

**CITY OF PEMBROKE PINES CHARTER SCHOOLS**

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2004

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  | 1-2         |
| MANAGEMENT’S DISCUSSION AND ANALYSIS<br>(REQUIRED SUPPLEMENTARY INFORMATION)  | 3-11        |
| BASIC FINANCIAL STATEMENTS:   |             |
| Government-wide Financial Statements:   |             |
| Statement of Net Assets   | 12          |
| Statement of Activities   | 13          |
| Fund Financial Statements:  |             |
| Balance Sheet – Governmental Funds  | 14          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds   | 15          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances<br>of Governmental Funds to the Statement of Activities  | 16          |
| Notes to Basic Financial Statements   | 17-28       |
| REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):   |             |
| Budgetary Comparison Schedule – Charter Elementary Schools  | 29          |
| Budgetary Comparison Schedule – Charter Middle Schools  | 30          |
| Budgetary Comparison Schedule – Charter High School   | 31          |
| Note to Budgetary Comparison Schedules  | 32          |
| CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS:   |             |
| Schedule by Source  | 33          |
| Schedule by Function and Activity   | 34          |
| Schedule of Changes by Function and Activity  | 35          |
| SUPPLEMENTARY AUDITORS’ REPORTS   |             |
| Report of Independent Certified Public Accountants on Internal Control over Financial<br>Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 36-37       |
| Management Letter in Accordance with the Rules of the Auditor General of the State of Florida   | 38-39       |

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying 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) as of and for the fiscal year ended June 30, 2004, which collectively comprise the Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Schools' 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 Charter Schools (Special Revenue Funds of the City), 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 Schools. 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 each major fund of the City of Pembroke Pines Charter Schools 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 Charter Schools  
Pembroke Pines, Florida  
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2004 on our consideration of the Schools' 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 3-11 and pages 29-32, 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 Schools' 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

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Schools, we offer readers of the Charter Schools' financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Charter Schools' 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 \$6,612,612 (net assets). Of this amount, \$3,538,151 (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 \$3,961,276, or 13.0% of total expenditures. This represents a decrease of \$794,913 or 16.7% over the prior year, as restated for a prior period adjustment. Approximately 93% of this total amount or \$3,698,442, is available for spending (unreserved fund balance), but has been designated for rent payments.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Charter Schools' basic financial statements. The Charter Schools' 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 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 District) (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 12-13 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.

**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 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 fund balance sheet and in the governmental fund 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 fund financial statements can be found on pages 14-16 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 17-28 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 schedules 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 Charter Schools, assets exceeded liabilities by \$6,612,612 as of June 30, 2004 as compared to \$7,264,267 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amount to \$3,074,461. 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 (approximately 54%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

|                                     | <u>Governmental Activities</u> |                     |
|-------------------------------------|--------------------------------|---------------------|
|                                     | <u>2004</u>                    | <u>2003</u>         |
|                                     |                                | (As Restated)       |
| Current assets                      | \$4,710,423                    | \$ 5,260,097        |
| Capital assets, net of depreciation | <u>3,074,461</u>               | <u>3,071,416</u>    |
| Total assets                        | <u>7,784,884</u>               | <u>8,331,513</u>    |
| <br>                                |                                |                     |
| Current liabilities                 | 749,147                        | 503,908             |
| Noncurrent liabilities              | <u>423,125</u>                 | <u>335,859</u>      |
| Total liabilities                   | <u>1,172,272</u>               | <u>839,767</u>      |
| <br>                                |                                |                     |
| Net assets:                         |                                |                     |
| Invested in capital assets          | 3,074,461                      | 3,071,416           |
| Unrestricted                        | <u>3,538,151</u>               | <u>4,420,330</u>    |
| Total net assets                    | <u>\$6,612,612</u>             | <u>\$ 7,491,746</u> |

Current assets decreased by \$549,674 (10%) during the year. The Elementary Schools' current assets decline of \$67,240, the Middle Schools' decline of \$584,030, and the High School's increase of \$101,596 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The slight increase in capital assets of \$3,045 is related to depreciation expense required by GASB Statement No. 34, and a prior period adjustment (See Note 11 - Prior Period Adjustments).

Current liabilities increased by \$245,239 (49%) during the year in the Elementary, Middle, and High Schools. This increase is related to \$93,018 in accrued payroll and accounts payable, \$67,178 in deferred revenue, and \$85,043 in school deposits. Noncurrent liabilities increased by \$87,266 (26%) during the year in the Elementary, Middle, and High Schools. This increase related to compensated absences.

Unrestricted net assets decreased by \$882,179 (20%) during the year in the Elementary, Middle, and High Schools. This decrease represents the degree to which liabilities exceeded current assets.



CONDENSED STATEMENT OF CHANGES IN NET ASSETS

|   | <u>Governmental Activities</u> |                     |
|---|--------------------------------|---------------------|
|   | <u>2004</u>                    | <u>2003</u>         |
| Revenues:                                     |                                |                     |
| Program revenues:                             |                                |                     |
| Charges for services                          | \$ 4,779,478                   | \$ 4,814,658        |
| Operating grants and contributions            | 485,077                        | 6,350               |
| Capital grants and contributions              | -                              | 2,278,244           |
| General revenues:                             |                                |                     |
| FTE non-specific revenues                     | 23,082,034                     | 19,310,428          |
| Unrestricted investment earnings              | 75,003                         | 36,651              |
| Rental income                                 | 1,115,232                      | 367,362             |
| Contributions                                 | 54,000                         | 4,230               |
| Disposal of capital assets                    | (3,365)                        | -                   |
| Total revenues                                | <u>29,587,459</u>              | <u>26,817,923</u>   |
| Expenses:                                     |                                |                     |
| Instructional services                        | 13,349,350                     | 12,046,447          |
| Rent  | 6,240,281                      | 4,212,239           |
| Instructional support services                | 1,047,579                      | 961,744             |
| Pupil transportation services                 | 1,070,115                      | 1,080,200           |
| Operation and maintenance of plant            | 5,064,132                      | 4,986,304           |
| School administration                         | 3,269,858                      | 2,306,990           |
| General administration                        | -                              | 898,048             |
| Other   | 425,278                        | 369,913             |
| Total expenses                                | <u>30,466,593</u>              | <u>26,861,885</u>   |
| Change in net assets                          | <u>(879,134)</u>               | <u>(43,962)</u>     |
| Net assets, beginning, as previously reported | 7,264,267                      | 7,308,229           |
| Prior period adjustment                       | <u>227,479</u>                 | -                   |
| Net assets, beginning, as restated            | <u>7,491,746</u>               | <u>7,308,229</u>    |
| Net assets, ending                            | <u>\$ 6,612,612</u>            | <u>\$ 7,264,267</u> |

**Governmental activities.** The Charter Schools' total net assets at the end of the year amount to \$6,612,612, a decrease of \$651,655 over the prior year, excluding the prior period adjustment of \$227,479. The total cost of all governmental activities this year was \$30,466,593. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$2,769,536 (10%) during the year due to an increase of 350 students at the high school. Operating grants and contributions increased by \$478,727 (7,539%) during the year as a result of the National School Breakfast and Lunch programs and USDA donated commodities.

