

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(With Independent Auditors' Reports Thereon)

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3-8
SPECIAL PURPOSE FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Special Purpose Financial Statements	14-29
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):	
Budgetary Comparison Schedule	30
Notes to Budgetary Comparison Schedule	31
SUPPLEMENTARY AUDITORS' REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	32-33
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	34-35



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2011, which collectively comprise the School's special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these special purpose 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.a, the special purpose financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and major fund of the School that is attributable to the transactions of the City of Pembroke Pines/Florida State University Charter Elementary School. They do not purport to, and do not, present fairly the financial position of City of Pembroke Pines, Florida, as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, on our consideration of the 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 30-31 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose 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 special purpose financial statements, and other knowledge we obtained during our audit of the special purpose 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.

GLSC & Company, PLLC

October 18, 2011



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/Florida State University (“FSU”) Charter Elementary School (“the Charter School”), we offer readers of the Charter School’s special purpose financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Charter School’s special purpose financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved in our eighth year of operation.

The City of Pembroke Pines/FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 610 Elementary school students. This partnership between the City of Pembroke Pines and the FSU was the first of its kind in Broward County. The Charter was granted to establish a Developmental Research Laboratory School, with the primary goal being to enhance the educational instruction and research of reading, and other disciplines at the primary and secondary school levels. The City also owns and operates six other Charter Schools within its corporate limits, which are sponsored by the School Board of Broward County.

The government-wide format using the GASB Statement No. 34 financial reporting and the fund-based financial reporting are not viewed as being in conflict with each other; however, they are not comparable.

Financial Highlights

- The assets of the FSU Charter School exceeded its liabilities at the close of the most recent fiscal year by \$883,265 (*net assets*).
- As of the close of the current fiscal year, the FSU Charter School’s governmental fund’s financial statements had a net change in fund balance of \$44,644, as compared to \$361,680 from last year, and an ending fund balance of \$931,392 as compared with \$886,748 from last year.

Overview of the Special Purpose Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School’s special purpose financial statements. The Charter School’s special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to special purpose financial statements. In addition to these special purpose financial statements, this report contains other supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pembroke Pines/FSU Charter Elementary School’s finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on the City of Pembroke Pines/FSU Charter Elementary School’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Pembroke Pines/FSU Charter Elementary School is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will eventually result in cash flows in future fiscal periods.

The Charter School's *government-wide financial statements* distinguish the functions of the City of Pembroke Pines/FSU Charter Elementary School as being principally supported by local revenues (FTE dollars through the Florida State University) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Pembroke Pines/FSU Charter Elementary School has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pembroke Pines/FSU Charter Elementary School, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund used by the Charter School is considered to be a governmental fund type.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City of Pembroke Pines/FSU Charter Elementary School maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City of Pembroke Pines/FSU Charter Elementary School adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 11-13 of this report.

Notes to special purpose financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to special purpose financial statements can be found on pages 14-29 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 3-8, and the budgetary comparison schedules which can be found on pages 30-31 of this report.

Supplementary Auditors' Reports. This section includes the following:

- Report of Independent Certified Public Accountants on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pembroke Pines/FSU Charter Elementary School, net assets as of June 30, 2011 exceeded net assets as of June 30, 2010 by \$13,603.

Investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amounted to \$50,929. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Increase (Decrease)
	<u>2011</u>	<u>2010</u>	
Current assets	\$ 952,887	\$ 908,560	\$ 44,327
Capital assets, net of depreciation	<u>50,929</u>	<u>69,601</u>	<u>(18,672)</u>
Total assets	<u>1,003,816</u>	<u>978,161</u>	<u>25,655</u>
Current liabilities	21,495	21,812	(317)
Noncurrent liabilities	<u>99,056</u>	<u>86,687</u>	<u>12,369</u>
Total liabilities	<u>120,551</u>	<u>108,499</u>	<u>12,052</u>
Net assets:			
Invested in capital assets	50,929	69,601	(18,672)
Unrestricted	<u>832,336</u>	<u>800,061</u>	<u>32,275</u>
Total net assets	<u>\$ 883,265</u>	<u>\$ 869,662</u>	<u>\$ 13,603</u>

