

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER SCHOOLS**

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

**CITY OF PEMBROKE PINES, FLORIDA
CHARTER SCHOOLS**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Pembroke Pines Charter Schools
Pembroke Pines, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the year ended June 30, 2011, which collectively comprise the Schools' special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the Schools' 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 Charter Schools, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and each major fund of the Schools that is attributable to the transactions of the City of Pembroke Pines Charter Schools. 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 each major fund of the City of Pembroke Pines Charter Schools 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 Schools' 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 10 and 35 through 38 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 Charter Schools, we offer readers of the Charter Schools' special purpose financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Charter Schools' special purpose financial statements, which follow this section.

Financial Highlights

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$6,324,734 (*net assets*), compared with \$6,143,012 for the previous fiscal year. Of this amount, \$3,629,952 (*unrestricted net assets*) may be used to meet the ongoing obligations of the Charter Schools.
- As of the close of the current fiscal year, the Charter Schools' governmental funds' financial statements reported combined ending fund balances of \$4,527,891, or 11% of total expenditures. This represents an increase of \$298,311 over the prior year. The entire fund balance is assigned for rent payments.

Overview of the Special Purpose Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines Charter Schools' special purpose financial statements. The Charter Schools' special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to special purpose statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter Schools' finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Charter Schools' 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 Charter Schools 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 Schools' *government-wide financial statements* distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School Board) (*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 Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 11-12 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 Charter Schools, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds used by the Charter Schools are considered governmental fund types, and are special revenues funds of the City of Pembroke Pines.

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 funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Charter Schools maintain three funds (governmental funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Charter Schools adopt an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 13-15 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 funds financial statements. The notes to special purpose financial statements can be found on pages 16-34 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 3-10, and the budgetary comparison schedules which can be found on pages 35-37.

Supplementary Auditors' Reports. This section includes the following:

- 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*.
- 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 Charter Schools, assets exceeded liabilities by \$6,324,734 as of June 30, 2011 as compared to \$6,143,012 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amounted to \$2,694,782. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending. An additional portion of the Charter Schools' net assets amounting to \$3,629,952 (approximately 57%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental		Increase (Decrease)
	Activities		
	<u>2011</u>	<u>2010</u>	
Current assets	\$5,066,481	\$ 4,719,179	\$ 347,302
Capital assets, net of depreciation	<u>2,694,782</u>	<u>2,770,175</u>	<u>(75,393)</u>
Total assets	<u>7,761,263</u>	<u>7,489,354</u>	<u>271,909</u>
Current liabilities	538,590	489,599	48,991
Noncurrent liabilities	<u>897,939</u>	<u>856,743</u>	<u>41,196</u>
Total liabilities	<u>1,436,529</u>	<u>1,346,342</u>	<u>90,187</u>
Net assets:			
Invested in capital assets	2,694,782	2,770,175	(75,393)
Unrestricted	<u>3,629,952</u>	<u>3,372,837</u>	<u>257,115</u>
Total net assets	<u>\$6,324,734</u>	<u>\$ 6,143,012</u>	<u>\$ 181,722</u>

Current assets increased by \$347,302 (7.4%) during the year. The Elementary Schools' current assets increase of \$49,160, the Middle Schools' increase of \$57,863, and the High School's increase of \$240,279, all primarily related to the investments maintained with the Florida League of Cities. The net decrease in capital assets of \$75,393 is mainly attributable to the net effect of an increase in capital of \$142,952 and the depreciation expense of \$218,345.

Current liabilities increased by 48,991 (10.0%) during the year in the Elementary, Middle, and High Schools. This increase is related to a decrease of \$17,096 in accrued liabilities, an increase of \$5,373 in deferred revenue, and an increase of \$60,714 in deposits. Noncurrent liabilities increased by \$41,196 (4.8%) during the year. This increase is related to compensated absences.

Unrestricted net assets increased by \$257,115 (7.6%) during the year in the Elementary, Middle, and High Schools. This increase represents the difference by which assets exceeded liabilities.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental		Increase (Decrease)
	Activities		
	<u>2011</u>	<u>2010</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 4,579,481	\$ 4,731,329	\$ (151,848)
Operating grants and contributions	2,029,462	1,732,139	297,323
Capital contributions	6,281	57,259	(50,978)
General revenues:		-	
FTE non-specific revenues	32,949,859	30,660,032	2,289,827
Unrestricted investment earnings	84,684	79,768	4,916
Rental income	1,623,980	1,639,815	(15,835)
ICMA forfeiture revenue	<u>59,428</u>	<u>12,483</u>	<u>46,945</u>
Total revenues	<u>41,333,175</u>	<u>38,912,825</u>	<u>2,420,350</u>
Expenses:			
Instructional services	21,581,827	20,084,646	1,497,181
Rent	5,587,874	5,566,389	21,485
Instructional support services	1,629,551	1,592,842	36,709
Student transportation services	1,605,413	1,451,466	153,947
Operation and maintenance of school	6,167,644	6,027,405	140,239
School administration	3,932,426	4,088,646	(156,220)
Child care supervision	-	552,991	(552,991)
Other	<u>571,718</u>	<u>-</u>	<u>571,718</u>
Total expenses	<u>41,076,453</u>	<u>39,364,385</u>	<u>1,712,068</u>
Excess (deficiency) before transfers	256,722	(451,560)	708,282
Transfer	<u>(75,000)</u>	<u>-</u>	<u>(75,000)</u>
Change in net assets	181,722	(451,560)	633,282
Net assets, beginning	<u>6,143,012</u>	<u>6,594,572</u>	<u>(451,560)</u>
Net assets - ending	<u>\$ 6,324,734</u>	<u>\$ 6,143,012</u>	<u>\$ 181,722</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amounted to \$6,324,734, an increase of \$181,722 over the previous fiscal year. The total cost of all governmental activities this year was \$41,076,453. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$2,420,350 (6.2%) during the year. Program revenues which include charges for services, operating grants and contributions and capital contributions increased by \$94,497 (1.5%). General revenues which include FTE non-specific revenues increased by \$2,325,853 (7.5%).