The decrease of \$2,278,244 (100%) in capital grants and contributions was related to a Safe Parks & Land Preservation Program, Broward County, Florida that was received last year. These funds were used to construct a River of Grass Cultural Arts Center at the Academic Village Charter High School Campus. The FTE non-specific revenues increased by \$3,771,606 (20%). This increase was mostly related to the additional 350 students. Rental income increased significantly by \$747,870 during the year. This increase is attributable to rent received from Florida International University for the university building at the Academic Village and rent received from the City's parks and recreation program. The Charter School system did not have any start-up or continuation grants this year.

Total expenditures increased by \$3,604,708 (13%) during the year. This increase was mainly attributable to the increased student population at the High School by 350 students. Instructional services increased by \$1,302,903 (11%) over last year. The majority of this increase was related to salaries and benefits for new teachers and non-instructional staff that support the 350 students at the high school. Rent expenditures increased by \$2,028,042 (48%). This increase was related to the High Schools FIU Building's rent. School administration expenses increased by \$962,868, and general administration expenses decreased by \$898,048; a net increase of \$64,820. These increases relate to the additional support needed for the 350 new students at the High School.

**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. In particular, an unreserved, undesignated fund balance may serve as a useful measure of the Charter Schools' net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$3,961,276, a decrease of \$794,913 over the previous fiscal year as restated for a prior period adjustment. The fund balance consists of a reserve for encumbrances of \$219,178 and for commodities inventory of \$43,656. The remaining \$3,698,442 is unreserved, but has been primarily designated for future rent payments.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2004, the Charter Schools had estimated revenues and appropriations of \$31,066,653 and \$31,648,405, respectively. Over the course of the year, the Charter Schools 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 Charter Elementary Schools made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$254,325 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$179,800. An amendment was made to the budget for the summer reading program in the amount of \$16,800. An amendment was made to the budget for library media materials in the amount of \$10,300. An amendment was made to budget for science lab materials in the amount of \$2,800. An amendment was made to the budget for City parks and recreation rental charges in the amount of \$44,625.

Amendments to budgeted expenditures totaled \$179,800 as follows:

**The Charter Elementary School East Campus made the following amendments:** Amendments were made to K-3 Basic in the amount of (\$26,400). Amendments were made to 4-8 Basic in the amount of \$24,328. Amendments were made to Exceptional Student Education (ESE) Program in the amount of \$878. Amendments were made to substitute teachers in the amount of (\$1,100). Amendments were made to guidance services in the amount of \$2,042. Amendments were made to instruct media services in the amount of (\$7,948). Amendments were made to school administration in the amount of (\$68). An amendment was made to facilities acquisition and construction in the amount of \$38,627. Amendments were made to pupil transportation services in the amount of (\$37,787). Amendments were made to operation of school in the amount of \$64,729. Amendments were made to child care supervision in the amount of (\$18,391). Amendments were made to capital outlay in the amount of \$14,531.

**The Charter Elementary School West Campus made the following amendments:** Amendments were made to K-3 Basic in the amount of \$45,180. Amendments were made to 4-8 Basic in the amount of \$14,948. Amendments were made to Exceptional Student Education (ESE) Program in the amount of (\$7,565). Amendments were made to substitute teachers in the amount of \$8,000. Amendments were made to guidance services in the amount of \$4,135. An amendment was made to instruct media services in the amount of (\$94). Amendments were made to school administration in the amount of (\$9,073). Amendments were made to facilities acquisition and construction in the amount of (\$21,775). Amendments were made to pupil transportation services in the amount of (\$39,651). Amendments were made to operation of school in the amount of \$40,120. Amendments were made to child care supervision in the amount of (\$6,175). Amendments were made to capital outlay in the amount of \$9,928.

**The Charter Elementary School Central Campus made the following amendments:** Amendments were made to K-3 Basic in the amount of \$61,131. Amendments were made to 4-8 Basic in the amount of \$22,195. Amendments were made to Exceptional Student Education (ESE) Program in the amount of \$1,861. Amendments were made to substitute teachers in the amount of \$6,684. Amendments were made to guidance services in the amount of (\$10,390). Amendments were made to instruct media services in the amount of (\$1,836). Amendments were made to school administration in the amount of (\$21,372). An amendment was made to facilities acquisition and construction in the amount of \$40,446. Amendments were made to pupil transportation services in the amount of (\$42,111). Amendments were made to operation of school in the amount of \$39,484. Amendments were made to child care supervision in the amount of (\$11,665). Amendments were made to capital outlay in the amount of \$3,954.

Overall, the Charter Elementary School had a positive budget variance of \$208,964. This positive budgetary variance was mainly attributable to the operation of school in the amount of \$133,963.

After appropriations were amended, as described above, actual revenues were \$596,904 below final budgeted amounts due to reductions in funding; and actual expenditures were \$208,964 below final budget amounts.

***The Charter Middle Schools made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$184,080 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$119,415. An amendment was made to the budget for the summer reading program in the amount of \$11,340. An amendment was made to the budget for library media materials in the amount of \$6,900. An amendment was made to the budget for science lab materials in the amount of \$1,800. An amendment was made to the budget for City parks and recreation rental charges in the amount of \$44,625.

Amendments to budgeted expenditures totaled \$119,415 as follows:

**The Charter Middle School West Campus made the following amendments:** Amendments were made to 4-8 Basic in the amount of \$30,784. Amendments were made to Intensive English/ESOL in the amount of (\$5,100). Amendments were made to Exceptional Student Education (ESE) Program in the amount of \$11,179. Amendments were made to substitute teachers in the amount of \$7,500. Amendments were made to guidance services in the amount of \$2,360. Amendments were made to instruct media services in the amount of \$8,775. Amendments were made to instructional staff training services in the amount of \$2,500. Amendments were made to school administration in the amount of \$15,826. An amendment was made to facilities acquisition and construction in the amount of (\$67,761). Amendments were made to pupil transportation services in the amount of (\$35,123). Amendments were made to operation of school in the amount of \$38,876.

**The Charter Middle School Central Campus made the following amendments:** Amendments were made to 4-8 Basic in the amount of \$25,570. Amendments were made to Intensive English/ESOL in the amount of (\$4,500). Amendments were made to Exceptional Student Education (ESE) Program in the amount of (\$1,985). Amendments were made to substitute teachers in the amount of \$35,000. Amendments were made to guidance services in the amount of (\$2,962). Amendments were made to instruct media services in the amount of (\$19,096). Amendments were made to school administration in the amount of (\$23,223). An amendment was made to facilities acquisition and construction in the amount of \$107,557. Amendments were made to pupil transportation services in the amount of (\$40,438). Amendments were made to operation of school in the amount of \$8,392. Amendments were made to capital outlay in the amount of \$25,284.