Current assets increased by \$44,327 (4.9%) during the year. This was attributable to an increase of \$441,295 in pooled cash and investments, an increase of \$7,558 in miscellaneous receivables, and an increase of \$341 for amounts due from the Federal government. This was offset by a \$404,867 decrease in amounts due from FSU. The net decrease in capital assets of \$18,672 (-26.8%) is related to net effect of depreciation expense of \$35,958 required by GASB Statement No 34 and capital outlay of \$17,286.

Current liabilities decreased slightly by \$317 (-1.5%) during the year. Noncurrent liabilities increased by \$12,369 (14.3%) during the year, which is related to compensated absences. Invested in capital assets decreased by \$18,672 (-26.8%) and unrestricted net assets increased by \$32,275 (4.0%).

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental		Increase <u>(Decrease)</u>
	<u>Activities</u>		
	<u>2011</u>	<u>2010</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 779,543	\$ 995,548	\$ (216,005)
Operating grants and contributions	566,624	554,427	12,197
General revenues:			
FTE non-specific revenues	4,897,892	4,853,195	44,697
Unrestricted investment earnings	8,511	4,685	3,826
Rental income	52,806	47,687	5,119
ICMA forfeiture revenue	<u>-</u>	<u>811</u>	<u>(811)</u>
Total revenues	<u>6,305,376</u>	<u>6,456,353</u>	<u>(150,977)</u>
Expenses:			
Instructional services	3,292,789	3,150,813	141,976
Instructional support services	149,221	143,503	5,718
School administration	666,499	658,525	7,974
Rent	847,324	848,514	(1,190)
Student transportation services	260,234	235,583	24,651
Operation and maintenance of school	1,037,614	1,001,965	35,649
Child care supervision	<u>113,092</u>	<u>108,993</u>	<u>4,099</u>
Total expenses	<u>6,366,773</u>	<u>6,147,896</u>	<u>218,877</u>
Excess (deficiency) before transfer	<u>(61,397)</u>	<u>308,457</u>	<u>(369,854)</u>
Transfer	75,000	-	75,000
Change in net assets	13,603	308,457	(294,854)
Net assets, beginning	<u>869,662</u>	<u>561,205</u>	<u>308,457</u>
Net assets, ending	<u>\$ 883,265</u>	<u>\$ 869,662</u>	<u>\$ 13,603</u>

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's reported total net assets of \$883,265 at the end of the current fiscal year versus \$869,662 for fiscal year 2010. The total cost of all governmental activities this year was \$6,366,773. Key elements of these changes in net assets are as follows:

The Charter School's total revenues decreased by \$150,977 (-2.3%) due mainly to a decrease in charges for services of \$216,005. This was offset by an increase of \$12,197 in operating grants and contributions. FTE non-specific revenues also increased by \$44,697 or 0.9%.

Total expenses increased by \$218,877 (3.6%) during the year, mainly attributable to an increase in personnel costs and benefits of approximately \$111,200 and an increase in operating costs of approximately \$107,700. Salaries alone increased by approximately \$42,700 while benefits such as social security, health and workers' compensation increased by approximately \$68,500.

Increases in operating costs were mainly attributable to increase spending for textbooks of approximately \$43,000 as a result of a new math textbook adoption, an increase in the contract for food service for approximately \$25,000, an increase in administrative fees of \$25,000 and an increase in contractual services of approximately \$16,000 as two clerical positions were transitioned to contractual.

All categories of expenses increased over the course of the year, except rent as follows:

- Instructional services increased by \$141,976 (4.5%)
- Instructional support services increased by \$5,718 (4.0%),
- School administration increased by \$7,974 (1.2%)
- Student transportation services increased by \$24,651 (10.5%),
- Operation and maintenance of school increased by \$35,649 (3.6%), and
- Child care supervision increased by \$4,099 (3.8%)

- Rent decreased minimally by \$1,190 (-0.1%).