Charges for services decreased by \$151,848 (-3.2%). Operating grants and contributions increased by \$297,323 (17.2%) during the year. The FTE non-specific revenues, which accounts for approximately 80% of total revenues, increased by \$2,289,827 (7.5%). This increase was mainly attributable to the Education Jobs Bill passed by the Federal government for FY2011. The funds received as a result of this amounted to approximately \$1.0 million for the Charter Schools that was not available in prior year. Additionally, FY2011 FTE non-specific revenues increased by \$0.6 million related the School Board Broward County's approval of a critical operating needs millage (based on .250 mills). Unrestricted investment earnings increased by 4,916 (6.2%). Rental income decreased by \$15,835 (-1.0%).

Total expenses increased by \$1,712,068 (4.3%) during the year. This increase was mainly attributable to an increase in personnel costs, including salaries and benefits, of approximately \$1.1 million. Increases in personnel costs were mainly driven by increases in salaries and benefits for instructional staff. Total benefits costs for health, life, workers' compensation and pension increased by approximately \$0.8 million.

All functional categories of expenses increased, except for school administration which decreased by \$156,220 (-3.8%). In FY2011 child care supervision is included in the "Other" functional category.

This year the Charter High School transferred \$75,000 to the FSU Charter Elementary School to supplement operations.

Financial analysis of the Charter Schools' funds. As noted earlier, the Charter Schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental funds. The focus of the Charter Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter Schools' financing requirements.

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$4,527,891, an increase of \$298,311 over the previous fiscal year. The ending fund balance is assigned to rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2011, the Charter Schools had estimated revenues and appropriations of \$42,019,877 and \$44,082,653, respectively, excluding other financing sources. Over the course of the year, the Charter Schools made several revisions to budgeted revenues and appropriations.

These amendments may 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 Charter Elementary Schools, East, West and Central Campuses, made the following amendments to budget: Several amendments were made to the budgeted revenues totaling \$753,803. This was mainly attributable to an amendment of \$413,183 for the Educations Jobs Fund, and an amendment of \$246,485 related to the Broward County School Board's discretionary millage.

Amendments were made to the expenditure budget in the amount of \$94,135. These adjustments were due to an increase in the budget of \$10,482 for personnel costs mainly for the Dale Hickam grant, an increase in the budget for operating costs of \$57,517, and an increase of \$26,136 increase in capital budget to facilitate wireless connectivity throughout the Schools. These funds were provided as part of the "Race to the Top" (RTTT) grant.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$544,337, and actual expenditures were below final budgeted amounts by \$1,360,305 before transfers.

The Charter Middle Schools, West and Central Campuses, made the following amendments to budget: Several amendments were made to the budgeted revenues totaling \$441,554. This was mainly attributable to an amendment of \$251,096 for the Educations Jobs Fund, and an amendment of \$149,792 related to the Broward County School Board's discretionary millage.

Amendments were made to the expenditure budget in the amount of \$40,666. These adjustments were due to an increase in the budget of \$10,549 for personnel costs mainly for the Dale Hickam grant, an increase in the budget for operating costs of \$8,529, and an increase of \$21,588 increase in capital budget to facilitate wireless connectivity throughout the Schools. These funds were provided as part of the "Race to the Top" (RTTT) grant.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$435,813 and actual expenditures were below final budgeted amounts by \$897,705 before transfers.

The Charter High School made the following amendments to budget: Several amendments were made to the budgeted revenues totaling \$663,175. This was mainly attributable to an amendment of \$357,360 for the Educations Jobs Fund, an amendment of \$219,990 related to the Broward County School Board's discretionary millage, and an amendment of \$20,342 for the "Race to the Top" (RTTT) grant.

