968
School district administration fee	112,404	112,404	73,983	38,421
School administration	1,794,438	1,794,438	1,648,769	145,669
Facilities acquisition and construction	-	-	-	-
Fiscal services	54,300	54,300	73,460	(19,160)
Food services	100,298	100,298	132,853	(32,555)
Transportation	25,000	25,000	28,119	(3,119)
Operation of plant	1,046,835	1,046,835	1,114,095	(67,260)
Maintenance of plant	37,980	37,980	56,484	(18,504)
Community services	217,535	217,535	212,554	4,981
Total expenditures	9,866,039	9,866,039	9,891,510	(25,471)
Other financing uses				
Proceeds from bond issuance	-	-	-	-
Transfers in	-	-	1,143,552	(1,143,552)
Transfers out	(431,451)	(431,451)	-	(431,451)
	(431,451)	(431,451)	1,143,552	(1,575,003)
Net change in fund balance	104,558	104,558	1,399,144	(1,804,478)
Fund balance at beginning of year	1,509,938	1,509,938	1,509,938	-
Fund balance at end of year	\$ 1,614,496	\$ 1,614,496	\$ 2,909,082	\$ (1,804,478)

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Budgetary Comparison Schedule - Special Revenue Fund (Unaudited)
Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Federal sources passed through local school district	\$ 420,000	\$ 420,000	\$ 496,257	\$ 76,257
Expenditures				
Pupil personnel services	308,000	308,000	300,000	8,000
Food service	112,000	112,000	196,257	(84,257)
Total expenditures	420,000	420,000	496,257	(76,257)
Net change in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

The Pepin Academies, Inc.
A Charter School and Component Unit of the School Board of Hillsborough County
Budgetary Comparison Schedule - Debt Service Fund (Unaudited)
Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ 180,000	\$ 180,000	\$ 279,292	\$ 99,292
Expenditures				
Bond issuance costs	-	-	215,202	215,202
Debt service principal	-	-	2,297,605	2,297,605
Debt service interest	611,451	611,451	290,731	(320,720)
	<u>611,451</u>	<u>611,451</u>	<u>2,803,538</u>	<u>2,192,087</u>
Other financing sources				
Proceeds from long-term debt	8,550,000	8,550,000	12,165,000	3,615,000
Discount on long-term debt	-	-	(255,356)	(255,356)
Transfers in	431,451	431,451	-	(431,451)
Transfers out	(8,550,000)	(8,550,000)	(9,385,398)	(835,398)
	<u>431,451</u>	<u>431,451</u>	<u>2,524,246</u>	<u>2,092,795</u>
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.
A Charter School and Component Unit of the School Board of Hillsborough County
Budgetary Comparison Schedule - Capital Project Fund (Unaudited)
Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
State and local sources	\$ -	\$ -	\$ -	\$ -
Expenditures				
Facilities acquisition and construction	8,550,000	8,550,000	8,241,846	(308,154)
Other financing sources				
Transfers in	8,550,000	8,550,000	8,241,846	(308,154)
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.
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. (Pepin), a component unit of the School District of Hillsborough County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Pepin's basic financial statements, and have issued our report thereon dated October 2, 2017.

Internal Control over Financial Reporting

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

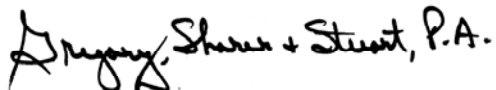
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.'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.'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.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
October 2, 2017



Independent Auditor's Management Letter

Board of Directors
The Pepin Academies, Inc.
Tampa, Florida

Report on the Financial Statements

We have audited the financial statements of The Pepin Academies, Inc., a component unit of the School District of Hillsborough County, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 2, 2017.

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 and Chapter 10.850, Rules of the Auditor General.

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 October 2, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Pepin Academies, Inc.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not The Pepin Academies, Inc. 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. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for The Pepin Academies, Inc. It is management's responsibility to monitor The Pepin Academies, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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. 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. maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

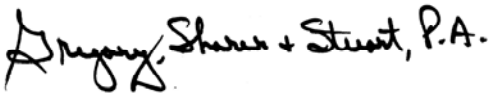
Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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.

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 of The Pepin Academies, Inc.; and the School District of Hillsborough County, 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." The signature is written in a cursive style.

St. Petersburg, Florida
October 2, 2017