Additionally, this year the City of Pembroke Pines Charter High School transferred \$75,000 to the FSU School to supplement current year operations.

Financial analysis of the City of Pembroke Pines/FSU Charter Elementary School's fund.

As noted earlier, the City of Pembroke Pines/FSU Charter Elementary School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental fund. The focus of the City of Pembroke Pines/FSU Charter Elementary School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the City of Pembroke Pines/FSU Charter Elementary School's governmental fund reported an ending fund balance of \$931,392, an increase of \$44,644 over last year.

Budgetary Highlights

For the fiscal year ended June 30, 2011, the City of Pembroke Pines/FSU Charter Elementary School had estimated revenues and appropriations of \$6,629,807 and \$6,874,138, respectively before transfers. Over the course of the year, the Charter School made several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

- Amendments related to grants and new programs.
- Amendments to revise estimates for state and local revenues based on the latest information on student attendance.
- Amendments during the year for unexpected occurrences.

The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget: Several amendments were made to the budgeted revenues in the amount of \$170,490. Amendments were made to increase local revenues in the amount \$28,701 and to increase Federal grants by \$141,789 for the Education Stabilization Fund grant.

Amendments were made to the expenditure budget in the amount of \$28,701. These adjustments were an increase of \$17,701 related to the Dale Hickam Certification Bonus distributed to National Board Certified Teachers, and an appropriation of \$11,000 for the capital expenditure of six LCD projectors.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$324,431, and actual expenditures were below final budgeted amounts by \$538,406.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$50,929 (net of accumulated depreciation). This investment in capital assets consists mainly of playground equipment.

	<u>CAPITAL ASSETS (Net of Depreciation)</u>		
	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2011</u>	<u>2010</u>	
Machinery and equipment	<u>\$ 50,929</u>	<u>\$ 69,601</u>	<u>\$ (18,672)</u>
Total capital assets	<u>\$ 50,929</u>	<u>\$ 69,601</u>	<u>\$ (18,672)</u>

Additional information on the Charter School's capital assets can be found on Note 4 of the notes to the special purpose financial statements (page 25).

Economic Factors and Next Year's Budget and Rates

- ◆ Capital outlay funding from the State will remain the same as FY2011. The State is funding this revenue at an estimated 48% of the total maximum allocation. The Charter School will enroll 679 Elementary Students for the 2012 school year.
- ◆ The 2011-2012 Budget has 2 vacant full-time clerical positions that were eliminated and converted to 2 full-time contractual positions. The budget includes step increases, but no cost-of-living adjustments or bonuses.
- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues decreased slightly from \$3,623.76 per student in FY2011 to \$3,479.22 in FY2012. This reduced revenues by approximately \$98,000.
- ◆ The FSU Charter School will not longer receive the State Stabilization Funds or the Education Jobs Funds. This reduced revenues by approximately \$363,000.
- ◆ The FSU Charter School is estimated to use approximately \$546,000 of fund balance to balance the FY2012 budget, unless additional changes are made.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Charter School's finances, as well as demonstrate accountability for funds the Charter School receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the City Manager, Pembroke Pines/FSU Charter School, 10100 Pines Boulevard, Pembroke Pines, Florida 33026.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

STATEMENT OF NET ASSETS

JUNE 30, 2011

<u>ASSETS</u>	<u>Governmental Activities</u>
Pooled cash and investments	\$ 940,201
Due from Federal Government	2,587
Other miscellaneous receivables	10,099
Capital assets being depreciated, net	<u>50,929</u>
Total assets	<u>1,003,816</u>
<u>LIABILITIES</u>	
Accrued liabilities	4,700
Deferred revenue	4,665
Deposits	12,130
Noncurrent liabilities:	
Due within one year	79,119
Due in more than one year	<u>19,937</u>
Total liabilities	<u>120,551</u>
<u>NET ASSETS</u>	
Invested in capital assets	50,929
Unrestricted	<u>832,336</u>
Total net assets	<u><u>\$ 883,265</u></u>