Amendments were made to the expenditure budget in the amount of \$85,825. These adjustments were due to an increase in the budget of \$5,087 for personnel costs, an increase in the budget for operating costs of \$75,726, and an increase of \$5,012 increase in capital budget to facilitate wireless connectivity throughout the Schools. These funds were provided as part of the "Race to the Top" (RTTT) grant. The increase in the budget for operating costs was attributable to \$74,600 needed to repair the chiller coils for the building.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$576,592 and actual expenditures were below final budgeted amounts by \$864,779 before transfers.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2011 amounted to \$2,694,782, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		
	<u>2011</u>	<u>2010</u>	<u>Increase</u>
Improvements other than buildings	\$ 2,035,189	\$ 2,070,636	\$ (35,447)
Machinery and equipment	<u>659,593</u>	<u>699,539</u>	<u>(39,946)</u>
Total capital assets	<u>\$ 2,694,782</u>	<u>\$ 2,770,175</u>	<u>\$ (75,393)</u>

Additional information on the Charter Schools' capital assets can be found on Note 4 of the notes to the special purpose financial statements (page 28).

Economic Factors and Next Year's Budgets 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 Schools will enroll 4,920 students for the 2012 school year.
- ◆ The Charter Schools will no longer receive the State Stabilization Funds or the Education Jobs Funds. This reduced revenues by approximately \$2.6 million.
- ◆ Broward County School Board will maintain the administrative costs to 5% only on the first 500 students for the entire system.
- ◆ 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 \$0.7 million.
- ◆ The State lowered the contribution required to the Florida Retirement System (FRS) from 10.77% to 4.91% and required employees to contribute 3.0% of annual pay to the pension plan. This reduced the School's expenditure budget by approximately \$1.1 million.
- ◆ The Charter Schools' student attendance rate remains stable at 96%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2011-12 budgets of 41,117,527 and \$41,117,527 respectively.
- ◆ The Middle Schools' population will increase by 24 students. The total number of students at the Middle Schools will be 1,277 for the 2011-12 school year.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Charter Schools' finances, as well as demonstrate accountability for funds the Charter Schools receive. 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, 10100 Pines Boulevard, Pembroke Pines, Florida 33026.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash and investments	\$ 4,911,357
Due from Broward County	23,212
Due from Federal Government	15,779
ICMA forfeitures receivable	40,877
Other miscellaneous receivables	75,256
Capital assets being depreciated, net	<u>2,694,782</u>
Total assets	<u>7,761,263</u>
 <u>LIABILITIES</u>	
Accrued liabilities	20,162
Deferred revenue	21,288
Deposits	497,140
Noncurrent liabilities:	
Due within one year	710,162
Due in more than one year	<u>187,777</u>
Total liabilities	<u>1,436,529</u>
 <u>NET ASSETS</u>	
Invested in capital assets	2,694,782
Unrestricted	<u>3,629,952</u>
Total net assets	<u>\$ 6,324,734</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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>	<u>Capital Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 21,581,827	\$ -	\$ 51,427	\$ -	\$ (21,530,400)
Rent	5,587,874	-	-	-	(5,587,874)
Instructional support services	1,629,551	-	-	-	(1,629,551)
Student transportation services	1,605,413	484,613	-	-	(1,120,800)
Operation and maintenance of school	6,167,644	3,551,978	1,050,243	6,281	(1,559,142)
School administration	3,932,426	4,407	57,752	-	(3,870,267)
Other	571,718	538,483	870,040	-	836,805
Total Charter Schools	<u>\$ 41,076,453</u>	<u>\$ 4,579,481</u>	<u>\$ 2,029,462</u>	<u>\$ 6,281</u>	<u>(34,461,229)</u>
General revenues:					
FTE non-specific revenues					32,949,859
Unrestricted investment earnings					84,684
Rental income					1,623,980
ICMA forfeitures revenue					59,428
Transfer					<u>(75,000)</u>
Total general revenues and transfer					<u>34,642,951</u>
Change in net assets					181,722
Net assets, beginning					<u>6,143,012</u>
Net assets, ending					<u>\$ 6,324,734</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 3,580,148	\$ 319,464	\$ 1,011,745	\$ 4,911,357
Due from Broward County	5,046	3,246	14,920	23,212
Due from Federal Government	8,451	4,333	2,995	15,779
ICMA forfeitures receivable	-	-	40,877	40,877
Other miscellaneous receivables	<u>29,635</u>	<u>19,260</u>	<u>26,361</u>	<u>75,256</u>
Total assets	<u>\$ 3,623,280</u>	<u>\$ 346,303</u>	<u>\$ 1,096,898</u>	<u>\$ 5,066,481</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accrued liabilities	\$ 9,493	\$ 5,018	\$ 5,651	\$ 20,162
Deferred revenue	10,688	5,058	5,542	21,288
Deposits	<u>80,319</u>	<u>75,835</u>	<u>340,986</u>	<u>497,140</u>
Total liabilities	<u>100,500</u>	<u>85,911</u>	<u>352,179</u>	<u>538,590</u>
Fund balances:				
Assigned for rent payments	<u>3,522,780</u>	<u>260,392</u>	<u>744,719</u>	<u>4,527,891</u>
Total fund balances	<u>3,522,780</u>	<u>260,392</u>	<u>744,719</u>	<u>4,527,891</u>
Total liabilities and fund balances	<u>\$ 3,623,280</u>	<u>\$ 346,303</u>	<u>\$ 1,096,898</u>	