The Charter Middle School net transfers had a positive budgetary variance in the amount of \$645,670, due to favorable budget variances in the Middle School requiring less transfers to be made.

After appropriations were amended as described above, actual revenues were \$242,470 below final budgeted amounts due to reductions in funding; and actual expenditures were \$212,947 below final budget amounts.

***The Charter High School made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$473,028 as follows: An amendment was made to the budget for a Dissemination Grant in the amount of \$7,821. An amendment was made to the budget for Advanced Placement Funding in the amount of \$108,333. An amendment was made to the budget for the summer reading program in the amount of \$13,700. An amendment was made to the budget for library media materials in the amount of \$8,400. An amendment was made to grants from other local units in the amount of \$8,074.

An amendment was made to budget for science lab materials in the amount of \$2,200. An amendment was made to budget for investment income in the amount of \$1,500. An amendment was made to budget for City parks and recreation rental charges in the amount of \$323,000.

Amendments to budgeted expenditures totaled \$124,228. Amendments were made to 9-12 Basic in the amount of (\$48,044). Amendments were made to Intensive English/ESOL in the amount of \$133. Amendments were made to Exceptional Students Program in the amount of \$3,400. Amendments were made to Vocational 6-12 in the amount of (\$145,825). Amendments were made to substitute teachers in the amount of (\$11,500). Amendments were made to school/other in the amount of \$6,000. Amendments were made to guidance services in the amount of \$13,190. Amendments were made to instruct media services in the amount of (\$14,485). Amendments were made to instruction and curriculum development in the amount of \$7,970. Amendments were made to ESE specialist in the amount of \$300. Amendments were made to school administration in the amount of (\$5,419). Amendments were made to pupil transportation services in the amount of (\$12,309). Amendments were made to operation of school in the amount of \$285,943. This related to an increase in cost for professional and technical services, contract building maintenance, electricity, and repairs and maintenance. Amendments were made to athletics in the amount of \$12,799. Amendments were made to capital outlay in the amount of \$32,075.

The Budgeted Charter High School transfers did not change. The budgetary variance for transfers in totaled \$249,662 and related to positive budget variances in the High School, therefore, the High School did not need the entire budgeted operating transfers in for fund operations.

After appropriations were amended as described above, actual revenues were \$681,359 below final budgeted amounts due to reductions in funding; actual expenditures were \$840,758 below final budget amounts.

### Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$3,074,461 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, and machinery and equipment.

#### CAPITAL ASSETS (Net of Depreciation)

|                                   | <u>Governmental Activities</u> |                    |
|-----------------------------------|--------------------------------|--------------------|
|                                   | <u>2004</u>                    | <u>2003</u>        |
| Improvements other than buildings | \$2,275,126                    | \$2,324,585        |
| Machinery and equipment **        | <u>799,335</u>                 | <u>746,831</u>     |
| Total capital assets              | <u>\$3,074,461</u>             | <u>\$3,071,416</u> |

\*\*Machinery and equipment for FY2003 is restated to reflect the prior period adjustment.

Additional information on the Charter Schools' capital assets can be found on pages 33-35 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- ◆ Capital outlay funding from the State will continue to be funded at 52%.
- ◆ Broward School District has reduced administrative cost to 5% only on the first 500 students per charter.
- ◆ The Charter Schools' student attendance rate remains stable at 98%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2004-05 budgets of \$33,262,794 and \$33,262,794, respectively.

### **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 Controller, Pembroke Pines Charter Schools, 13975 Pembroke Road, Pembroke Pines, Florida 33027.

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# **BASIC FINANCIAL STATEMENTS**

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# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## STATEMENT OF NET ASSETS

JUNE 30, 2004

|                                       | <u>Governmental<br/>Activities</u> |
|---------------------------------------|------------------------------------|
| <u>ASSETS</u>                         |                                    |
| Pooled cash and cash equivalents      | \$ 4,537,727                       |
| Due from State Government             | 75,287                             |
| Due from Broward County               | 8,444                              |
| Other miscellaneous receivables       | 45,309                             |
| Commodities inventory                 | 43,656                             |
| Capital assets being depreciated, net | <u>3,074,461</u>                   |
| Total assets                          | <u>7,784,884</u>                   |
| <br><u>LIABILITIES</u>                |                                    |
| Accounts payable                      | 48,709                             |
| Accrued liabilities                   | 311,408                            |
| Deposits                              | 321,852                            |
| Deferred revenue                      | 67,178                             |
| Noncurrent liabilities:               |                                    |
| Due within one year                   | 311,868                            |
| Due in more than one year             | <u>111,257</u>                     |
| Total liabilities                     | <u>1,172,272</u>                   |
| <br><u>NET ASSETS</u>                 |                                    |
| Invested in capital assets            | 3,074,461                          |
| Unrestricted                          | <u>3,538,151</u>                   |
| Total net assets                      | <u>\$ 6,612,612</u>                |

See notes to basic financial statements.



# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2004

| <u>Functions/Programs</u>          | <u>Expenses</u>      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets<br/>Total<br/>Governmental<br/>Activities</u> |
|------------------------------------|----------------------|---------------------------------|---|--|
| Governmental activities:           |                      |                                 |   |  |
| Instructional services             | \$ 13,349,350        | \$ -                            | \$ -  | \$ (13,349,350)  |
| Rent                               | 6,240,281            | -                               | -   | (6,240,281)  |
| Instructional support services     | 1,047,579            | -                               | 15,896  | (1,031,683)  |
| Pupil transportation services      | 1,070,115            | 951,009                         | -   | (119,106)  |
| Operation and maintenance of plant | 5,064,132            | 3,336,442                       | 424,278   | (1,303,412)  |
| School administration              | 3,269,858            | -                               | -   | (3,269,858)  |
| Other                              | <u>425,278</u>       | <u>492,027</u>                  | <u>44,903</u>                                     | <u>111,652</u>   |
| Total charter schools              | <u>\$ 30,466,593</u> | <u>\$ 4,779,478</u>             | <u>\$ 485,077</u>                                 | <u>(25,202,038)</u>  |
|                                    |                      |                                 |   |  |
| General revenues:                  |                      |                                 |   |  |
|                                    |                      |                                 |   | 23,082,034   |
|                                    |                      |                                 |   | 75,003   |
|                                    |                      |                                 |   | 1,115,232  |
|                                    |                      |                                 |   | 54,000   |
|                                    |                      |                                 |   | <u>(3,365)</u>   |
|                                    |                      |                                 |   | <u>24,322,904</u>  |
|                                    |                      |                                 |   | <u>(879,134)</u>   |
|                                    |                      |                                 |   | 7,264,267  |
|                                    |                      |                                 |   | <u>227,479</u>   |
|                                    |                      |                                 |   | <u>7,491,746</u>   |
|                                    |                      |                                 |   | <u>\$ 6,612,612</u>  |

