

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

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2004

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2004, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1a, the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (a Special Revenue Fund of the City), is intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the major fund of the School that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In our opinions, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2004 on our consideration of the School's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the 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 read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 3-8 and pages 24-25, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedules of capital assets used in the operation of governmental funds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fort Lauderdale, Florida
August 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/FSU Charter Elementary School, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Charter School's financial statements, which follow this section. This report is the first ever issued for the City of Pembroke Pines/FSU Charter Elementary School, and provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved in our first year of operation.

The City of Pembroke Pines/FSU Charter Elementary School hereafter referred to as the FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 600 Elementary school students. This partnership between the City of Pembroke Pines and the Florida State University (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 Broward County School Board.

This is the first year that the School will be reporting on its financial statements, thus comparative information is not available. 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 liabilities of the FSU Charter Elementary School as reported in the government-wide financial statements exceeded their assets at the close of the current fiscal year by \$285,220 (net assets).
- As of the close of the current fiscal year, the FSU Charter Elementary School governmental fund financial statements had a deficiency of revenues over expenses resulting in a reported ending fund balance (deficit) of (\$262,723).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School's basic financial statements. The Charter School's basic financial statements consist of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

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, uses 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 basic 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 basic financial statements can be found on pages 14-23 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the budgetary comparison schedule and the Management's Discussion and Analysis (MD&A).

Supplementary Auditors' Reports. This section includes the following:

- Report of Independent Certified Public Accountants on Compliance and Other Matters 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, liabilities exceeded assets by \$285,220 as of June 30, 2004. A comparative analysis of the government-wide data will be presented in future years when the information becomes available.

Investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amount to \$22,595. 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 <u>2004</u>
Current assets	\$ 239,021
Capital assets, net of depreciation	<u>22,595</u>
Total assets	<u>261,616</u>
Current liabilities	501,744
Noncurrent liabilities	<u>45,092</u>
Total liabilities	<u>546,836</u>
Net assets:	
Invested in capital assets	22,595
Unrestricted (deficit)	<u>(307,815)</u>
Total net assets (deficit)	<u>\$ (285,220)</u>

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's total net assets (deficit) at the end of the year amount to (\$285,220). The total cost of all governmental activities this year was \$4,114,649. Key elements of these changes in net assets are as follows:

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities <u>2004</u>
Revenues:	
Program revenues:	
Charges for services	\$ 560,318
Operating grants and contributions	227,842
General revenues:	
FTE non-specific revenues	3,015,308
Rental income	<u>25,961</u>
Total revenues	<u>3,829,429</u>
Expenses:	
Instructional services	1,847,142
Instructional support services	76,805
Pupil transportation services	186,344
School administration	370,842
General administration	270,408
Operation of school	700,079
Rent	556,509
Child care supervision	<u>106,520</u>
Total expenses	<u>4,114,649</u>
Change in net assets	(285,220)
Net assets, beginning	<u>-</u>
Net assets (deficit), ending	<u>\$ (285,220)</u>

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, an unreserved, undesignated 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 (deficit) of (\$262,723). The fund balance consists of a reserve for encumbrances of \$59,805, a reserve for commodities inventory of \$3,796, and an unreserved deficit of (\$326,324).

Budgetary Highlights

For the fiscal year ended June 30, 2004, the City of Pembroke Pines/FSU Charter Elementary School had estimated revenues and appropriations of \$4,543,397. Over the course of the year, the Charter School recommended 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 that had no effect on the total budget: An amendment was made to start-up grants in the amount of \$42,000. An amendment was made to school breakfast reimbursed–non-severe need in the amount of \$3,500. An amendment was made to school lunch reimbursed – free/reduced in the amount of \$23,000. An amendment was made to class size reduction in the amount of \$112,340. An amendment was made to library media materials in the amount of \$6,958. An amendment was made to ESE Guaranteed Allocation in the amount of (\$42,000). An amendment was made to Public Education Capital Outlay in the amount of (\$119,298). An amendment was made to food service in the amount of (\$26,500).