See notes to special purpose financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets <u>Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 3,292,789	\$ 135,167	\$ 417,896	\$ (2,739,726)
Instructional support services	149,221	-	-	(149,221)
School administration	666,499	527	-	(665,972)
Rent	847,324	-	-	(847,324)
Student transportation services	260,234	78,891	-	(181,343)
Operation and maintenance of school	1,037,614	385,943	148,728	(502,943)
Child care supervision	113,092	179,015	-	65,923
Total Charter School	<u>\$ 6,366,773</u>	<u>\$ 779,543</u>	<u>\$ 566,624</u>	<u>(5,020,606)</u>
General revenues:				
FTE non-specific revenues				4,897,892
Unrestricted investment earnings				8,511
Rental income				52,806
Transfer				<u>75,000</u>
Total general revenues and transfer				<u>5,034,209</u>
Change in net assets				13,603
Net assets, beginning				<u>869,662</u>
Net assets, ending				<u>\$ 883,265</u>

See notes to special purpose financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2011

ASSETS

Pooled cash and investments	\$ 940,201
Due from Federal Government	2,587
Other miscellaneous receivables	<u>10,099</u>
Total assets	<u>\$ 952,887</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 4,700
Deferred revenue	4,665
Deposits	<u>12,130</u>
Total liabilities	<u>21,495</u>
Fund balance:	
Assigned for rent payments	<u>931,392</u>
Total fund balance	931,392

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	50,929
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(99,056)
Net assets of governmental activities (page 9)	<u>\$ 883,265</u>

See notes to special purpose financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND

FISCAL YEAR ENDED JUNE 30, 2011

Revenues:	
Local	\$ 5,804,152
Federal grants	<u>501,224</u>
Total revenues	<u>6,305,376</u>
Expenditures:	
Current:	
K-3 basic	1,749,696
4-8 basic	925,649
Exceptional student program	571,131
Substitute teachers	46,314
Guidance services	72,143
Instructional media service	76,078
Instructional staff training services	1,000
School administration	654,130
Facilities acquisition and construction	847,324
Student transportation services	260,234
Operation of school	1,001,655
Child care supervision	113,092
Capital outlay	<u>17,286</u>
Total expenditures	<u>6,335,732</u>
Deficit of revenues over expenditures	(30,356)
Other financing sources:	
Transfers in	<u>75,000</u>
Net change in fund balance	44,644
Fund balance, beginning	<u>886,748</u>
Fund balance, ending	<u>\$ 931,392</u>

See notes to special purpose financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2011

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

Net change in fund balance - total governmental fund (page 12) \$ 44,644

The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The detail of the difference is as follows:

Capital outlay	\$ 17,286	
Depreciation expense	<u>(35,958)</u>	
Net adjustment		(18,672)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Compensated absences	<u>(12,369)</u>	
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Change in net assets of governmental activities (page 10) \$ 13,603

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On February 3, 2003, the City of Pembroke Pines (“the City”) and Florida State University (“FSU”) signed an agreement (“Charter Agreement”) for the establishment of a Developmental Research Charter Laboratory School (“the School”) to train teachers and to promote learning and research through collaboration. The Charter Agreement is for a 15-year term from July 1, 2003 through June 30, 2018 with provisions for extensions in increments of additional fifteen years. The Pembroke Pines/FSU Charter Elementary School Campus was constructed with funds from the Public Improvement Revenue Bonds, Series 2001. The principal and interest on this bond relating to the construction are payable from rental payments received from the Pembroke Pines/FSU Charter Elementary School.

The Charter Agreement is constructed pursuant to Florida Statutes 1002.32 and 1002.33. FSU has an existing Charter School in Leon County, Florida, and the Charter Agreement calls for the Pembroke Pines/FSU Charter Elementary School to serve as a model for the FSU Professional Development School program and be a part of FSU Charter Schools’ existing School District. The Pembroke Pines/FSU Charter Elementary School opened for the 2003-2004 school year with 600 students in grades K-5 in the new facility plus 13 Exceptional Student Education (“ESE”) students attending the City of Pembroke Pines Charter School Central Campus. The Charter Agreement calls for continued expansion of the program to encompass grades K-12 and expansion of the ESE program to provide for a total of 50 students.

