

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

FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(With Independent Auditors' Reports Thereon)

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

**TABLE OF CONTENTS**

	<u><b>PAGE</b></u>
INDEPENDENT AUDITORS' REPORT	<b>1-2</b>
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	<b>3-10</b>
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	<b>11</b>
Statement of Activities	<b>12</b>
Fund Financial Statements:	
Balance Sheet – Governmental Fund	<b>13</b>
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	<b>14</b>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	<b>15</b>
Notes to Basic Financial Statements	<b>16-31</b>
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):	
Budgetary Comparison Schedule	<b>32</b>
Notes to Budgetary Comparison Schedule	<b>33</b>
SUPPLEMENTARY AUDITORS' REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	<b>34-35</b>
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	<b>36-37</b>



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines Charter Middle Schools (the "Schools") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2010, which collectively comprise the Schools' special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the Schools' management. Our responsibility is to express opinions on these special purpose financial statements based on our audit.

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

As discussed in Note 1.a, the special purpose financial statements of the City of Pembroke Pines Charter Middle Schools, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and major fund of the Schools that is attributable to the transactions of the City of Pembroke Pines Charter Middle Schools. They do not purport to, and do not, present fairly the financial position of City of Pembroke Pines, Florida, as of June 30, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Pembroke Pines Charter Middle Schools as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2010, on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 32-33 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GLSC & Company, PLLC

November 2, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines Charter Middle Schools (“the Charter Middle Schools”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Charter Middle Schools for the twelve-month period ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the Charter Middle Schools’ financial statements, which follow this section.

The City of Pembroke Pines Charter Middle Schools provide us with a unique opportunity to show the various efforts and accomplishments that have been achieved.

The City Pembroke Pines Charter Middle Schools’ West and Central campuses opened their doors in July of 1999. This system is part of one of the nation’s first K-12 city-run charter school systems. From its inception, the Charter School system established a strong educational mission that embraced creating life long learners, and as such, is one of the components of the first fully accredited K-12 charter school system in the state of Florida (Southern Association of Colleges and Schools accreditation received in 2002).

The Charter Middle Schools serve as part of the feeder pattern for the Charter Elementary Schools. In the 2009-2010 school year, the majority of the 1,215 student population resided in the surrounding communities of Pembroke Pines and neighboring Miramar. The student population is diverse, and the demographic breakdown is roughly 67.5% White, 25.3% African American, 4.7% Asian, 2.1% Multi-racial, of which 39.8% are Hispanic; and 0.4% Native American.

In 2009, the Charter Middle Schools were named National Blue Ribbon Schools of Excellence by the U.S. Department of Education. This award is the highest national award a school can receive and is presented to schools that have continually been models of excellence in education.

The City also owns and operates three Charter Elementary Schools, and one High School which are sponsored by the School Board of Broward County. The City has also partnered with Florida State University (FSU) for an Elementary School which was established and built in 2003, and currently provides educational opportunities to 657 Elementary school students.

This is the first year that the Charter Middle Schools have reported its financial statements separately, thus comparative information from prior years is not available for the government-wide financial statements. The fund-based comparative information is being used in selected sections.

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

### **Financial Highlights**

- The assets of the Charter Middle Schools exceeded its liabilities at the close of the most recent fiscal year by \$1,244,860 (*net assets*). Of this amount, \$38,401 (*unrestricted net assets*) may be used to meet ongoing obligations.
- As of the close of the current fiscal year, the Charter Middle Schools’ governmental fund reported a combined ending fund balance of \$217,443, a decrease of \$644,405 as compared to last year.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter Middle Schools' basic financial statements. The Charter Middle Schools' basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. In addition to these basic financial statements, this report contains other supplementary information.

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

The *statement of net assets* presents information on the Charter Middle 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 Middle 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 Middle Schools' *government-wide financial statements* distinguish the functions of the Charter Middle Schools as being principally supported by local revenues (FTE dollars through the Broward County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter Middle Schools have no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Charter Middle Schools maintain only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The Charter Middle Schools adopt an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 13-15 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 16-31 of this report.