Amendments were made to the budgeted expenditures that had no effect to the total budget: Amendments were made to K-3 Basic in the amount of (\$13,727). Amendments were made to 4-8 Basic in the amount of \$65,484. An amendment was made to Exceptional Student Education (ESE) Program in the amount of (\$183,587). The proposed budget estimated to have 50 ESE students but when the school opened, the program began with 15 students. Amendments were made to substitute teachers in the amount of \$8,500. Amendments were made to guidance services in the amount of \$13,256. Amendments were made to instructional media services in the amount of (\$5,000). Amendments were made to general administration in the amount of (\$3,423). Amendments were made to school administration in the amount of \$56,085. An amendment was made to facilities acquisition and construction in the amount of (\$18,987). Amendments were made to pupil transportation services in the amount of (\$14,302). Amendments were made to operation of school in the amount of \$36,824. Amendments were made to child care supervision in the amount of \$23,599. Amendments were made to capital outlay in the amount of \$35,278.

After appropriations were amended, as described above, actual revenues were \$713,968 below final budget amounts; and actual expenditures were \$451,245 below final budget amounts.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$22,595 (net of accumulated depreciation). This investment in capital assets consists of machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental <u>2004</u>
Machinery and equipment	\$ <u>22,595</u>
Total capital assets	\$ <u>22,595</u>

Additional information on the Charter School's capital assets can be found in Note 4, page 20 and on pages 26-28 of this report.

Economic Factors and Next Year's Budget and Rates

- ◆ \$2,000,000 State funding for Laboratory Schools will increase revenues by approximately \$440,000 to the FSU Charter School.

- ◆ The distribution factor will be changed to show Broward County not Leon County.

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 Controller, Pembroke Pines/FSU Charter Elementary School, 13975 Pembroke Road, Pembroke Pines, Florida 33027.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash	\$ 400
Due from other governments	232,985
Other miscellaneous receivables	1,840
Commodities inventory	3,796
Capital assets being depreciated, net	<u>22,595</u>
Total assets	<u>261,616</u>
<u>LIABILITIES</u>	
Accounts payable	4,299
Accrued liabilities	42,997
Due to other funds	450,476
Deposits	3,972
Noncurrent liabilities:	
Due within one year	33,937
Due in more than one year	<u>11,155</u>
Total liabilities	<u>546,836</u>
<u>NET ASSETS</u>	
Invested in capital assets	22,595
Unrestricted (deficit)	<u>(307,815)</u>
Total net assets (deficit)	<u>\$ (285,220)</u>

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in <u>Net Assets</u> Total Governmental <u>Activities</u>
Governmental activities:				
Instructional services	\$ 1,847,142	\$ -	\$ 92,765	\$ (1,754,377)
Instructional support services	76,805	-	-	(76,805)
Pupil transportation services	186,344	64,851	70,000	(51,493)
School administration	370,842	-	29,235	(341,607)
General administration	270,408	-	-	(270,408)
Operation of school	700,079	92,985	35,842	(571,252)
Rent	556,509	256,224	-	(300,285)
Child care supervision	106,520	146,258	-	39,738
Total charter school	<u>\$ 4,114,649</u>	<u>\$ 560,318</u>	<u>\$ 227,842</u>	<u>(3,326,489)</u>
General revenues:				
FTE non-specific revenues				3,015,308
Rental income				<u>25,961</u>
Total general revenues				<u>3,041,269</u>
Change in net assets				(285,220)
Net assets - beginning				<u>-</u>
Net assets (deficit) - ending				<u>\$ (285,220)</u>

See notes to basic financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2004

ASSETS

Pooled cash	\$ 400
Due from other governments	232,985
Other miscellaneous receivables	1,840
Commodities inventory	<u>3,796</u>
Total assets	<u>\$ 239,021</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 4,299
Accrued liabilities	42,997
Due to other funds	450,476
Deposits	<u>3,972</u>
Total liabilities	<u>501,744</u>

Fund balance:

Reserved for encumbrances	59,805
Reserved for commodities inventory	3,796
Unreserved (deficit)	<u>(326,324)</u>
Total fund balance (deficit)	(262,723)