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.	2,694,782
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(897,939)
Net assets of governmental activities (page 12)	<u><u>\$ 6,324,734</u></u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Revenues:				
Local	\$ 15,695,743	\$ 9,276,078	\$ 14,769,318	\$ 39,741,139
Federal grants	<u>304,153</u>	<u>169,422</u>	<u>248,421</u>	<u>721,996</u>
Total revenues	<u>15,999,896</u>	<u>9,445,500</u>	<u>15,017,739</u>	<u>40,463,135</u>
Expenditures:				
Current:				
K-3 Basic	5,512,896	-	-	5,512,896
4-8 Basic	2,623,679	5,280,972	-	7,904,651
9-12 Basic	-	-	6,233,717	6,233,717
Exceptional student program	843,059	437,672	166,863	1,447,594
Vocational 6-12	-	-	189,716	189,716
Substitute teachers	117,920	91,827	64,959	274,706
School/other	-	-	18,547	18,547
Guidance services	202,633	167,354	532,794	902,781
Instructional media services	256,601	272,402	109,154	638,157
ESE specialist	-	-	79,756	79,756
Instructional staff training service	3,141	3,065	2,651	8,857
School administration	1,623,033	1,149,888	1,118,309	3,891,230
Facilities acquisition and construction	1,444,474	1,110,537	3,032,863	5,587,874
Student transportation services	788,239	523,715	293,459	1,605,413
Operation of school	2,077,319	1,409,197	2,462,783	5,949,299
Child care supervision	359,400	-	-	359,400
Athletics	-	19,373	192,945	212,318
Capital outlay	<u>25,943</u>	<u>21,589</u>	<u>95,420</u>	<u>142,952</u>
Total expenditures	<u>15,878,337</u>	<u>10,487,591</u>	<u>14,593,936</u>	<u>40,959,864</u>
Excess (Deficit) of revenues over expenditures	<u>121,559</u>	<u>(1,042,091)</u>	<u>423,803</u>	<u>(496,729)</u>
Other financing sources (uses):				
Transfers in	150,000	1,085,040	-	1,235,040
Transfers out	<u>(215,000)</u>	<u>-</u>	<u>(225,000)</u>	<u>(440,000)</u>
Total other financing sources (uses)	<u>(65,000)</u>	<u>1,085,040</u>	<u>(225,000)</u>	<u>795,040</u>
Net change in fund balances	56,559	42,949	198,803	298,311
Fund balances, beginning	<u>3,466,221</u>	<u>217,443</u>	<u>545,916</u>	<u>4,229,580</u>
Fund balances, ending	<u>\$ 3,522,780</u>	<u>\$ 260,392</u>	<u>\$ 744,719</u>	<u>\$ 4,527,891</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS 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 balances - total governmental funds (Page 14) \$ 298,311

Governmental funds report 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	\$ 142,952	
Depreciation expense	<u>(218,345)</u>	
Net adjustment		(75,393)

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>(41,196)</u>
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Change in net assets of governmental activities (page 12) \$ 181,722

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 17, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses; the City of Pembroke Pines Charter Middle School, consisting of two campuses; and the City of Pembroke Pines Charter High School, consisting of one campus, respectively. The three schools will be referred to collectively as the Schools in these special purpose financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 228.056 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle Schools' first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

The Schools operate under a charter of the sponsoring school district, the Broward County School Board (the District). The Elementary Schools' charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle Schools' charter was approved by the City Commission on June 2, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. All three charters may be renewed in increments of five (5) years by mutual written agreement between the Schools and the District. At the end of the term of the charters, the District may choose not to renew the charters under grounds specified in the charter in which case the District is required to notify the Schools in writing at least 90 days prior to the charter's expiration. Pursuant to Section 228.056(10)(e), Florida Statutes, the charter school contract provides that in the event the Schools are dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County School Board. During the term of the charter, the District may also terminate the charter if good cause is shown. The Schools are accounted for as special revenue funds of the City. The financial statements contained herein present only the operations of the Schools, which are special revenue funds, 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

On February 1, 2003 the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 679 students for the 2011-12 school year. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own special purpose financial statements.

The Schools' 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 Schools. 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*.

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' 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 Schools' 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 Schools' 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 Schools consider revenues to be available if they are collected within 60

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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)

days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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 Schools receive cash.

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East, West and Central campus, serving 1,928 student stations for the 2011-12 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,277 student stations for the 2011-12 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 1,715 student stations for the 2011-12 school year .

Amounts reported as *program revenues* include 1) charges to Schools 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 Schools' policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets

1. Pooled Cash and Cash Equivalents

The Schools consider all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Schools maintain their cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investment in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration.

2. Receivables

All receivables are considered to be collectible. No allowance for uncollectibles is recorded.

3. Inventories

Inventories consist of expendable food commodities and are valued on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the School's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used rather than purchased.

4. Capital Assets

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, individual cost of more than \$1,000, except for computer equipment with an individual cost of more than \$750, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized.

Capital assets of the Schools are depreciated using the straight-line method over the following estimated useful lives:

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-50
Machinery and equipment	3-10

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Broward County School Board upon the non-renewal or termination of the charter agreement.