See notes to basic financial statements.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2004

|                                  | <u>Charter<br/>Elementary<br/>Schools</u> | <u>Charter<br/>Middle<br/>Schools</u> | <u>Charter<br/>High<br/>School</u> | <u>Total</u>        |
|----------------------------------|---|---------------------------------------|------------------------------------|---------------------|
| <b><u>ASSETS</u></b>             |   |                                       |                                    |                     |
| Pooled cash and cash equivalents | \$ 2,440,620                              | \$ 1,755,873                          | \$ 341,234                         | \$ 4,537,727        |
| Due from State Government        | 35,505                                    | 16,512                                | 23,270                             | 75,287              |
| Due from Broward County          | -   | -                                     | 8,444                              | 8,444               |
| Other miscellaneous receivables  | 18,717                                    | 16,992                                | 9,600                              | 45,309              |
| Commodities inventory            | <u>13,287</u>                             | <u>10,439</u>                         | <u>19,930</u>                      | <u>43,656</u>       |
| Total assets                     | <u>\$ 2,508,129</u>                       | <u>\$ 1,799,816</u>                   | <u>\$ 402,478</u>                  | <u>\$ 4,710,423</u> |

### LIABILITIES AND FUND BALANCES

|                                     |                     |                     |                   |                  |
|-------------------------------------|---------------------|---------------------|-------------------|------------------|
| Liabilities:                        |                     |                     |                   |                  |
| Accounts payable                    | \$ 17,473           | \$ 11,791           | \$ 19,445         | \$ 48,709        |
| Accrued liabilities                 | 119,501             | 83,982              | 107,925           | 311,408          |
| Deferred revenue                    | -                   | -                   | 67,178            | 67,178           |
| Deposits                            | <u>69,110</u>       | <u>64,742</u>       | <u>188,000</u>    | <u>321,852</u>   |
| Total liabilities                   | <u>206,084</u>      | <u>160,515</u>      | <u>382,548</u>    | <u>749,147</u>   |
| Fund balances:                      |                     |                     |                   |                  |
| Reserved for encumbrances           | 156,184             | 62,994              | -                 | 219,178          |
| Reserved for commodities inventory  | 13,287              | 10,439              | 19,930            | 43,656           |
| Unreserved:                         |                     |                     |                   |                  |
| Designated for rent payments        | <u>2,132,574</u>    | <u>1,565,868</u>    | <u>-</u>          | <u>3,698,442</u> |
| Total fund balances                 | <u>2,302,045</u>    | <u>1,639,301</u>    | <u>19,930</u>     | <u>3,961,276</u> |
| Total liabilities and fund balances | <u>\$ 2,508,129</u> | <u>\$ 1,799,816</u> | <u>\$ 402,478</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.                           | 3,074,461           |
| Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore are not reported in the funds. | <u>(423,125)</u>    |
| Net assets of governmental activities  | <u>\$ 6,612,612</u> |

See notes to basic financial statements.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2004

|   | <u>Charter<br/>Elementary<br/>Schools</u> | <u>Charter<br/>Middle<br/>Schools</u> | <u>Charter<br/>High<br/>School</u> | <u>Total</u>        |
|---|---|---------------------------------------|------------------------------------|---------------------|
| Revenues:   |   |                                       |                                    |                     |
| Local   | \$ 10,737,688                             | \$ 7,114,516                          | \$ 11,261,616                      | \$ 29,113,820       |
| Federal grants                                    | 177,193                                   | 95,799                                | 159,108                            | 432,100             |
| Total revenues                                    | <u>10,914,881</u>                         | <u>7,210,315</u>                      | <u>11,420,724</u>                  | <u>29,545,920</u>   |
| Expenditures:                                     |   |                                       |                                    |                     |
| Current:  |   |                                       |                                    |                     |
| K-3 basic   | 3,177,837                                 | -                                     | -                                  | 3,177,837           |
| 4-8 basic   | 1,470,399                                 | 3,463,075                             | -                                  | 4,933,474           |
| 9-12 basic  | -   | -                                     | 4,014,709                          | 4,014,709           |
| Vocational 6-12                                   | -   | -                                     | 252,896                            | 252,896             |
| Substitute teachers                               | 66,790                                    | 76,373                                | 36,868                             | 180,031             |
| Operation of school                               | 1,560,130                                 | 1,116,361                             | 2,134,655                          | 4,811,146           |
| Facilities acquisition and construction           | 1,439,535                                 | 1,438,507                             | 3,362,239                          | 6,240,281           |
| School administration                             | 1,610,353                                 | 743,035                               | 829,204                            | 3,182,592           |
| Pupil transportation services                     | 527,038                                   | 350,237                               | 192,840                            | 1,070,115           |
| Guidance services                                 | 171,697                                   | 113,325                               | 351,894                            | 636,916             |
| Exceptional student program                       | 371,436                                   | 258,208                               | 109,580                            | 739,224             |
| Instructional media service                       | 12,905                                    | 183,882                               | 121,722                            | 318,509             |
| Child care supervision                            | 288,897                                   | -                                     | -                                  | 288,897             |
| Athletics   | -   | -                                     | 136,381                            | 136,381             |
| ESE specialist                                    | -   | -                                     | 54,880                             | 54,880              |
| Intensive English/ESOL                            | -   | 16                                    | 40,743                             | 40,759              |
| Instructional staff training service              | -   | 13,152                                | 16,152                             | 29,304              |
| School/other                                      | -   | -                                     | 10,420                             | 10,420              |
| Instructional & curriculum development            | -   | -                                     | 7,970                              | 7,970               |
| Capital outlay                                    | 38,691                                    | 109,575                               | 111,129                            | 259,395             |
| Total expenditures                                | <u>10,735,708</u>                         | <u>7,865,746</u>                      | <u>11,784,282</u>                  | <u>30,385,736</u>   |
| Excess (deficiency) of revenues over expenditures | <u>179,173</u>                            | <u>(655,431)</u>                      | <u>(363,558)</u>                   | <u>(839,816)</u>    |
| Other financing sources (uses):                   |   |                                       |                                    |                     |
| Transfers in                                      | -   | 44,903                                | 302,230                            | 347,133             |
| Transfers out                                     | (302,230)                                 | -                                     | -                                  | (302,230)           |
| Total other financing sources (uses)              | <u>(302,230)</u>                          | <u>44,903</u>                         | <u>302,230</u>                     | <u>44,903</u>       |
| Net change in fund balances                       | <u>(123,057)</u>                          | <u>(610,528)</u>                      | <u>(61,328)</u>                    | <u>(794,913)</u>    |
| Fund balances, beginning, as previously reported  | 2,322,632                                 | 2,207,462                             | -                                  | 4,530,094           |
| Prior period adjustments                          | 102,470                                   | 42,367                                | 81,258                             | 226,095             |
| Fund balances, beginning, as restated             | <u>2,425,102</u>                          | <u>2,249,829</u>                      | <u>81,258</u>                      | <u>4,756,189</u>    |
| Fund balances, ending                             | <u>\$ 2,302,045</u>                       | <u>\$ 1,639,301</u>                   | <u>\$ 19,930</u>                   | <u>\$ 3,961,276</u> |

See notes to basic 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, 2004

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

Net change in fund balances - total governmental funds (Page 15) \$ (794,913)

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 differences are as follows:

|                      |                  |       |
|----------------------|------------------|-------|
| Capital outlay       | \$259,395        |       |
| Depreciation expense | <u>(252,985)</u> |       |
| Net adjustment       |                  | 6,410 |

Loss on disposal of capital assets (3,365)

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>(87,266)</u> |  |
|----------------------|-----------------|--|

Change in net assets of governmental activities (Page 13) \$ (879,134)

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2004

### 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 basic 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 School's 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.