**Required Supplementary Information.** The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the budgetary comparison schedule which can be found on pages 32-33 of this report, and the Management's Discussion and Analysis (MD&A) comprising pages 3-10.

**Supplementary Auditors' Reports. This section includes the following:**

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

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**Government-wide financial analysis.** Since this is the first year that the Charter Middle Schools are reporting separate financial statements, comparative government-wide information from prior years is not available. In future years, a comparative analysis of government-wide data will be presented.

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 Middle Schools, total assets exceeded liabilities by \$1,244,860.

Investments in capital assets consisting of improvements other than buildings, and machinery and equipment, net of accumulated depreciation amounted to \$1,206,459, and represents 97.0% of total net assets. The Charter Middle Schools do not have any related debt outstanding that was used to acquire these assets. The Charter Middle Schools use these capital assets to provide services, and consequently, they are not available for future spending.

The remaining balance of unrestricted net assets of \$38,401 or 3.0% may be used to meet the Charter Middle Schools' ongoing obligations.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities
	<u>2010</u>
Current assets	\$ 288,440
Capital assets, net of depreciation	<u>1,206,459</u>
Total assets	<u>1,494,899</u>
Current liabilities	70,997
Noncurrent liabilities	<u>179,042</u>
Total liabilities	<u>250,039</u>
Net assets:	
Invested in capital assets	1,206,459
Unrestricted	<u>38,401</u>
Total net assets	<u><u>\$ 1,244,860</u></u>



CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities
	2010
Revenues:	
Program revenues:	
Charges for services	\$ 1,186,540
Operating grants and contributions	600,570
General revenues:	
FTE non-specific revenues	7,351,379
Unrestricted investment earnings	10,593
Rental income	145,833
ICMA forfeiture revenue	12,483
Total revenues	9,307,398
Expenses:	
Instructional services	5,356,504
Instructional support services	419,496
School administration	1,202,495
Rent	1,103,985
Student transportation services	471,030
Operation and maintenance of school	1,474,579
Child care supervision	14,978
Total expenses	10,043,067
Change in net assets	(735,669)
Net assets, beginning	1,980,529
Net assets - ending	\$ 1,244,860

- **Governmental activities.** The Charter Middle Schools reported total net assets of \$1,244,860 at the end of the current fiscal year versus \$1,980,529 for fiscal year 2008-09. The total cost of all governmental activities this year was \$10,043,067.

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

**Governmental fund.** The focus of the Charter Middle Schools' governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter Middle Schools' financing requirements. In particular, an unreserved, undesignated fund balance may serve as a useful measure of the Charter Middle Schools' net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Charter Middle Schools' governmental fund reported an ending fund balance of \$217,443, a decrease of \$644,405 over last year. Of the total fund balance, \$107,391 (49.4%) has been designated for rent payments, and the remaining \$110,052 (50.6%) has been designated for capital replacements.

Key elements of these changes in fund balance are as follows:

The Charter Middle Schools' total revenues decreased by \$180,752 (-2.0%). This was a result of a decrease in local revenues of \$208,873 (-2.3%), which was offset by an increase in Federal grants of \$28,121 (20.3%). The decrease in local revenues was due mainly to a decrease in revenues from the Broward County School Board of \$15,022 (-0.2%), and a decrease in other revenues of \$193,851 (-20.2%). This 20.2% decrease in other revenues was mainly attributable to a decrease in ICMA Forfeiture revenues of \$121,171 (-90.7%), a decrease of \$49,809 (-22.9%) related to in-house transportation services, and a decrease in interest income of \$20,892 (-66.4%). The 20.3% increase in Federal grants was due to an increase in national school lunch program funding of \$14,403 (15.9%), and the receipt of the Dale Hickham Teaching grant for \$12,332 (100.0%), which was funded as part of the 2009 American Recovery and Rehabilitation Act (ARRA).