5. Compensated Absences

The City's Charter Schools' 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 Schools report only the compensated absence liability due and payable at June 30th and paid from expendable available financial resources.

6. 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 financial statements, and is described below:

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

6. *Long-Term Obligations* (Continued)

The City borrowed \$10,000,000 from a bank in December 1997 of which approximately \$8,000,000 was used to finance the acquisition of land and construction of the Elementary Schools. In 1998, the City issued Public Improvement Revenue Bonds, Series 1998 for \$24,055,000 of which approximately \$12,500,000 was used to finance the construction of the Middle School, and the purchase and development of the site for the City's Charter High School. During 1999, the City issued Capital Improvement Revenue Bonds, Series 1999 for \$45,240,000 of which approximately \$31,000,000 was used to finance the construction of the City of Pembroke Pines Charter High School and further expansion of the Schools. During 2001, the City issued Charter School Revenue Bonds, Series 2001A and 2001B for \$31,910,000 and \$20,060,000, respectively, which were used to finance the construction of the City of Pembroke Pines Charter Central Campus and the shared-use facility located at the Academic Village Charter High School Campus.

On December 1, 2006, \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998, and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 were advance refunded by the City's \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. Also on December 1, 2006, \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999 was advance refunded by a portion of the City's \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006.

On March 25, 2008, the City advance refunded the Charter School Revenue Bonds, Series 2001A and 2001B, and constructed thirty-eight (38) additional classrooms for the City of Pembroke Pines Charter Schools and twelve (12) new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School by issuing the Charter School Revenue Bonds, Series 2008 for \$64,095,000. This was done to comply with the State's Class Size Amendment. The Amendment allows for no more than 18 students in Kindergarten through Third grade classrooms and 22 students in each Fourth through Fifth grade classroom.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. 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 Schools have 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”.

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 Schools’ are 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. *Equity Classifications* (Continued)

Fund balance of the Charter Schools are considered to be assigned for rent payments, as they are special revenue funds 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.

8. *Revenue Sources*

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Schools' charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Schools report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District 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 Schools 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 Schools during the designated full-time equivalent student survey periods.

9. *Use of Estimates*

The preparation of 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 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.

10. *New Pronouncements*

In fiscal year 2011, the Charter Schools 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. New Pronouncements (Continued)

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.

On September 7, 2011, the City of Pembroke Pines adopted a fund balance reserve policy per Ordinance 1699. This fund balance reserve 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, Schools consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Schools consider amounts to have been spent, first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Schools have provided otherwise in its commitment or assignment actions.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. INVESTMENTS

The Schools invest 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 Schools invest operating funds in the 1-3 Year High Quality Bond Fund.

The Schools pooled cash and investments, are summarized as follows:

<u>Investments:</u>	<u>Carrying Amount</u>
FMIvT 1-3 Year High Quality Bond Fund	<u>\$4,909,481</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 Schools' 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 Schools utilize 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 CHARTER SCHOOLS

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 CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

	Elementary <u>Schools</u>	Middle <u>Schools</u>	High <u>School</u>	<u>Total</u>
Broward County School Board:				
Florida education finance program	\$ 8,274,218	\$ 5,028,870	\$ 7,417,042	\$ 20,720,130
Class size reduction	2,500,541	1,154,373	1,646,825	5,301,739
Public education capital outlay (PECO)	762,186	562,049	1,024,329	2,348,564
District school taxes	737,483	448,179	658,210	1,843,872
Education Jobs Fund	413,182	251,096	357,360	1,021,638
Supplemental academic instruction	399,301	257,500	355,068	1,011,869
Transportation revenue	176,940	252,000	405,720	834,660
ESE guaranteed allocation	289,017	176,826	159,072	624,915
Supplemental discretion millage	246,485	149,791	219,990	616,266
Instructional materials	141,917	91,518	140,056	373,491
Governor's A+ Funds	144,525	91,125	126,809	362,459
Safe schools program	45,857	29,572	40,777	116,206
Summer reading program	4,788	6,923	27,047	38,758
Dale Hickam certification bonus	15,733	5,900	5,900	27,533
Library media materials	8,719	5,623	7,753	22,095
Discretionary lottery funds	7,565	4,878	6,727	19,170
Science lab materials	2,383	1,537	2,119	6,039
Total Broward County School Board	<u>14,170,840</u>	<u>8,517,760</u>	<u>12,600,804</u>	<u>35,289,404</u>
Other:				
Rental revenue	128,981	123,719	1,371,280	1,623,980
Food sales	374,759	332,745	495,910	1,203,414
After school education program	538,483	-	-	538,483
In-house transportation	236,672	169,050	78,891	484,613
Contributions	178,062	106,666	158,979	443,707
Interest	48,408	13,085	23,191	84,684
ICMA forfeiture revenue	16,364	10,565	32,499	59,428
School lunch supplement	1,979	1,498	2,353	5,830
Other miscellaneous revenue	120	130	4,157	4,407
School breakfast supplement	1,075	860	1,254	3,189
Total other	<u>1,524,903</u>	<u>758,318</u>	<u>2,168,514</u>	<u>4,451,735</u>
Total local	<u>\$ 15,695,743</u>	<u>\$ 9,276,078</u>	<u>\$ 14,769,318</u>	<u>\$ 39,741,139</u>
Federal grants:				
National school lunch program	\$194,468	\$105,635	\$131,973	\$432,076
NSLP non-cash assistance (commodities)	36,358	28,244	45,002	109,604
School breakfast program	35,800	14,498	14,558	64,856
Race to the Top - ARRA	22,765	14,645	20,342	57,752
Individuals with disabilities education act (IDEA)	14,762	6,400	9,042	30,204
Carl D. Perkins	-	-	21,223	21,223
Appropriated equipment assistance - ARRA	-	-	6,281	6,281
Total Federal grants	<u>\$ 304,153</u>	<u>\$ 169,422</u>	<u>\$ 248,421</u>	<u>\$ 721,996</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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:				
Improvements other than buildings	\$ 2,575,838	\$ 21,800	\$ -	\$ 2,597,638
Machinery and equipment	<u>2,527,012</u>	<u>121,152</u>	<u>(10,413)</u>	<u>2,637,751</u>
Total capital assets being depreciated	<u>5,102,850</u>	<u>142,952</u>	<u>(10,413)</u>	<u>5,235,389</u>
Less accumulated depreciation for:				
Improvements other than buildings	(505,202)	(57,247)	-	(562,449)
Machinery and equipment	<u>(1,827,473)</u>	<u>(161,098)</u>	<u>10,413</u>	<u>(1,978,158)</u>
Total accumulated depreciation	<u>(2,332,675)</u>	<u>(218,345)</u>	<u>10,413</u>	<u>(2,540,607)</u>
Total capital assets being depreciated, net	<u>\$ 2,770,175</u>	<u>\$ (75,393)</u>	<u>\$ -</u>	<u>\$ 2,694,782</u>