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 fund.	22,595
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(45,092)</u>
Net assets (deficit) of governmental activities	<u>\$ (285,220)</u>

See notes to basic financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2004

Revenues:	
Local	\$ 3,601,587
Federal grants	<u>227,842</u>
Total revenues	<u>3,829,429</u>
Expenditures:	
Current:	
K-3 basic	986,913
4-8 basic	564,463
Guidance services	61,954
Exceptional student program	273,618
Substitute teachers	22,148
General administration	270,408
School administration	325,750
Pupil transportation services	186,344
Operation of school	696,618
Facilities acquisition and construction	556,509
Instructional media service	14,851
Child care supervision	106,520
Capital outlay	<u>26,056</u>
Total expenditures	<u>4,092,152</u>
Deficiency of revenues over expenditures	<u>(262,723)</u>
Net change in fund balance	(262,723)
Fund balance, beginning	<u>-</u>
Fund balance (deficit), ending	<u>\$ (262,723)</u>

See notes to basic financial statements.

**CITY OF PEMBROKE PINES
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, 2004

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

Net change in fund balance - total governmental fund (Page 12)	\$ (262,723)
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The governmental fund reports capital outlay 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 differences are as follows:

Capital outlay	\$ 26,056	
Depreciation expense	<u>(3,461)</u>	
Net adjustment		22,595

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 the governmental fund.

The detail of the difference is as follows:

Compensated absences		<u>(45,092)</u>
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Change in net assets of governmental activities (Page 10)	<u>\$ (285,220)</u>
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NOTES TO BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2004

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 School 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 School Elementary School.

The Charter Agreement was prepared 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 School to serve as a model for the FSU Professional Development School program and be a part of FSU's existing School District. The Pembroke Pines/FSU Charter School Elementary School opened for the 2003-2004 school year with 600 students in grades K-5 in the new facility plus 15 Exceptional Student Education (ESE) students attending the City of Pembroke Pines Charter Elementary 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 (see Note 11 – Subsequent Events).

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 and does not do not purport to, and does not fairly present the financial position of the City as of June 30, 2004, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

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.

CITY OF PEMBROKE PINES
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the School for 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 separate column in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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, except for compensated absences.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The School reports the following major fund:

Charter Elementary School – The Elementary School, located at the Pembroke Shores site serves 600 student stations.

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 Equity

1. Pooled Cash and Cash Equivalents

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 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. The Charter School had no cash equivalents as of June 30, 2004.

2. Receivables

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

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 \$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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Equity (Continued)

3. *Capital Assets* (Continued)

Capital assets of the School 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 Charter School has recorded the amount of accrued sick and vacation benefits as of and for the year ended June 30, 2004 in the government-wide financial statements.

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 the obligation of the City and which is not included in the School's financial statements, 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.

The School remits a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 6 – Operating Lease).

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Equity (Continued)

6. Equity Classifications

Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation that 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 has no restricted net assets as of June 30, 2004.
- 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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 and Section 228.056(13), Florida Statutes, the School reports the number of 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 STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Equity (Continued)

8. 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.

NOTE 2. INVESTMENTS

The School invests in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs the LGSF. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The LGSF is not a registrant of the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2A-7 pool and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares.

As of June 30, 2004, the School had no funds invested with the State Board of Administration.

NOTE 3. REVENUE SOURCES

Florida State University:	
Florida Education Finance Program	\$2,654,727
Public Education Capital Outlay	256,224
Instructional materials	197,193
Class Size Reduction	108,482
Discretionary lottery funds	27,639
Public school technology	11,975
Teacher Training Allocation	8,654
Library Media Materials	<u>6,638</u>
Total Florida State University	<u>3,271,532</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. REVENUE SOURCES (Continued)

Other:	
After school education program	146,258
Food sales	92,985
In-house transportation	64,851
Rental income	<u>25,961</u>
Total other	330,055
Total local	<u>\$3,601,587</u>
Federal grants:	
Start-up	\$ 192,000
School Lunch Reimbursement - Free/Reduced	20,781
School Breakfast Reimbursement - Non-Severe Need	2,963
Food Commodities Program	<u>12,098</u>
Total Federal grants	<u>\$ 227,842</u>