Total expenditures decreased by \$89,390 (-0.9%) during the year, mainly attributable to a decrease in operating expenditures of approximately \$63,200 (-1.8%), and a decrease in capital expenditures of approximately \$86,700 (-90.9%). Operating expenditures were reduced by 1.8% as a result of decrease spending on textbooks, administrative fees, insurance, materials and supplies, and rentals. These decreases were offset by an increase in personnel expenditures of approximately \$60,500 (0.9%). In fiscal year 2009-10 the Charter Middle Schools increased the overall position counts by 2 part-time teachers.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2010, the Charter Middle Schools had estimated revenues and appropriations of \$9,223,738 and \$10,605,952, respectively. Over the course of the year, the Charter Middle 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 Middle Schools made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues in the amount of \$116,939. Amendments were made to increase local revenues in the amount \$104,606, mainly as a result of the Governor’s A + funds of \$90,000; and to increase the Federal grants budget by \$12,333 for the Dale Hickham Teaching grant.

Amendments were made to the budgeted expenditures in the amount of \$102,397. These adjustments were due to an increase in the budget of \$93,384 for personnel costs, mainly attributable to the Governor’s A+ funds, an increase in the budget for operating costs of \$4,000, and an increase of \$5,013 increase in capital budget for the purchase of a copier machine and audio visual equipment.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$264,394, and actual expenditures were below final budgeted amounts by \$654,149.

**Capital Assets**

The Charter Middle Schools’ investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$1,206,459 (net of accumulated depreciation).

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities <u>2010</u>
Improvements other than buildings	\$ 1,008,212
Machinery and equipment	<u>198,247</u>
Total capital assets	<u>\$ 1,206,459</u>

Additional information on the Charter School’s capital assets can be found on Note 4 of the notes to the basic financial statements (page 26).

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

- ◆ Capital outlay funding from the State will remain the same as FY2010. The State is funding this revenue at an estimated 59% of the total maximum allocation. The Charter Middle Schools will serve 1,253 Students for the 2011 school year.
- ◆ The 2010-2011 Budget includes the addition of 2 full-time teacher positions. The budget includes step increases, but no cost-of-living adjustments or bonuses.
- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues decreased slightly from \$3,630.62 per student in FY2010 to \$3,623.76 in FY2011.
- ◆ The governing board has approved the hiring of a professional Development Director with a fundraising goal of \$1,000,000, to be shared among all the City's Charter Schools. This increased the budgeted revenues for the Charter Middle Schools by \$226,000.

### **Requests for Information**

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

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

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and investments	\$ 225,311
Due from Federal Government	4,025
ICMA forfeitures receivable	52,156
Other miscellaneous receivables	6,948
Capital assets being depreciated, net	<u>1,206,459</u>
Total assets	<u>1,494,899</u>
 <u>LIABILITIES</u>	
Accrued liabilities	9,133
Deferred revenue	3,043
Deposits	58,821
Noncurrent liabilities:	
Due within one year	135,541
Due in more than one year	<u>43,501</u>
Total liabilities	<u>250,039</u>
 <u>NET ASSETS</u>	
Invested in capital assets	1,206,459
Unrestricted	<u>38,401</u>
Total net assets	<u>\$ 1,244,860</u>

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in <u>Net Assets</u> Total Governmental <u>Activities</u>
Governmental activities:				
Instructional services	\$ 5,356,504	\$ -	\$ 21,131	\$ (5,335,373)
Instructional support services	419,496	-	4,111	(415,385)
School administration	1,202,495	3,261	-	(1,199,234)
Rent	1,103,985	-	-	(1,103,985)
Student transportation services	471,030	167,545	-	(303,485)
Operation and maintenance of school	1,474,579	1,015,734	227,274	(231,571)
Child care supervision	14,978	-	348,054	333,076
Total Charter Schools	<u>\$ 10,043,067</u>	<u>\$ 1,186,540</u>	<u>\$ 600,570</u>	<u>(8,255,957)</u>
General revenues:				
				7,351,379
				10,593
				145,833
				12,483
Total general revenues				<u>7,520,288</u>
Change in net assets				(735,669)
Net assets, beginning				<u>1,980,529</u>
Net assets, ending				<u>\$ 1,244,860</u>

See notes to basic financial statements.