The Governing Body of the School is comprised of six voting members, consisting of the City of Pembroke Pines Mayor, Vice-Mayor and three Commissioners plus the FSU President or his or her designee. The Governing Body shall establish a School Advisory Board or Boards, pursuant to the requirements of Section 1002.32(8) Florida Statutes. The City operates the School as a public employer, and the School’s employees are considered public employees. The City will indemnify FSU from any claims, suits or actions. The School is accounted for as a special revenue fund of the City. The Pembroke Pines City Manager serves as the School Superintendent. The special purpose financial statements contained herein present only the operations of the School, which is a special revenue fund, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Non-renewal of the Charter Agreement requires 365 days notice prior to the expiration date by either the City or FSU to the other party. Any real or personal property paid for by the City will revert to the City in the event of termination of the Charter Agreement. The City also owns and operates six other Charter Schools - three (3) Charter Elementary Schools, two (2) Charter Middle Schools, and one (1) Charter High School. All of these Schools are chartered by the School Board of Broward County.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

The financial information of these six (6) Charter Schools are not included herein, as they are separately chartered with the School Board of Broward County.

b. Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Full-time equivalent ("FTE") dollars and intergovernmental revenues support *governmental activities*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. FTE dollars and other items not properly included among program revenues are reported instead as *general revenues*.

The major individual governmental fund is reported as a single column in the fund financial statements. The School's special purpose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The School's government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)

FTE dollars, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the School receives cash.

The School reports the following major fund:

Charter Elementary School – The Elementary School, located at the Pembroke Shores site serves 679 student stations for the 2011-12 school year.

Amounts reported as *program revenues* include 1) charges to the School for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all FTE dollars.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets

1. Pooled Cash and Investments

The School considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash and investments in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and investments include investment in the Florida Municipal Investment Trust (FMIVT) administered by the Florida League of Cities.

2. Receivables

All receivables are considered to be collectible; therefore, no allowance for uncollectibles is recorded.

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000, except for computer equipment which uses an initial, individual cost of \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the School consist of mainly playground equipment, and are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3-10

4. Compensated Absences

The Charter School’s regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation.

Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, the School reports only the compensated absence liability due and payable at June 30th and paid from expendable available financial resources.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

5. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Long-term debt which is reported in the City's financial statements, is not included in the School's special purpose financial statements, and is described below:

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School. In December 2006, \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 was advance refunded by a portion of the \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. In 2008, the City issued the Charter School Revenue Bonds, Series 2008 for \$64,095,000 and used approximately \$3,360,000 to finance the construction of 12 new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School.

The Elementary School remits a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 7 – Operating Leases).

6. Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School had no restricted assets as of June 30, 2011.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

6. Equity Classifications (Continued)

Fund Financial Statements

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by management based on Commission direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Fund balance of the FSU Charter Elementary School is considered to be assigned for rent payments, as the School is a special revenue fund of the City. Per GASB 54, all remaining amounts reported in governmental funds that are not classified as nonspendable, and are neither restricted nor committed should be reported as assigned fund balance.

7. Revenue Sources

Revenues for current operations are received primarily from Florida State University pursuant to the funding provisions included in the School's Charter. In accordance with the funding provisions of the Charter Agreement and Section 228.056(13), Florida Statutes, the School reports the full-time equivalent (FTE) students and related data to Florida State University. Under the provisions of Section 236.081, Florida Statutes, the University reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Use of Estimates

The preparation of the special purpose financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the special purpose financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

9. New Pronouncements

In fiscal year 2011, the FSU Charter School adopted the provisions of GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Possible fund balance classifications are:

- **Nonspendable Fund Balance** - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - amounts that are restricted to specific purposes when constraints placed on the use of resources are either by (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- **Committed Fund Balance** - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority.
- **Assigned Fund Balance** - amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned Fund Balance** - amounts that have not been assigned to other funds that have not been restricted, committed or assigned to specific purposes.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. *New Pronouncements* (Continued)

On September 7, 2011, the City of Pembroke Pines adopted a fund balance policy per Ordinance 1699. This fund balance policy excludes the special revenue funds of the City, including, but not limited to, the Charter Schools, and states that the unassigned fund balance of the City's General Fund shall not be less than 10% of the following year's projected budgeted expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the FSU Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the FSU Charter School considers amounts to have been spent, first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the FSU Charter School has provided otherwise in its commitment or assignment actions.

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**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. INVESTMENTS

The School invests in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities. The Florida Municipal Investment Trust (FMIvT) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor.

The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The Florida Municipal Investment Trust (FMIvT) is not a registrant with the Securities and Exchange Commission (SEC); however, the funds have adopted operating procedures consistent with the requirements for a 2a-7 Fund. The Charter School invests operating funds in the 1-3 Year High Quality Bond Fund.

The School’s pooled cash and investments, are summarized as follows:

<u>Investments:</u>	<u>Carrying Amount</u>
FMIvT 1-3 Year High Quality Bond Fund	<u>\$939,901</u>

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair market value of an investment. The School limits its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio. The Operating Investment Policy states that the average effective duration of the portfolio as a whole may not exceed five (5) years, and that no more than 30% of the total investment in debt securities shall be placed in securities with an expected duration of more than five (5) years. Information about the sensitivity of the fair values of the School’s investments to market interest rate fluctuations is provided below.

<u>Interest Rate Risk Information in Years</u>	<u>Duration</u>	<u>Weighted Average Maturity</u>
FMIvT 1-3 Year High Quality Bond Fund	1.36	1.41

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The School utilizes portfolio diversification and credit quality rating in order to control this risk. The Florida Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund is rated AAA/V2 by Fitch.

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. INVESTMENTS (Continued)

Concentration of Credit Risk: Concentration risk exists when investments are concentrated in one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investment are excluded from the concentration of credit risk disclosure requirements.

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CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 3. REVENUE SOURCES

Florida State University:	
Florida education finance program	\$ 2,932,068
Class size reduction	851,202
District school taxes	505,532
Public education capital outlay (PECO)	259,593
ESE guaranteed allocation	162,797
Supplemental academic instruction	143,538
Summer reading program	110,994
Safe schools	70,425
Governor's A+ funds	49,275
Instructional materials	48,147
Dale Hickam certification bonus	17,700
Library media materials	2,891
Discretionary lottery funds	2,533
Science lab materials	790
Total Florida State University	5,157,485
Other:	
After school education program	179,015
Activity fee	135,167
Food sales	125,350
In-house transportation	78,891
Contributions	65,400
Rental revenue	52,806
Interest	8,511
School lunch supplement	642
Other miscellaneous revenue	527
School breakfast supplement	358
Total other	646,667
Total local	\$ 5,804,152
Federal grants:	
Education Stabilization Fund - ARRA	\$ 205,214
Education Jobs Fund - ARRA	136,378
Individuals with Disabilities Education Act (IDEA)	72,185
National School Lunch Program	62,610
NSLP Non-Cash Assistance (Commodities)	11,305
School Breakfast Program	9,413
Government Services Fund - ARRA	4,119
Total Federal grants	\$ 501,224

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 4. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 218,978	\$ 17,286	\$ -	\$ 236,264
Total capital assets being depreciated	<u>218,978</u>	<u>17,286</u>	<u>-</u>	<u>236,264</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(149,377)</u>	<u>(35,958)</u>	<u>-</u>	<u>(185,335)</u>
Total accumulated depreciation	<u>(149,377)</u>	<u>(35,958)</u>	<u>-</u>	<u>(185,335)</u>
Total capital assets being depreciated, net	<u>\$ 69,601</u>	<u>\$ (18,672)</u>	<u>\$ -</u>	<u>\$ 50,929</u>