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

Governmental activities:

Operation and maintenance of plant	<u><u>\$ 218,345</u></u>
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NOTE 5. RECEIVABLES

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>Receivables</u>				
Due from Broward County	\$ 5,046	\$ 3,246	\$ 14,920	\$ 23,212
Due from Federal Government	8,451	4,333	2,995	15,779
ICMA forfeitures receivable	-	-	40,877	40,877
Other miscellaneous receivables	<u>29,635</u>	<u>19,260</u>	<u>26,361</u>	<u>75,256</u>
Total receivables	<u>\$ 43,132</u>	<u>\$ 26,839</u>	<u>\$ 85,153</u>	<u>\$ 155,124</u>

Other miscellaneous receivables mainly consists of \$71,725 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 FSU Charter School amounts to \$80,215. All receivables are expected to be collected within one year.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND TRANSFERS

	<u>Transfers out</u>			<u>Total</u>	
	<u>Charter High School</u>	<u>Charter Elementary Schools</u>	<u>City of Pembroke Pines</u>		
Transfers in:					
Elementary	\$150,000	\$ -	\$ -	\$150,000	Supplement current year operations
Middle	-	215,000	870,040	\$1,085,040	Transfer gain of Early Development Centers
FSU Charter School	75,000	-	-	\$75,000	Supplement current year operations
Total	\$225,000	\$215,000	\$870,040	\$1,310,040	

NOTE 7. OPERATING LEASES

Communications Facility Lease

In December 1997, the City leased two parcels of real property located on the Schools' ground to a private company, which was used to construct, maintain and operate communications facilities. The two lease agreements each have a term of fifteen (15) years with two five-year renewal periods upon mutual consent and written agreement by the parties. Rental payments of \$60,000 are due annually on October 1, and increase at a rate of three percent compounded annually. In addition to the rental payments, the lessee pays the City 50% of all revenues received from any third party source for co-location regarding the construction or use of the telecommunications facility.

The approximate minimum future rentals to be received on this non-cancelable lease are as follows:

Fiscal year ending June 30:	
2012	\$ 131,000
2013	<u>78,000</u>
Total approximate future minimum rentals	<u>\$ 209,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 7. OPERATING LEASES (continued)

Other Facility Lease (continued)

On March 13, 2002 the City signed an Interlocal Agreement with Florida International University (FIU) for use of educational facilities located in the City's Academic Village. The Academic Village is a City-owned complex located on the northeast corner of Sheridan Street and Northwest 172nd Avenue, and includes the City's Charter High

School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward College, as well as the Shared-Use Facility for the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the construction and operating costs incurred by the City, the Agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for ten years through December 31, 2012, with one ten-year renewal period. An additional option may be negotiated if requested in writing to the City. The annual rentals are payable to the Charter High School in quarterly advance payments.

The rental income of \$975,312 received in the Charter Schools' fiscal year ended June 30, 2011 was recorded in the Charter High School financial statements, and future rentals are included in the table below. The City's cost for the Shared-Use Facility amounted to \$13,599,845, and accumulated depreciation and net book value as of June 30, 2011 amounted to \$1,905,862 and \$11,693,983, respectively. These costs plus the annual depreciation expense of \$282,350 are recorded in the City's financial statements and are not included in the Charter Schools' financial data.