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

BALANCE SHEET  
GOVERNMENTAL FUND

JUNE 30, 2010

ASSETS

Pooled cash and investments	\$ 225,311
Due from Federal Government	4,025
ICMA forfeitures receivable	52,156
Other miscellaneous receivables	<u>6,948</u>
Total assets	<u>\$ 288,440</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 9,133
Deferred revenue	3,043
Deposits	<u>58,821</u>
Total liabilities	<u>70,997</u>
Fund balance:	
Unreserved:	
Designated for rent payments	107,391
Designated for capital replacements	<u>110,052</u>
Total fund balance	217,443

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.	1,206,459
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(179,042)
Net assets of governmental activities (page 12)	<u>\$ 1,244,860</u>

See notes to basic financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2010

Revenues:	
Local	\$ 8,792,878
Federal grants	<u>166,466</u>
Total revenues	<u>8,959,344</u>
Expenditures:	
Current:	
4-8 Basic	4,855,989
Exceptional student program	414,632
Substitute teachers	85,883
Guidance services	161,349
Instructional media services	250,819
Instructional staff training service	7,328
School administration	1,189,437
Facilities acquisition and construction	1,103,985
Student transportation services	471,030
Operation of school	1,387,673
Athletics	14,978
Capital outlay	<u>8,700</u>
Total expenditures	<u>9,951,803</u>
Deficit of revenues over expenditures	(992,459)
Other financing sources:	
Transfers in	<u>348,054</u>
Net change in fund balance	(644,405)
Fund balance, beginning	<u>861,848</u>
Fund balance, ending	<u>\$ 217,443</u>

See notes to basic financial statements.



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

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

FISCAL YEAR ENDED JUNE 30, 2010

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

Net change in fund balance - total governmental fund (Page 14) \$ (644,405)

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

The detail of the difference is as follows:

Capital outlay	\$ 8,700	
Depreciation expense	<u>(86,906)</u>	
Net adjustment		(78,206)

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>(13,058)</u>	
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Change in net assets of governmental activities (page 12) \$ (735,669)

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

NOTES TO BASIC FINANCIAL STATEMENTS

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

On June 17, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Middle Schools, consisting of two campuses. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter Middle Schools organized pursuant to Section 228.056 of the Florida Statutes. The City of Pembroke Pines Charter Middle Schools' first school year commenced in July 1999. The governing body of the Charter Middle Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Middle Schools.

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

In addition to the Charter Middle Schools, the City operates three Charter Elementary Schools, and a Charter High School, under separate charters of the sponsoring school district, the Broward County School Board. The City also operates a Charter Elementary School separately chartered with the Florida State University.

As required by the Florida Auditor General, the Charter Elementary, Charter Middle, Charter High, and the FSU Charter Elementary Schools must now issue separate stand-alone financial reports. Therefore, this report only contains the financial information for the Charter Middle Schools' West and Central campuses.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**b. Government-Wide and Fund Financial Statements**

The Charter Middle 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 Charter Middle Schools. Full-time equivalent (FTE) dollars and intergovernmental revenues support *governmental activities*.

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

The Charter Middle Schools' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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

The Charter Middle 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 Charter Middle 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 Charter Middle 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.

**CITY OF PEMBROKE PINES, FLORIDA**  
**CHARTER MIDDLE 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)

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 Charter Middle Schools receive cash.

The Charter Middle Schools report the following major fund:

**Charter Middle Schools** – The Charter Middle Schools consist of a West and Central campus, serving 1,253 student stations for the 2010-11 school year.

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

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

**d. Assets, Liabilities and Net Assets**

**1. Pooled Cash and Investments**

The Charter Middle Schools consider all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Charter Middle 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 investments include investment in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**d. Assets, Liabilities and Net Assets** (continued)

**2. Receivables**

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

**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 Charter Middle Schools as assets with an initial, individual cost of more than \$1,000, except for computer equipment with an individual cost of more than \$750, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the Charter Middle 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 Charter Schools were awarded approximately \$6.0 million, in total for all Schools, from the District's School Infrastructure Thrift Program (SIT Funds) to be used for any lawful capital outlay expenditure.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**d. Assets, Liabilities and Net Assets** (continued)

**4. *Compensated Absences***

The Charter Middle 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 Middle Schools have recorded the amount of accrued sick and vacation benefits as of June 30, 2010.