The Schools operate under a charter of the sponsoring school district, the Broward County District School Board (the District). The Elementary School's charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle School's 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 District 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, and these financial statements do not purport to, and do not present fairly, 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.

On February 1, 2003, the City entered into a Charter Agreement with Florida State University to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter School. This charter school opened for the 2003-2004 school year and has a current enrollment of 710 students. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own basic financial statements which can be obtained from the City.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b. Government-wide and Fund 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 the Schools 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*.

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' 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 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 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 Schools receive cash.

The Schools report the following major funds:

**Charter Elementary Schools** – The Elementary Schools consist of an East, West and Central campus, serve 1,800 student stations.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## 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)

**Charter Middle Schools** – The Middle Schools consist of a West and Central campus, serve 1,200 student stations.

**Charter High School** – The Charter High School, located at the Academic Village site, serves 1,600 student stations.

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.

#### d. Assets, Liabilities and Equity

##### 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, therefore, no allowance for uncollectibles is provided.

##### 3. *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 \$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 CHARTER SCHOOLS

## 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 Schools are depreciated using the straight-line method over the following estimated useful lives:

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

During the fiscal year ended June 30, 2000, the Schools were awarded approximately \$6 million from the School Board's School Infrastructure Thrift Program (SIT Funds) to be used for any lawful capital outlay expenditure as defined by the SIT program. In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the District School Board upon the non-renewal or termination of the charter agreement.

##### 4. *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 City's Charter Schools have 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:

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Assets, Liabilities and Equity (Continued)

##### 5. *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.

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

##### 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 Schools have 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.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d. Assets, Liabilities and Equity (Continued)

##### 7. Revenue Sources

Revenues for current operations are received primarily from the Broward County District 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.

##### 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 Schools invest 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. The Schools' investments, which are included in pooled cash and cash equivalents, are summarized as follows:

|   | <u>Carrying<br/>Amount</u> |
|---|----------------------------|
| Investments not subject to risk categorization: |                            |
| State Board of Administration Investment Pool   | <u>\$4,534,727</u>         |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 3. REVENUE SOURCES

|   | Charter<br>Elementary<br><u>Schools</u> | Charter<br>Middle<br><u>Schools</u> | Charter<br>High<br><u>School</u> | <u>Total</u>         |
|---|---|-------------------------------------|----------------------------------|----------------------|
| Broward County District School Board:               |   |                                     |                                  |                      |
| Florida Education Finance Program                   | \$ 6,885,092                            | \$ 4,556,451                        | \$ 6,909,803                     | \$ 18,351,346        |
| Public Education Capital Outlay                     | 749,520                                 | 573,468                             | 1,007,988                        | 2,330,976            |
| Supplemental Academic Instruction                   | 370,145                                 | 244,726                             | 326,619                          | 941,490              |
| Class Size Reduction                                | 328,630                                 | 204,171                             | 305,217                          | 838,018              |
| District school taxes                               | 306,667                                 | 202,836                             | 308,794                          | 818,297              |
| Transportation revenue                              | 188,504                                 | 222,525                             | 298,960                          | 709,989              |
| ESE Guaranteed Allocation                           | 250,585                                 | 195,053                             | 129,152                          | 574,790              |
| Instructional materials                             | 143,002                                 | 94,548                              | 126,186                          | 363,736              |
| Governor's A+ Funds                                 | 179,800                                 | 119,415                             | -                                | 299,215              |
| Discretionary lottery funds                         | 84,417                                  | 55,836                              | 85,003                           | 225,256              |
| Supplementary Discretion Millage                    | 88,398                                  | 58,445                              | 78,004                           | 224,847              |
| Safe schools program                                | 42,948                                  | 28,396                              | 37,898                           | 109,242              |
| Advanced Placement Funding                          | -                                       | -                                   | 108,333                          | 108,333              |
| Public school technology                            | 34,274                                  | 22,661                              | 30,243                           | 87,178               |
| Teacher Training Allocation                         | 24,712                                  | 16,339                              | 21,806                           | 62,857               |
| Summer Reading Program                              | 17,403                                  | 11,506                              | 15,356                           | 44,265               |
| Library Media Materials                             | 10,236                                  | 6,767                               | 9,032                            | 26,035               |
| Science Lab Materials                               | 2,803                                   | 1,853                               | 2,473                            | 7,129                |
| Total Broward County<br>District School Board       | <u>9,707,136</u>                        | <u>6,614,996</u>                    | <u>9,800,867</u>                 | <u>26,122,999</u>    |
| Other:  |   |                                     |                                  |                      |
| Rental revenue                                      | 126,050                                 | 129,991                             | 859,190                          | 1,115,231            |
| Food sales  | 279,990                                 | 257,371                             | 468,105                          | 1,005,466            |
| After school education program                      | 492,027                                 | -                                   | -                                | 492,027              |
| In-house transportation                             | 94,335                                  | 81,739                              | 64,946                           | 241,020              |
| Interest  | 38,150                                  | 30,419                              | 6,434                            | 75,003               |
| Contributions                                       | -                                       | -                                   | 54,000                           | 54,000               |
| Local grants  | -                                       | -                                   | 8,074                            | 8,074                |
| Total other   | <u>1,030,552</u>                        | <u>499,520</u>                      | <u>1,460,749</u>                 | <u>2,990,821</u>     |
| Total local   | <u>\$ 10,737,688</u>                    | <u>\$ 7,114,516</u>                 | <u>\$ 11,261,616</u>             | <u>\$ 29,113,820</u> |
| Federal grants:                                     |   |                                     |                                  |                      |
| School Lunch Reimbursement -<br>Free/Reduced        | \$ 105,566                              | \$ 51,462                           | \$ 69,087                        | \$ 226,115           |
| School Breakfast Reimbursement -<br>Non-Severe Need | 29,284                                  | 11,069                              | 18,686                           | 59,039               |
| Food Commodities Program                            | 42,343                                  | 33,268                              | 63,513                           | 139,124              |
| Dissemination Grant                                 | -                                       | -                                   | 7,822                            | 7,822                |
| Total Federal grants                                | <u>\$ 177,193</u>                       | <u>\$ 95,799</u>                    | <u>\$ 159,108</u>                | <u>\$ 432,100</u>    |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 4. CAPITAL ASSETS