The approximate minimum future rentals to be received, excluding cost of living index changes or expected lease renewals on this non-cancelable operating lease as of June 30, 2011 are:

Fiscal year ending June 30:

2012	<u>\$ 425,000</u>
Total approximate future minimum rentals	<u>\$ 425,000</u>

Schools' Facility Leases

The Schools lease their elementary school campuses, middle school campuses and high school campus from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Schools (see Note 1.d.6). The rental fees are due annually on December 15.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 7. OPERATING LEASES (continued)

Schools' Facility Leases (continued)

For the fiscal year ended June 30, 2011, rent expense was approximately \$1,445,000, \$1,111,000 and \$3,033,000 for the Elementary, Middle and High Schools, respectively.

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

Fiscal year ending June 30:	
2012	\$ 6,553,000
2013	6,332,000
2014	6,445,000
2015	6,477,000
2016	6,475,000
2017-2021	32,358,000
2022-2026	31,741,000
2027-2031	30,636,000
2032-2036	30,264,000
2037-2038	<u>11,938,000</u>
Total approximate minimum future rentals	<u>\$169,219,000</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>\$ 856,743</u>	<u>\$ 741,694</u>	<u>\$(700,498)</u>	<u>\$ 897,939</u>	<u>\$ 710,162</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 9. RISK MANAGEMENT

Health and hospitalization, workers' compensation and life insurance coverage is provided through the City of Pembroke Pines, and the City, in turn, charges the Schools for this coverage. The Schools maintain their own insurance for general liability, automotive liability, School Board liability, basic and catastrophic student accident, and property and flood coverage's through purchased commercial insurance with minimum deductibles for each line of coverage. There were no reductions in insurance coverage from the coverage provided in the prior year. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

NOTE 10. 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 Schools expect such amounts, if any, to be immaterial.

NOTE 11. PENSION PLANS

Defined Benefit Plan

On August 16, 2006, the City Commission passed Resolution number 3105 which mandated that all Pembroke Pines Charter Schools' full-time employees hired after August 7, 2006 and all part-time employees regardless of the date of hire will join the Florida Retirement System (FRS) Pension Plan. Individuals who were currently members of the ICMA-RC Defined Contribution Plan were given a one-time irrevocable election whether or not to participate in the FRS Pension Plan. The Charter Schools' 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

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 Schools' required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2011, the contribution rate increased to 10.77% from 9.85% of covered payroll which amounted to \$1,761,326. As of June 30, 2011 there were 431 members in this Plan. The Charter Schools are required to contribute both for full-time and part-time members of the Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

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 ICMA-RC. At June 30, 2011, there were 42 Plan members, versus 48 for the previous fiscal year. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' 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 Schools contributed \$152,877 and the employees contributed \$13,147 to the Plan. Provisions of the Schools' Plan may be amended by the City Commission. The Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Schools' Plan are not included in the Schools' special purpose financial statements.

In FY2009 the Schools recorded a revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Schools will utilize these forfeitures to offset future employer contributions to the Plan.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 12. OTHER INFORMATION

In November 2007, the Schools filed a lawsuit against the School Board of Broward County (the District) in order to recoup its share of the District's "2 Mill" money that it collects from taxpayers for new construction and remodeling projects. The Schools have calculated that the amount of "2 Mill" money that was withheld by the District since 1998 is approximately \$34.9 million.