Depreciation expense was charged to functions/programs of the School as follows:

Governmental activities:	
Operation and maintenance of school	<u>\$ 35,958</u>

NOTE 5. INTERFUND TRANSFER

	<u>Transfers out High School</u>	<u>Purpose</u>
Transfers in:		
FSU Elementary	\$ 75,000	To supplement operations
Total	<u>\$ 75,000</u>	

NOTE 6. RECEIVABLES

	<u>FSU Charter Elementary School</u>
<u>Receivables</u>	
Due from Federal Government	\$ 2,587
Other miscellaneous receivables	<u>10,099</u>
Total receivables	<u>\$ 12,686</u>

Other miscellaneous receivables mainly consist of \$9,491 relating to proceeds to be received from the Mayor's Golf Tournament, which is a fundraiser specifically dedicated to the Charter Schools. The total amount contributed to all the Charter Schools, including the Broward Charter Schools amounts to \$80,215. All receivables are expected to be collected within one year.

**CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 7. OPERATING LEASES

School Facility Lease

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5.). For the fiscal year ended June 30, 2011, rent expense was approximately \$847,000.

The approximate minimum future rentals to be paid to the City are as follows:

Fiscal year ending June 30:

2012	\$ 858,000
2013	844,000
2014	678,000
2015	623,000
2016	623,000
2017-2021	3,108,000
2022-2026	1,693,000
2027-2031	1,855,000
2032-2036	1,797,000
2037-2038	<u>709,000</u>
Total approximate minimum future rentals	<u>\$ 12,788,000</u>

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One Year
Compensated absences	<u>\$ 86,687</u>	<u>\$ 102,713</u>	<u>\$ (90,344)</u>	<u>\$ 99,056</u>	<u>\$ 79,119</u>

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 9 RISK MANAGEMENT

The Charter Agreement requires the City to maintain the same insurance levels and coverage for the FSU School as it currently maintains for the other City's Charter Schools, as required by the City's Charters with the Broward County School Board.

Health and hospitalization, workers' compensation and life insurance coverage are provided through the City of Pembroke Pines, and the City, in turn, charges the School for this coverage. The School maintains its insurance as an additional named insured on the aggregate insurance policies purchased for all of the City's Charter Schools for general liability, automotive liability, basic and catastrophic student accident, school leaders errors and omissions, and property and flood coverage through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitment

The agreement with FSU requires that as the sponsor of the School, and for its research and evaluation responsibilities, the Charter School will pay FSU the fixed annual amount of \$250,000 as a University Oversight and Research Fee, and is reported as part of the Operation and maintenance of school function.

Contingency

Amounts received or receivable from grantor agencies are subject to future audit and compliance testing, which may result in adjustments by Federal or State grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of such expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

The FSU Charter Elementary School employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS). The FRS is noncontributory, and is totally administered by the State of Florida.

Plan Description

Benefits are computed on the basis of age, average final compensation and service credit. Average final compensation is the average of the highest five (5) fiscal years of earnings. The FRS provides vesting of benefits after six (6) years of creditable service. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date. The FRS also provides death and disability benefits. A State Statute establishes the benefit. Normal retirement requirements are vesting and age 62, or 30 years of creditable service regardless of age. FRS issues an annual financial report. A copy can be obtained by sending a written request to:

Division of Retirement
P.O. Box 9000
Tallahassee, FL. 32315-9000

Funding Policy

The Charter School's required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2011, the contribution rate increased from 9.85% to 10.77% of covered payroll which amounted to \$247,079. The Charter School is required to contribute both for full-time and part-time members of the Plan. As of June 30, 2011, there were 78 members in this Plan, which was unchanged from the previous fiscal year. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 11. PENSION PLANS (Continued)

Defined Contribution Plan

Effective July 1, 2000, the City established a Defined Contribution Plan for employees of the Charter Schools and Early Development Centers (the Charter Schools' Plan) created in accordance with Internal Revenue Service Code 401(a) and Ordinance 1345 and amended by Ordinance 1401 dated April 3, 2002. If a participant separates from service and subsequently becomes employed with another unit of a state or local government, then the participant may rollover the benefits into his or her new employer's pension plan providing said plan permits rollovers.