**5. *Long-Term Obligations***

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

On December 1, 2006, the City issued \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006 to refund \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998 and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001. Approximately \$7,500,000 of the Public Improvement Revenue Bonds, Series 1998 original principal amount was used to fund the construction and acquisition of furniture, fixtures, and equipments for the Charter Middle Schools.

On December 1, 2006, the City issued \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006, of which a portion was used to refund \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**d. Assets, Liabilities and Net Assets** (continued)

**5. Long-Term Obligations** (continued)

Approximately \$400,000 of the Capital Improvement Revenue Bonds, Series 1999 original principal amount was used to finance the acquisition of land and improvement of the Charter Middle Schools.

On March 25, 2008, the City issued \$64,095,000 Charter School Revenue Bonds, Series 2008, of which a part was used to fund the construction of 8 Charter Middle School classrooms to comply with the State's Class Size Amendment and to refund \$29,405,000 of the Charter School Revenue Bonds, Series 2001A and \$17,715,000 of the Charter School Revenue Bonds, Series 2001B. Approximately \$9,340,000 of the Charter School Revenue Bonds, Series 2001A, and approximately \$580,000 of the Charter School Revenue Bonds, Series 2001B original principal amount were used to finance the construction of the Charter Middle Schools.

The Charter Middle 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 is displayed in three components:

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Charter Middle Schools have no restricted assets as of June 30, 2010.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**d. Assets, Liabilities and Net Assets** (continued)

**6. Equity Classifications** (continued)

**Fund Financial Statements**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. Revenue Sources**

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Charter Middle Schools' charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Charter Middle 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 Charter Middle 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 Charter Middle 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.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 2. INVESTMENTS**

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

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

The Charter Middle Schools' pooled cash and investments are summarized as follows:

	<u>Carrying Amount</u>
Cash on hand	\$ 538
<u>Investments:</u>	
FMIvT 1-3 Year High Quality Bond Fund	<u>224,773</u>
Total pooled cash and investments	<u>\$ 225,311</u>

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

	<u>Duration</u>	<u>Weighted Average Maturity</u>
<u>Interest Rate Risk Information in Years</u>		
FMIvT 1-3 Year High Quality Bond Fund	1.40	1.44

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 2. INVESTMENTS (continued)**

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 3. REVENUE SOURCES**

Broward County School Board:	
Florida education finance program	\$ 4,867,474
Class size reduction	1,107,453
Public education capital outlay (PECO)	675,321
District school taxes	495,628
Supplemental academic instruction	249,034
Transportation revenue	227,690
ESE guaranteed allocation	174,095
Governor's A+ funds	90,045
Instructional materials	89,207
Safe schools program	28,334
Summer reading program	11,905
Library media materials	5,471
Discretionary lottery funds	3,548
Science lab materials	1,495
Total Broward County School Board	8,026,700
Other:	
Food sales	338,229
In-house transportation	167,545
Rental revenue	145,833
Contributions	86,050
ICMA forfeiture revenue	12,483
Interest	10,593
Other miscellaneous revenue	3,261
School breakfast supplement	1,380
School lunch supplement	804
Total other	766,178
Total local	\$ 8,792,878
Federal grants:	
National school lunch program	\$ 104,931
NSLP non-cash assistance (commodities)	23,902
Individuals with disabilities education act (IDEA)	12,910
School breakfast program	12,391
Dale Hickham Teaching - ARRA	12,332
Total Federal grants	\$ 166,466

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 4. CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 1,263,091	\$ -	\$ -	\$ 1,263,091
Machinery and equipment	<u>971,858</u>	<u>8,700</u>	<u>(9,297)</u>	<u>971,261</u>
Total capital assets being depreciated	<u>2,234,949</u>	<u>8,700</u>	<u>(9,297)</u>	<u>2,234,352</u>
Less accumulated depreciation for:				
Improvements other than buildings	(229,408)	(25,471)	-	(254,879)
Machinery and equipment	<u>(720,876)</u>	<u>(61,435)</u>	<u>9,297</u>	<u>(773,014)</u>
Total accumulated depreciation	<u>(950,284)</u>	<u>(86,906)</u>	<u>9,297</u>	<u>(1,027,893)</u>
Total capital assets being depreciated, net	<u>\$ 1,284,665</u>	<u>\$(78,206)</u>	<u>\$ -</u>	<u>\$ 1,206,459</u>