On July 23, 2010, a Broward County Circuit Court judge ruled that the Broward County School Board was not obligated to provide the City's Schools with funding for capital projects. However, in August 2011, the City Commission authorized the City Attorney's Office to file an appeal to the 4th District Court of Appeals. This Appeal is currently pending.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenues:				
Local	\$ 15,547,541	\$ 16,278,578	\$ 15,695,743	\$ (582,835)
Federal grants	<u>242,889</u>	<u>265,655</u>	<u>304,153</u>	<u>38,498</u>
Total revenues	<u>15,790,430</u>	<u>16,544,233</u>	<u>15,999,896</u>	<u>(544,337)</u>
Expenditures:				
Current:				
K-3 Basic	5,901,558	5,932,066	5,512,896	419,170
4-8 Basic	2,739,565	2,744,004	2,623,679	120,325
Exceptional student program	860,975	862,205	843,059	19,146
Substitute teachers	129,228	129,228	117,920	11,308
Guidance services	216,853	216,844	202,633	14,211
Instructional media services	272,090	272,073	256,601	15,472
Instructional staff training service	12,700	11,500	3,141	8,359
School administration	1,806,150	1,850,333	1,623,033	227,300
Facilities acquisition and construction	1,468,267	1,468,267	1,444,474	23,793
Student transportation services	852,549	852,549	788,239	64,310
Operation of school	2,480,308	2,469,357	2,077,319	392,038
Child care supervision	404,264	404,080	359,400	44,680
Capital outlay	<u>-</u>	<u>26,136</u>	<u>25,943</u>	<u>193</u>
Total expenditures	<u>17,144,507</u>	<u>17,238,642</u>	<u>15,878,337</u>	<u>1,360,305</u>
Excess (Deficit) of revenues over expenditures	<u>(1,354,077)</u>	<u>(694,409)</u>	<u>121,559</u>	<u>815,968</u>
Other financing sources (uses):				
Transfers in	-	150,000	150,000	-
Transfers out	<u>-</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balances	(1,354,077)	(759,409)	56,559	815,968
Fund balances, beginning	<u>3,466,221</u>	<u>3,466,221</u>	<u>3,466,221</u>	<u>-</u>
Fund balances, ending	<u>\$ 2,112,144</u>	<u>\$ 2,706,812</u>	<u>\$ 3,522,780</u>	<u>\$ 815,968</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$9,302,752	\$9,729,662	\$9,276,078	\$ (453,584)
Federal grants	<u>137,007</u>	<u>151,651</u>	<u>169,422</u>	<u>17,771</u>
Total revenues	<u>9,439,759</u>	<u>9,881,313</u>	<u>9,445,500</u>	<u>(435,813)</u>
Expenditures:				
Current:				
4-8 Basic	5,607,685	5,602,241	5,280,972	321,269
Intensive English/ESOL	1,900	1,900	-	1,900
Exceptional student program	480,779	480,758	437,672	43,086
Substitute teachers	94,736	94,736	91,827	2,909
Guidance services	180,379	180,369	167,354	13,015
Instructional media services	275,485	275,294	272,402	2,892
Instructional staff training service	11,800	11,800	3,065	8,735
School administration	1,249,958	1,275,453	1,149,888	125,565
Facilities acquisition and construction	1,124,860	1,124,860	1,110,537	14,323
Student transportation services	552,792	552,792	523,715	29,077
Operation of school	1,754,756	1,744,004	1,409,197	334,807
Athletics	9,500	19,500	19,373	127
Capital outlay	<u>-</u>	<u>21,589</u>	<u>21,589</u>	<u>-</u>
Total expenditures	<u>11,344,630</u>	<u>11,385,296</u>	<u>10,487,591</u>	<u>897,705</u>
Excess (Deficit) of revenues over expenditures	(1,904,871)	(1,503,983)	(1,042,091)	461,892
Other financing sources:				
Transfers in	<u>817,000</u>	<u>947,653</u>	<u>1,085,040</u>	<u>137,387</u>
Net change in fund balances	(1,087,871)	(556,330)	42,949	599,279
Fund balances, beginning	<u>217,443</u>	<u>217,443</u>	<u>217,443</u>	<u>-</u>
Fund balances, ending	<u>\$ (870,428)</u>	<u>\$ (338,887)</u>	<u>\$ 260,392</u>	<u>\$ 599,279</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 14,756,267	\$ 15,392,535	\$ 14,769,318	\$ (623,217)
Federal grants	174,889	201,796	248,421	46,625
Total revenues	14,931,156	15,594,331	15,017,739	(576,592)
Expenditures:				
Current:				
9-12 Basic	6,538,515	6,544,545	6,233,717	310,828
Exceptional student program	180,315	182,272	166,863	15,409
Vocational 6-12	256,101	256,091	189,716	66,375
Substitute teachers	59,210	65,210	64,959	251
School/other	23,686	23,686	18,547	5,139
Guidance services	558,432	558,408	532,794	25,614
Instructional media services	110,984	110,977	109,154	1,823
ESE specialist	75,660	80,657	79,756	901
Instructional staff training service	3,000	3,000	2,651	349
School administration	1,227,910	1,246,500	1,118,309	128,191
Facilities acquisition and construction	3,064,474	3,064,474	3,032,863	31,611
Student transportation services	322,814	322,814	293,459	29,355
Operation of school	2,752,385	2,695,982	2,462,783	233,199
Athletics	199,404	208,587	192,945	15,642
Capital outlay	-	95,512	95,420	92
Total expenditures	15,372,890	15,458,715	14,593,936	864,779
Excess (Deficit) of revenues over expenditures	(441,734)	135,616	423,803	288,187
Other financing uses:				
Transfers out	-	(225,000)	(225,000)	-
Net change in fund balances	(441,734)	(89,384)	198,803	288,187
Fund balances, beginning	545,916	545,916	545,916	-
Fund balances, ending	\$ 104,182	\$ 456,532	\$ 744,719	\$ 288,187

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for all Charter School funds which are governmental funds. All governmental fund budgets are 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.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish 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 budgets, which prior to July 1st, are 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 the 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 budgets 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 budgets include the supplemental appropriations before transfers, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations of approximately \$94,000 in the elementary schools, approximately \$41,000 more than the original budget in the middle schools and approximately \$86,000 in the high school 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 Charter Schools
Pembroke Pines, Florida

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds 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 Schools' 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 Charter Schools' 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 Broward County District School Board 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 Charter Schools
Pembroke Pines, Florida

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the fiscal years 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 Schools have not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
3. There were no recommendations to improve the Schools' 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 schools is collectively referred to as City of Pembroke Pines Charter Schools, special revenue funds 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 Broward County District School Board and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

October 18, 2011