|   | <u>Beginning<br/>Balance</u> | <u>Prior<br/>Period<br/>Adjustment</u> | <u>Beginning<br/>Balance<br/>As Restated</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--|--|------------------|------------------|---------------------------|
| Capital assets, being depreciated:          |                              |  |  |                  |                  |                           |
| Improvements other than buildings           | \$2,472,962                  | \$ -                                   | \$2,472,962                                  | \$ -             | \$ -             | \$2,472,962               |
| Machinery and equipment                     | <u>1,842,057</u>             | <u>-</u>                               | <u>1,842,057</u>                             | <u>259,395</u>   | <u>11,009</u>    | <u>2,090,443</u>          |
| Total capital assets being depreciated      | <u>4,315,019</u>             | <u>-</u>                               | <u>4,315,019</u>                             | <u>259,395</u>   | <u>11,009</u>    | <u>4,563,405</u>          |
| Less accumulated depreciation for:          |                              |  |  |                  |                  |                           |
| Improvements other than buildings           | (148,377)                    | -                                      | (148,377)                                    | (49,459)         | -                | (197,836)                 |
| Machinery and equipment                     | <u>(1,322,705)</u>           | <u>227,479</u>                         | <u>(1,095,226)</u>                           | <u>(203,526)</u> | <u>7,644</u>     | <u>(1,291,108)</u>        |
| Total accumulated depreciation              | <u>(1,471,082)</u>           | <u>227,479</u>                         | <u>(1,243,603)</u>                           | <u>(252,985)</u> | <u>7,644</u>     | <u>(1,488,944)</u>        |
| Total capital assets being depreciated, net | <u>\$2,843,937</u>           | <u>\$ 227,479</u>                      | <u>\$3,071,416</u>                           | <u>\$ 6,410</u>  | <u>\$ 3,365</u>  | <u>\$3,074,461</u>        |

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

Governmental activities:

|                                    |                  |
|------------------------------------|------------------|
| Operation and maintenance of plant | <u>\$252,985</u> |
|------------------------------------|------------------|

### NOTE 5. INTERFUND TRANSFERS

|               | Transfers<br>Out<br>General<br>Fund | Transfers<br>Out<br>Elementary | Total             | <u>Purpose</u>                             |
|---------------|-------------------------------------|--------------------------------|-------------------|--|
| Transfers in: |                                     |                                |                   |  |
| Middle        | \$ 44,903                           | \$ -                           | \$ 44,903         | Transfer gain of Early Development Centers |
| High          | <u>-</u>                            | <u>302,230</u>                 | <u>302,230</u>    | Supplement other funds                     |
| Total         | <u>\$ 44,903</u>                    | <u>\$ 302,230</u>              | <u>\$ 347,133</u> |  |

### NOTE 6. OPERATING LEASES

#### *Communications Facility Lease*

In December 1997, the City leased a portion of real property located on the Schools' ground to a private company, which was used to construct, maintain and operate a communications facility. The agreement has a term of fifteen (15) years with two five-year renewal periods upon mutual consent and written agreement by the parties. Rental payments of \$48,000 are due annually on October 1 to the Schools, 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.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 6. OPERATING LEASES (Continued)

#### *Communications Facility Lease* (Continued)

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

Fiscal year ending June 30:

|                              |                   |
|------------------------------|-------------------|
| 2005                         | \$ 59,000         |
| 2006                         | 60,000            |
| 2007                         | 62,000            |
| 2008                         | 64,000            |
| 2009                         | 66,000            |
| 2010-2013                    | <u>228,000</u>    |
| Total minimum future rentals | <u>\$ 539,000</u> |

#### *Other Facility Lease*

On March 13, 2002, the City signed an agreement with Florida International University (FIU) for use of educational facilities located in the Academic Village. The Academic Village is a shared-use facility located on the northeast corner of Sheridan Street and Northwest 172<sup>nd</sup> Avenue, and includes the City's Charter High School, the Broward County Southwest Regional Branch Library, the Southwest Broward County Campus for Broward Community College (BCC) and the Susan B. Katz Theater at the River of Grass ArtsPark. In order to provide for the operation of an integrated educational program and to offset the costs incurred by the City, the agreement requires FIU to 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 10 years 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 beginning January 1, 2003.

The approximate minimum future rentals to be received excluding cost of living increases or expected lease renewals, on non-cancelable operating as of June 30, 2004 are as follows:

Fiscal year ending June 30:

|                              |                     |
|------------------------------|---------------------|
| 2005                         | \$ 700,000          |
| 2006                         | 825,000             |
| 2007                         | 850,000             |
| 2008                         | 850,000             |
| 2009                         | 850,000             |
| 2010-2013                    | <u>2,125,000</u>    |
| Total minimum future rentals | <u>\$ 6,200,000</u> |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

**NOTE 6. OPERATING LEASES (Continued)**

***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 that was issued by the City to purchase the land and construct the Schools (see Note 1d.5.). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2004, rent expense was approximately \$1,440,000, \$1,439,000 and \$3,362,000 for the Elementary, Middle and High schools, respectively.

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

|                              |                       |
|------------------------------|-----------------------|
| Fiscal year ending June 30:  |                       |
| 2005                         | \$ 6,663,000          |
| 2006                         | 6,672,000             |
| 2007                         | 6,665,000             |
| 2008                         | 6,671,000             |
| 2009                         | 6,670,000             |
| 2010-2014                    | 32,870,000            |
| 2015-2019                    | 32,153,000            |
| 2020-2024                    | 30,433,000            |
| 2025-2029                    | 21,563,000            |
| 2030-2031                    | <u>6,094,000</u>      |
| Total minimum future rentals | <u>\$ 156,454,000</u> |

**NOTE 7. CHANGES IN LONG-TERM LIABILITIES**

|                      | Beginning<br><u>Balance</u> | Additions         | Reductions        | Ending<br><u>Balance</u> | Due<br>Within<br>One<br>Year |
|----------------------|-----------------------------|-------------------|-------------------|--------------------------|------------------------------|
| Compensated absences | <u>\$ 335,859</u>           | <u>\$ 520,396</u> | <u>\$ 433,130</u> | <u>\$ 423,125</u>        | <u>\$ 311,868</u>            |

**NOTE 8. RISK MANAGEMENT**

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

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 9. 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 10. PENSION PLAN

#### *Charter Schools 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 or her new employer's pension plan providing said plan permits rollovers.

At June 30, 2004, there were 354 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 \$595,315 to the Charter Schools' Plan. 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. PRIOR PERIOD ADJUSTMENTS

In prior years, the City recorded a current liability for compensated absences based on an estimated amount expected to be paid in the following year. However, GASB Interpretation No. 6 states that the accumulation of financial resources in a governmental fund for the eventual payment of unmatured liabilities does not constitute an outflow of current financial resources. Therefore, the reclassification of the previously reported expense of \$226,095 for compensated absences in the governmental funds has been recorded as a prior period adjustment, restating the beginning fund balances of the Schools.