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

Governmental activities:

Operation of school	<u>\$ 86,906</u>
---------------------	------------------

**NOTE 5. RECEIVABLES**

<u>Receivables</u>	<u>Charter Middle Schools</u>
Due from Federal Government	\$ 4,025
ICMA forfeiture receivables	52,156
Other miscellaneous receivables	<u>6,948</u>
Total receivables	<u>\$ 63,129</u>

All receivables are expected to be collected in one year.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 6. OPERATING LEASES**

*Communications Facility Lease*

In December 1997, the City leased a parcel of real property located on the Charter Middle Schools' ground to a private company, which was used to construct, maintain and operate communications facilities. The lease 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 starting at \$24,000 are due annually on October 1, and increase at a rate of three percent compounded annually. In addition to the rental payments, the lessee pays the City 50% of all revenues received from any third party source for co-location regarding the construction or use of the telecommunications facility. The rental payments received for FY2009-10 was \$128,729, including co-locations.

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

Fiscal year ending June 30:	
2011	\$ 150,000
2012	153,000
2013	<u>99,000</u>
Total approximate future minimum rentals	<u>\$ 402,000</u>

*Schools' Facility Lease*

The Charter Middle Schools lease their campuses from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Charter Middle Schools (see Note 1.d.5). For the fiscal year ended June 30, 2010, rent expense was approximately \$1,104,000 for the Charter Middle Schools.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

*Schools' Facility Lease* (continued)

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

Fiscal year ending June 30:	
2011	\$ 1,125,000
2012	1,125,000
2013	1,069,000
2014	1,235,000
2015	1,290,000
2016-2020	6,450,000
2021-2025	5,022,000
2026-2030	5,582,000
2031-2035	6,500,000
2036-2038	<u>3,930,000</u>
Total approximate minimum future rentals	<u>\$ 33,328,000</u>

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

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>	Due Within One Year
Compensated absences	<u>\$ 165,984</u>	<u>\$ 180,365</u>	<u>\$(167,307)</u>	<u>\$ 179,042</u>	<u>\$ 135,541</u>

**NOTE 8. RISK MANAGEMENT**

Health and hospitalization, workers' compensation and life insurance coverage is provided through the City of Pembroke Pines, and the City, in turn, charges the Charter Middle Schools for this coverage. The Charter Middle Schools maintain their own insurance for general liability, automotive liability, School Board liability, basic and catastrophic student accident, and property and flood coverage's through purchased commercial insurance with minimum deductibles for each line of coverage.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 8. RISK MANAGEMENT** (continued)

There were no reductions in insurance coverage from the coverage provided in the prior year. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

**NOTE 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 Charter Middle Schools expect such amounts, if any, to be immaterial.

**NOTE 10. PENSION PLANS**

*Defined Benefit Plan*

*Florida Retirement System*

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

**Plan Description**

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 10. PENSION PLANS** (continued)

*Defined Benefit Plan* (continued)

*Florida Retirement System* (continued)

**Funding Policy**

The Charter Middle Schools' required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2010, the contribution rate was 9.85% of covered payroll which amounted to \$408,975. As of June 30, 2010, there were 85 Charter Middle School members in this Plan. The Charter Middle Schools are required to contribute both for full-time and part-time members of the Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

*Defined Contribution Plan*

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the International City/County Management Association - Retirement Corporation (ICMA-RC). At June 30, 2010, there were 12 Charter Middle School Plan members, which was unchanged from the previous fiscal year. Effective January 1, 2002, the Charter Middle Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter Middle Schools' required contribution increased to 9.85% from 5% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2010, the Charter Middle Schools contributed \$55,290 and the employees contributed \$898 to the Plan. Provisions of the Charter Middle Schools' Plan may be amended by the City Commission. The Charter Middle Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter Middle Schools' Plan are not included in the Charter Middle Schools' financial statements.