NOTE 4. CAPITAL ASSETS

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ -	\$ 26,056	\$ -	\$ 26,056
Total capital assets being depreciated	<u>-</u>	<u>26,056</u>	<u>-</u>	<u>26,056</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>-</u>	<u>(3,461)</u>	<u>-</u>	<u>(3,461)</u>
Total accumulated depreciation	<u>-</u>	<u>(3,461)</u>	<u>-</u>	<u>(3,461)</u>
Total capital assets being depreciated, net	<u>\$ -</u>	<u>\$ 22,595</u>	<u>\$ -</u>	<u>\$ 22,595</u>

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

Governmental activities:	
Machinery and equipment	<u>\$3,461</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5. DUE TO OTHER FUNDS

The composition of interfund balances as of June 30, 2004 is as follows:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Purpose</u>
FSU Charter Elementary School	General Fund	<u>\$450,476</u>	Provide temporary resources

NOTE 6. OPERATING LEASE

School's Facility Lease

The FSU 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 FSU Charter Elementary School (see Note 1d.5). For the fiscal year ended June 30, 2004, rent expense was approximately \$557,000.

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

Fiscal year ending June 30:	
2005	\$ 559,000
2006	559,000
2007	560,000
2008	560,000
2009	559,000
2010-2014	2,795,000
2015-2019	2,795,000
2020-2023	<u>1,820,000</u>
Total approximate minimum future rentals	<u>\$10,207,000</u>

NOTE 7. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ -	\$ 103,220	\$ (58,128)	\$ 45,092	\$ 33,937

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 8. RISK MANAGEMENT

The Charter Agreement requires the City to maintain the same insurance levels and coverage's for the School as it currently maintains for the City's Charter Schools, as required by the City's Charters with the Broward County District 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 these coverages. 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, 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 during the current year.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitment

The agreement with FSU requires that as the sponsor of the School, and for its research and evaluation responsibilities, the City will pay FSU the fixed annual amount of \$250,000 as a University Oversight and Research Fee.

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 fund. The amount, if any, of 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.

NOTE 10. PENSION PLAN

Charter School and Early Development Centers Employees

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 Section 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 new employer's pension plan providing said plan permits rollovers.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 10. PENSION PLAN (Continued)

Charter School and Early Development Centers Employees (Continued)

At June 30, 2004, there were 44 FSU Charter Elementary Plan members. Effective January 1, 2002, the Charter Schools' Plan members may contribute one hundred percent (100%) of their gross salary during the fiscal year, up to a maximum of \$12,000. The City's required contribution is five percent (5%) of the Plan member's gross salary. For the year ended June 30, 2004, the City contributed \$68,773 to the Charter Schools' Plan on behalf of the FSU Charter Elementary Plan members. Provisions of the Charter Schools' Plan may be amended by the City Commission. The Charter Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility, and therefore, the net assets of the Charter Schools' Plan are not included in the City's financial statements.

NOTE 11. SUBSEQUENT EVENTS

Starting with the School year beginning August 16, 2004 the Center for Children with Autism, formerly located at the City of Pembroke Pines Charter School Central Campus, will be housed at the Pembroke Pines/FSU Charter School Elementary School Campus. Currently there are ten children enrolled in this program, which is defined as the "ESE Program" in the Charter Agreement.

The recently graduated Pembroke Pines/FSU Charter School Elementary School fifth graders will attend the City of Pembroke Pines Charter West Campus Middle School as sixth graders for the school year beginning August 16, 2004. Currently there are one hundred students in this group whom will be included in the program that will expand to the twelfth grade as the students advance through the Charter School network. These 100 students plus the 600 regular students and 10 ESE students at the Pembroke Pines/FSU Charter School Elementary School Campus amount to a total of 710 students currently enrolled in the Charter Agreement program.

**REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)**

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CHARTER ELEMENTARY SCHOOL

FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$ 4,393,397	\$ 4,324,897	\$ 3,601,587	\$ (723,310)
Grants	<u>150,000</u>	<u>218,500</u>	<u>227,842</u>	<u>9,342</u>
Total revenues	<u>4,543,397</u>	<u>4,543,397</u>	<u>3,829,429</u>	<u>(713,968)</u>
Expenditures:				
Current:				
K-3 basic	1,064,216	1,050,489	986,913	63,576
4-8 basic	517,543	583,027	564,463	18,564
Guidance services	49,375	62,631	61,954	677
Exceptional student program	609,276	425,689	273,618	152,071
Substitute teachers	18,000	26,500	22,148	4,352
General administration	284,644	281,221	270,408	10,813
School administration	290,156	346,241	325,750	20,491
Pupil transportation services	217,498	203,196	186,344	16,852
Operation of school	745,044	781,868	696,618	85,250
Facilities acquisition and construction	641,193	622,206	556,509	65,697
Instructional media service	20,000	15,000	14,851	149
Child care supervision	84,877	108,476	106,520	1,956
Capital outlay	<u>1,575</u>	<u>36,853</u>	<u>26,056</u>	<u>10,797</u>
Total expenditures	<u>4,543,397</u>	<u>4,543,397</u>	<u>4,092,152</u>	<u>451,245</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(262,723)</u>	<u>(262,723)</u>
Net change in fund balance	-	-	(262,723)	(262,723)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (262,723)</u>	<u>\$ (262,723)</u>

See note to budgetary comparison schedule.

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

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2004

NOTE 1. BUDGET AND BUDGETARY ACCOUNTING

1. The annual budget is legally adopted for the City of Pembroke Pines/Florida State University Charter Elementary School fund 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 (GAAP), except for encumbrances, which are purchase orders and contracts issued for goods or 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 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 the 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 Principal approve line item adjustments within the 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. There were no supplemental appropriations in the City of Pembroke Pines/Florida State University Charter Elementary School during the fiscal year ended June 30, 2004.

**CAPITAL ASSETS USED IN THE
OPERATION OF THE GOVERNMENTAL FUND**

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

**CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND
SCHEDULE BY SOURCE**

JUNE 30, 2004

Governmental fund capital assets:

Machinery and equipment

\$ 26,056

Investments in governmental fund capital assets by source:

Charter Elementary School

\$ 26,056

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

CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND
SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2004

<u>Function and Activity</u>	<u>Machinery and Equipment</u>
Education:	
Charter Elementary School	\$ 26,056
Total governmental fund capital assets	<u>\$ 26,056</u>

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

CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED JUNE 30, 2004

<u>Function and Activity</u>	Governmental Fund Capital Assets June 30, <u>2003</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Fund Capital Assets June 30, <u>2004</u>
Education:				
Charter Elementary School	\$ <u> </u> -	\$ <u>26,056</u>	\$ <u> </u> -	\$ <u>26,056</u>

SUPPLEMENTARY AUDITORS' REPORTS

**Report of Independent Certified Public Accountants 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, City Commission and City Manager
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the financial statements of the governmental activities and the major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a special revenue fund of the City) as of and for the year ended June 30, 2004, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report dated August 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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 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*.

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida
Page Two

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

Fort Lauderdale, Florida
August 27, 2004

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

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

We have audited the financial statements of the governmental activities and the major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a special revenue fund of the City) as of and for the year ended June 30, 2004, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated August 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Internal Control Over Financial Reporting and Compliance and Other Matters. Disclosure in that report, which is dated August 27, 2004, should be considered in conjunction with this management letter.

In connection with our audit of the basic financial statements of the School for the year ended June 30, 2004, we report the following in accordance with Chapter 10.850 Rules of the Auditor General, *Charter School Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854(1)(d):

1. There are no recommendations to improve the School's financial management, accounting procedures and internal controls.
2. During the course of our audit, nothing came to our attention that caused us to believe that the School:
 - a. Was in violation of any laws, rules, regulations or contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations, and instances of fraud.

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Florida State University Charter Elementary School
Pembroke Pines, Florida
Page 2

3. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The Charter Elementary School is operated by the City. The Charter Elementary School was created by motion of the City Commission on February 3, 2003.

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

Fort Lauderdale, Florida
August 27, 2004