In the prior year, the City overstated accumulated depreciation by \$227,479 on capital assets in the government-wide financial statements. To correct this overstatement, an adjustment to the beginning net assets is presented.



# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### **NOTE 12. SUBSEQUENT EVENT**

The recently graduated City of Pembroke Pines/FSU Charter 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 from the sixth grade 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 FSU Charter Agreement program. Although the students are physically located at the Charter Middle School campus, they are not counted as part of the FTE equivalents of the Charter Middle School since the City of Pembroke Pines/FSU Charter Elementary School was established by a separate charter for the 2004-05 school year. This will reduce the Charter Middle School FTE revenues and expenditures, and in turn increase the FTE revenues and expenditures of the City of Pembroke Pines/FSU Charter School.

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

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# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2004

|   | <u>Budgeted Amounts</u> |               | <u>Actual</u>  | <u>Variance</u>   |
|---|-------------------------|---------------|----------------|-------------------|
|   | <u>Original</u>         | <u>Final</u>  | <u>Amounts</u> | <u>Positive</u>   |
|   |                         |               |                | <u>(Negative)</u> |
| <b>Revenues:</b>                                |                         |               |                |                   |
| Local   | \$ 11,107,460           | \$ 11,361,785 | \$ 10,737,688  | \$ (624,097)      |
| Federal Grants                                  | 150,000                 | 150,000       | 177,193        | 27,193            |
| Total revenues                                  | 11,257,460              | 11,511,785    | 10,914,881     | (596,904)         |
| <b>Expenditures:</b>                            |                         |               |                |                   |
| <b>Current:</b>                                 |                         |               |                |                   |
| K-3 basic                                       | 3,106,956               | 3,186,867     | 3,177,837      | 9,030             |
| 4-8 basic                                       | 1,426,938               | 1,488,409     | 1,470,399      | 18,010            |
| Substitute teachers                             | 54,000                  | 67,584        | 66,790         | 794               |
| Operation of school                             | 1,549,760               | 1,694,093     | 1,560,130      | 133,963           |
| Facilities acquisition and construction         | 1,382,240               | 1,439,538     | 1,439,535      | 3                 |
| School administration                           | 1,660,621               | 1,630,108     | 1,610,353      | 19,755            |
| Pupil transportation services                   | 652,794                 | 533,245       | 527,038        | 6,207             |
| Guidance services                               | 180,472                 | 176,259       | 171,697        | 4,562             |
| Exceptional student program                     | 384,529                 | 379,703       | 371,436        | 8,267             |
| Instructional media service                     | 24,000                  | 14,122        | 12,905         | 1,217             |
| Child care supervision                          | 332,093                 | 295,862       | 288,897        | 6,965             |
| Capital outlay                                  | 10,469                  | 38,882        | 38,691         | 191               |
| Total expenditures                              | 10,764,872              | 10,944,672    | 10,735,708     | 208,964           |
| Excess of revenues over expenditures            | 492,588                 | 567,113       | 179,173        | (387,940)         |
| <b>Other financing uses:</b>                    |                         |               |                |                   |
| Transfers out                                   | (492,588)               | (492,588)     | (302,230)      | 190,358           |
| Net change in fund balance                      | -                       | 74,525        | (123,057)      | (197,582)         |
| Fund balance, beginning, as previously reported | 2,322,632               | 2,322,632     | 2,322,632      | -                 |
| Prior period adjustments                        | -                       | -             | 102,470        | (102,470)         |
| Fund balance, beginning, as restated            | 2,322,632               | 2,322,632     | 2,425,102      | (102,470)         |
| Fund balance, ending                            | \$ 2,322,632            | \$ 2,397,157  | \$ 2,302,045   | \$ (95,112)       |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2004

|   | <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>  |
| <b>Revenues:</b>                                |                         |                    |                    |                    |
| Local   | \$7,196,255             | \$7,380,335        | \$7,114,516        | \$ (265,819)       |
| Federal grants                                  | <u>72,450</u>           | <u>72,450</u>      | <u>95,799</u>      | <u>23,349</u>      |
| Total revenues                                  | <u>7,268,705</u>        | <u>7,452,785</u>   | <u>7,210,315</u>   | <u>(242,470)</u>   |
| <b>Expenditures:</b>                            |                         |                    |                    |                    |
| <b>Current:</b>                                 |                         |                    |                    |                    |
| 4-8 basic                                       | 3,473,849               | 3,530,203          | 3,463,075          | 67,128             |
| Substitute teachers                             | 35,000                  | 77,500             | 76,373             | 1,127              |
| Operation of school                             | 1,103,365               | 1,150,633          | 1,116,361          | 34,272             |
| Facilities acquisition and construction         | 1,428,178               | 1,467,974          | 1,438,507          | 29,467             |
| School administration                           | 768,064                 | 760,667            | 743,035            | 17,632             |
| Pupil transportation services                   | 435,196                 | 359,635            | 350,237            | 9,398              |
| Guidance services                               | 117,171                 | 116,569            | 113,325            | 3,244              |
| Exceptional student program                     | 272,360                 | 281,554            | 258,208            | 23,346             |
| Instructional media service                     | 201,084                 | 190,763            | 183,882            | 6,881              |
| Intensive English/ESOL                          | 10,200                  | 600                | 16                 | 584                |
| Instructional staff training service            | 18,000                  | 20,500             | 13,152             | 7,348              |
| Capital outlay                                  | <u>96,811</u>           | <u>122,095</u>     | <u>109,575</u>     | <u>12,520</u>      |
| Total expenditures                              | <u>7,959,278</u>        | <u>8,078,693</u>   | <u>7,865,746</u>   | <u>212,947</u>     |
| Deficiency of revenues over expenditures        | (690,573)               | (625,908)          | (655,431)          | (29,523)           |
| <b>Other financing sources (uses):</b>          |                         |                    |                    |                    |
| Transfers in                                    | <u>690,573</u>          | <u>690,573</u>     | <u>44,903</u>      | <u>(645,670)</u>   |
| Net change in fund balance                      | <u>-</u>                | <u>64,665</u>      | <u>(610,528)</u>   | <u>(675,193)</u>   |
| Fund balance, beginning, as previously reported | 2,207,462               | 2,207,462          | 2,207,462          | -                  |
| Prior period adjustment                         | <u>-</u>                | <u>-</u>           | <u>42,367</u>      | <u>42,367</u>      |
| Fund balance, beginning, as restated            | <u>2,207,462</u>        | <u>2,207,462</u>   | <u>2,249,829</u>   | <u>42,367</u>      |
| Fund balance, ending                            | <u>\$2,207,462</u>      | <u>\$2,272,127</u> | <u>\$1,639,301</u> | <u>\$(632,826)</u> |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2004