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



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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 11. OTHER INFORMATION**

In November 2007, the City of Pembroke Pines' Charter School System filed a lawsuit against the School Board of Broward County (the District) in order to recoup its share of the District's "2 Mill" money that it collects from taxpayers for new construction and remodeling projects. The Charter Schools have calculated that the amount of "2 Mill" money that was withheld by the District since 1998 is approximately \$34.9 million for all the City Charter Schools combined. However, in July 2010, the Circuit Court of Broward County denied the Charter Schools' claim to the "2 Mill" funds.

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

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance
	<u>Original</u>	<u>Final</u>		with
				Final
			Budget	Positive
			Amounts	(Negative)
Revenues:				
Local	\$ 8,969,792	\$ 9,074,398	\$ 8,792,878	\$ (281,520)
Federal grants	<u>137,007</u>	<u>149,340</u>	<u>166,466</u>	<u>17,126</u>
Total revenues	<u>9,106,799</u>	<u>9,223,738</u>	<u>8,959,344</u>	<u>(264,394)</u>
Expenditures:				
Current:				
4-8 Basic	4,930,732	5,000,231	4,855,989	144,242
Intensive English/ESOL	1,900	1,900	-	1,900
Exceptional student program	426,757	431,526	414,632	16,894
Substitute teachers	94,000	94,000	85,883	8,117
Guidance services	173,272	176,139	161,349	14,790
Instructional media services	274,669	278,400	250,819	27,581
Instructional staff training service	8,800	10,250	7,328	2,922
School administration	1,191,008	1,206,076	1,189,437	16,639
Facilities acquisition and construction	1,125,244	1,125,244	1,103,985	21,259
Student transportation services	506,942	506,942	471,030	35,912
Operation of school	1,679,816	1,679,816	1,387,673	292,143
Athletics	31,415	31,415	14,978	16,437
Capital outlay	<u>59,000</u>	<u>64,013</u>	<u>8,700</u>	<u>55,313</u>
Total expenditures	<u>10,503,555</u>	<u>10,605,952</u>	<u>9,951,803</u>	<u>654,149</u>
Deficit of revenues over expenditures	(1,396,756)	(1,382,214)	(992,459)	389,755
Other financing sources:				
Transfers in	<u>589,146</u>	<u>578,097</u>	<u>348,054</u>	<u>(230,043)</u>
Net change in fund balance	(807,610)	(804,117)	(644,405)	159,712
Fund balance, beginning	<u>861,848</u>	<u>861,848</u>	<u>861,848</u>	<u>-</u>
Fund balance, ending	<u>\$ 54,238</u>	<u>\$ 57,731</u>	<u>\$ 217,443</u>	<u>\$ 159,712</u>

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1. BUDGET AND BUDGETARY ACCOUNTING**

1. The annual budget is legally adopted for the Charter Middle Schools' fund which is a governmental fund. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, except for encumbrances, which are purchase orders and contracts issued for goods and services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are re-appropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

2. The Charter Middle Schools' budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1<sup>st</sup>. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1<sup>st</sup>, 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 the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
  - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
  - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
  - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget for the Charter Middle Schools includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of approximately \$102,000 during the fiscal year ended June 30, 2010.



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

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

We have audited the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines Charter Middle Schools (the "Schools") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's special purpose financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pembroke Pines Charter Middle Schools' special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of special purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

GLSC & Company, PLLC

November 2, 2010



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

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

We have audited the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines Charter Middle Schools (the "Schools") (a special revenue fund of the City of Pembroke Pines), as of and for the fiscal years ended June 30, 2010, and have issued our report thereon dated November 2, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also issued our report on compliance and on internal control over financial reporting; which is dated November 2, 2010, and should be considered in conjunction with this management letter.

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

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

Honorable Mayor and Members of the City Commission  
City of Pembroke Pines Charter Middle Schools  
Page 2

7. The auditor applied financial condition assessment procedures in accordance with Rule 10.855(10). There were no deteriorating financial or financial emergency conditions noted.

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*GLSC & Company, PLLC*

November 2, 2010