In Fiscal Year 2007, employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the International City/County Management Association - Retirement Corporation (ICMA-RC). At June 30, 2011, there were 10 FSU Plan members in this Plan. Effective January 1, 2002, the Charter School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter School's required contribution increased to 10.77% from 9.85% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2011, the FSU Charter School's share of contribution to the Plan was \$49,636; there were no employee contributions during the year. Provisions of the Charter School's Plan may be amended by the City Commission. The Charter School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter School's Plan are not included in the School's special purpose financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$6,109,809	\$6,138,510	\$5,804,152	\$ (334,358)
Federal grants	<u>349,508</u>	<u>491,297</u>	<u>501,224</u>	<u>9,927</u>
Total revenues	<u>6,459,317</u>	<u>6,629,807</u>	<u>6,305,376</u>	<u>(324,431)</u>
Expenditures:				
Current:				
K-3 basic	1,872,538	1,868,424	1,749,696	118,728
4-8 basic	985,082	990,914	925,649	65,265
Exceptional student program	609,293	613,192	571,131	42,061
Substitute teachers	68,684	68,684	46,314	22,370
Guidance services	73,158	73,155	72,143	1,012
Instructional media service	84,346	84,343	76,078	8,265
Instructional staff training services	6,350	6,350	1,000	5,350
School administration	734,744	749,073	654,130	94,943
Facilities acquisition and construction	855,416	855,416	847,324	8,092
Student transportation services	278,864	278,864	260,234	18,630
Operation of school	1,138,912	1,130,405	1,001,655	128,750
Child care supervision	138,050	137,991	113,092	24,899
Capital outlay	<u>-</u>	<u>17,327</u>	<u>17,286</u>	<u>41</u>
Total expenditures	<u>6,845,437</u>	<u>6,874,138</u>	<u>6,335,732</u>	<u>538,406</u>
Excess (Deficit) of revenues over expenditures	(386,120)	(244,331)	(30,356)	213,975
Other financing sources:				
Transfers in	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net change in fund balance	(386,120)	(169,331)	44,644	213,975
Fund balance, beginning	<u>886,748</u>	<u>886,748</u>	<u>886,748</u>	<u>-</u>
Fund balance, ending	<u>\$ 500,628</u>	<u>\$ 717,417</u>	<u>\$ 931,392</u>	<u>\$ 213,975</u>

CITY OF PEMBROKE PINES, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for the City of Pembroke Pines/Florida State University Charter Elementary School which is a governmental fund. The governmental fund budget is maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, except for encumbrances, which are purchase orders and contracts issued for goods and services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2011, there were no encumbrances.

2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of \$28,701 during the fiscal year ended June 30, 2011.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 special purpose financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pembroke Pines/Florida State University Charter Elementary School's special purpose financial statements are free of 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 special purpose 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*.

This report is intended solely for the information and use of management, Mayor, City Commission, the Auditor General of the State of Florida and Florida State University and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

October 18, 2011





**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our report on compliance and on internal control over financial reporting; which is dated October 18, 2011, and should be considered in conjunction with this management letter.

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

1. There were no recommendations made in the preceding audit report.
2. The School has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
3. There were no recommendations to improve the School's financial management, accounting procedures, and internal controls.
4. There were no violations of contracts or grant agreements or abuse that has an effect on the special purpose financial statements that is less than material but more than inconsequential.
5. Based on our professional judgment, we may report on the following matters that are inconsequential on the special purpose financial statement, considering both quantitative and qualitative factors: (a) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse, (b) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. The name of the charter school is City of Pembroke Pines/Florida State University Charter Elementary School, a special revenue fund of the City of Pembroke Pines.

7. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(10). It is management's responsibility to monitor 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, Mayor, City Commission, the Auditor General of the State of Florida and Florida State University and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

October 18, 2011