|   | <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> |
| <b>Revenues:</b>                                |                         |               |                |                   |
| Local   | \$ 11,560,805           | \$ 12,026,012 | \$ 11,261,616  | \$ (764,396)      |
| Federal grants                                  | 68,250                  | 76,071        | 159,108        | 83,037            |
| Total revenues                                  | 11,629,055              | 12,102,083    | 11,420,724     | (681,359)         |
| <b>Expenditures:</b>                            |                         |               |                |                   |
| <b>Current:</b>                                 |                         |               |                |                   |
| 9-12 basic                                      | 4,269,275               | 4,221,231     | 4,014,709      | 206,522           |
| Vocational 6-12                                 | 428,645                 | 282,820       | 252,896        | 29,924            |
| Substitute teachers                             | 50,000                  | 38,500        | 36,868         | 1,632             |
| Operation of school                             | 1,992,483               | 2,278,426     | 2,134,655      | 143,771           |
| Facilities acquisition and construction         | 3,610,388               | 3,610,388     | 3,362,239      | 248,149           |
| School administration                           | 942,697                 | 937,278       | 829,204        | 108,074           |
| Pupil transportation services                   | 217,598                 | 205,289       | 192,840        | 12,449            |
| Guidance services                               | 357,555                 | 370,745       | 351,894        | 18,851            |
| Exceptional student program                     | 112,328                 | 115,728       | 109,580        | 6,148             |
| Instructional media service                     | 142,154                 | 127,669       | 121,722        | 5,947             |
| Athletics                                       | 147,038                 | 159,837       | 136,381        | 23,456            |
| ESE specialist                                  | 54,916                  | 55,216        | 54,880         | 336               |
| Intensive English/ESOL                          | 50,943                  | 51,076        | 40,743         | 10,333            |
| Instructional staff training service            | 33,272                  | 33,272        | 16,152         | 17,120            |
| School/other                                    | 5,000                   | 11,000        | 10,420         | 580               |
| Instructional & curriculum development          | -                       | 7,970         | 7,970          | -                 |
| Capital outlay                                  | 86,520                  | 118,595       | 111,129        | 7,466             |
| Total expenditures                              | 12,500,812              | 12,625,040    | 11,784,282     | 840,758           |
| Deficiency of revenues over expenditures        | (871,757)               | (522,957)     | (363,558)      | 159,399           |
| <b>Other financing sources:</b>                 |                         |               |                |                   |
| Transfers in                                    | 551,892                 | 551,892       | 302,230        | (249,662)         |
| Net change in fund balance                      | (319,865)               | 28,935        | (61,328)       | (90,263)          |
| Fund balance, beginning, as previously reported | -                       | -             | -              | -                 |
| Prior period adjustment                         | -                       | -             | 81,258         | 81,258            |
| Fund balance, beginning, as restated            | -                       | -             | 81,258         | 81,258            |
| Fund balance, ending                            | \$ (319,865)            | \$ 28,935     | \$ 19,930      | \$ (9,005)        |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2004

### 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 (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 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 1<sup>st</sup>. 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, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted 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 supplemental appropriations, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations of approximately \$180,000 in the elementary schools, \$119,000 in the middle schools and \$124,000 in the high school during the fiscal year ended June 30, 2004.

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

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# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE

JUNE 30, 2004

|   |                    |
|---|--------------------|
| Governmental funds capital assets:                          |                    |
| Improvements other than buildings                           | \$2,472,962        |
| Machinery and equipment                                     | <u>2,090,443</u>   |
| Total governmental funds capital assets                     | <u>\$4,563,405</u> |
| Investments in governmental funds capital assets by source: |                    |
| Charter Elementary Schools                                  | \$1,982,119        |
| Charter Middle Schools                                      | 2,271,927          |
| Charter High School   | <u>309,359</u>     |
| Total governmental funds capital assets                     | <u>\$4,563,405</u> |



# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2004

| <u>Function and Activity</u>            | Improvements<br>Other<br>Than<br><u>Buildings</u> | Machinery<br>and<br><u>Equipment</u> | <u>Total</u>        |
|---|---|--------------------------------------|---------------------|
| Education:                              |   |                                      |                     |
| Charter Elementary Schools              | \$ 1,218,921                                      | \$ 763,198                           | \$ 1,982,119        |
| Charter Middle Schools                  | 1,254,041   | 1,017,886                            | 2,271,927           |
| Charter High School                     | <u>-</u>  | <u>309,359</u>                       | <u>309,359</u>      |
| Total governmental funds capital assets | <u>\$ 2,472,962</u>                               | <u>\$ 2,090,443</u>                  | <u>\$ 4,563,405</u> |

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2004

| <u>Function and Activity</u>            | Governmental<br>Funds<br>Capital<br>Assets<br>June 30,<br><u>2003</u> | <u>Additions</u>  | <u>Transfers</u> | <u>Deductions</u>  | Governmental<br>Funds<br>Capital<br>Assets<br>June 30,<br><u>2004</u> |
|---|---|-------------------|------------------|--------------------|---|
| Education:                              |   |                   |                  |                    |   |
| Charter Elementary Schools              | \$ 1,863,488  | \$ 38,690         | \$ 87,586        | \$ (7,645)         | \$ 1,982,119  |
| Charter Middle Schools                  | 2,249,938   | 109,575           | (87,586)         | -                  | 2,271,927   |
| Charter High School                     | <u>201,593</u>  | <u>111,130</u>    | <u>-</u>         | <u>(3,364)</u>     | <u>309,359</u>  |
| Total governmental funds capital assets | <u>\$4,315,019</u>  | <u>\$ 259,395</u> | <u>\$ -</u>      | <u>\$ (11,009)</u> | <u>\$ 4,563,405</u>   |

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**SUPPLEMENTARY AUDITORS' REPORTS**

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**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 Charter Schools  
Pembroke Pines, Florida

We have audited the 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) as of and for the year ended June 30, 2004, which collectively comprise the Schools' 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 Charter Schools  
Pembroke Pines, Florida  
Page Two

This report is intended solely for the information and use of the Mayor, City Commission, management and the Broward County District School Board 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 Charter Schools  
Pembroke Pines, Florida

We have audited the 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) as of and for the year ended June 30, 2004, which collectively comprise the Schools' 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 on 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 financial statements of the Schools as of and 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. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. There were no recommendations made in the preceding annual financial audit.
3. There are no recommendations to improve the Schools' present financial management, accounting procedures and internal controls.
4. During the course of our audit, nothing came to our attention that caused us to believe that the Schools:
  - a. Were 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 Charter Schools  
Pembroke Pines, Florida  
Page 2

5. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The Charter Schools are operated by the City. The City's Charter Elementary Schools were created by motion of the City Commission on June 17, 1998. The City's Charter Middle Schools were created under Resolution No. 2668 on June 2, 1999. The City's Charter High School was created by motion of the City Commission on February 16, 2000.

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 the Broward County District School Board and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, Florida  
August 27, 2004