

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

**SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(With Independent Auditors' Reports Thereon)**



GLSC & COMPANY, PLLC
certified public accountants

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the year ended June 30, 2012, which collectively comprise the Schools' special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the Schools' management. Our responsibility is to express opinions on these special purpose financial statements based on our audit.

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

As discussed in Note 1.a, the special purpose financial statements of the City of Pembroke Pines Charter Schools, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and fund information of the City of Pembroke Pines that is attributable to the transactions of the Schools. They do not purport to, and do not, present fairly the financial position of City of Pembroke Pines, Florida, as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2012, 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 36 through 39 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GLSC & Company, PLLC

October 3, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Schools, we offer readers of the Charter Schools' special purpose financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Charter Schools' special purpose financial statements, which follow this section.

Financial Highlights

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$5,562,474 (*net assets*), compared with \$6,324,734 for the previous fiscal year. Of this amount, \$2,905,780 (*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 \$3,877,879, or 10.2% of total expenditures. This represents a decrease of \$650,012 over the prior year. The entire fund balance is assigned for rent payments.

Overview of the Special Purpose Financial Statements

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

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

The *statement of net assets* presents information on all of the Charter Schools' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Schools is improving or deteriorating.

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

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

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

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

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

Notes to special purpose financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to special purpose financial statements can be found on pages 16-35 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 3-10, and the budgetary comparison schedules which can be found on pages 36-38.

Supplementary Auditors' Reports. This section includes the following:

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

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Schools, assets exceeded liabilities by \$5,562,474 as of June 30, 2012 as compared to \$6,324,734 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amounted to \$2,656,694. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending. An additional portion of the Charter Schools' net assets amounting to \$2,905,780 (approximately 52%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Increase (Decrease)
	<u>2012</u>	<u>2011</u>	
Current assets	\$4,443,225	\$ 5,066,481	\$ (623,256)
Capital assets, net of depreciation	<u>2,656,694</u>	<u>2,694,782</u>	<u>(38,088)</u>
Total assets	<u>7,099,919</u>	<u>7,761,263</u>	<u>(661,344)</u>
Current liabilities	565,346	538,590	26,756
Noncurrent liabilities	<u>972,099</u>	<u>897,939</u>	<u>74,160</u>
Total liabilities	<u>1,537,445</u>	<u>1,436,529</u>	<u>100,916</u>
Net assets:			
Invested in capital assets	2,656,694	2,694,782	(38,088)
Unrestricted	<u>2,905,780</u>	<u>3,629,952</u>	<u>(724,172)</u>
Total net assets	<u>\$5,562,474</u>	<u>\$ 6,324,734</u>	<u>\$ (762,260)</u>

Current assets decreased by \$623,256 (-12.3%) during the year. The Elementary Schools' current assets decrease of \$660,736, the Middle Schools' decrease of \$239,729, and the High School's increase of \$277,209, all primarily related to the pooled cash and cash equivalents. This decrease in pooled cash and cash equivalents was mainly due to finance the deficiency of revenues over the expenditures during the year. The net decrease in capital assets of \$38,088 is mainly attributable to the net effect of an increase in capital of \$190,749, the depreciation expense of \$223,475, and the net effect of miscellaneous transactions involving capital of \$5,362.

Current liabilities increased by \$26,756 (5.0%) during the year in the Elementary, Middle, and High Schools. This increase is related to an increase of \$4,250 in accrued liabilities, an increase of \$764 in deferred revenue, and an increase of \$21,742 in deposits. Noncurrent liabilities increased by \$74,160 (8.3%) during the year. This increase is related to compensated absences.

Unrestricted net assets decreased by \$724,172 (-19.9%) during the year in the Elementary, Middle, and High Schools. This decrease represents the difference by which assets exceeded liabilities.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		Increase
	<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,578,436	\$ 4,579,481	\$ (1,045)
Operating grants and contributions	2,376,756	2,029,462	347,294
Capital contributions	-	6,281	(6,281)
General revenues:			
FTE non-specific revenues	28,466,032	32,949,859	(4,483,827)
Unrestricted investment earnings	51,848	84,684	(32,836)
Rental income	1,757,064	1,623,980	133,084
ICMA forfeiture revenue	<u>11,635</u>	<u>59,428</u>	<u>(47,793)</u>
Total revenues	<u>37,241,771</u>	<u>41,333,175</u>	<u>(4,091,404)</u>
Expenses:			
Instructional services	20,018,206	21,581,827	(1,563,621)
Rent	4,571,693	5,587,874	(1,016,181)
Instructional support services	1,556,627	1,629,551	(72,924)
Student transportation services	1,561,356	1,605,413	(44,057)
Operation and maintenance of school	6,011,708	6,167,644	(155,936)
School administration	3,740,435	3,932,426	(191,991)
Other	<u>544,006</u>	<u>571,718</u>	<u>(27,712)</u>
Total expenses	<u>38,004,031</u>	<u>41,076,453</u>	<u>(3,072,422)</u>
Excess (deficiency) before transfers	(762,260)	256,722	(1,018,982)
Transfer	<u>-</u>	<u>(75,000)</u>	<u>75,000</u>
Change in net assets	(762,260)	181,722	(943,982)
Net assets, beginning	<u>6,324,734</u>	<u>6,143,012</u>	<u>181,722</u>
Net assets - ending	<u>\$ 5,562,474</u>	<u>\$ 6,324,734</u>	<u>\$ (762,260)</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amounted to \$5,562,474, a decrease of \$762,260 over the previous fiscal year. The total cost of all governmental activities this year was \$38,004,031. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues decreased by \$4,091,404 (-9.9%) during the year.

Charges for services decreased minimally by \$1,045. Operating grants and contributions increased by \$347,294 (17.1%) during the year. The FTE non-specific revenues, which accounts for 76% of total revenues, decreased significantly by \$4,483,827 (-13.6%). This decrease was mainly attributable to a decline in FTE non-specific revenues of \$2,412,661 as a result of a decrease in the Base Student Allocation (BSA), from the State of Florida. The rate was reduced from \$3,624 per student in FY2011 to \$3,479 per student in FY2012. Additionally, last year the Charter Schools received \$1,006,423 from the Education Jobs Bill passed by the Federal government, as compared with \$15,215 received in FY2012. Also, last year the Charter Schools received \$616,266 as Supplemental Discretion Millage that was not federally available for FY2012.

Total expenses before transfers decreased by \$3,072,422 (-7.5%) during the year. This decrease was mainly attributable to a decrease in personnel costs, including salaries and benefits, of approximately \$1.7 million. Salaries decreased by \$0.2 million while benefit costs were reduced by \$1.5 million mainly as a result of the decrease in the Charter Schools' pension contribution to the Florida Retirement System. This benefit cost was reduced by approximately \$1.0 million due to a change in the State Statute that for the first time, requiring employees to contribute 3% to the pension plan. The Charter Schools' contribution rate was reduced to 4.91% from 10.77%.

Overall, operating expenses decreased by approximately \$1.3 million (-8.8%), mainly due to a reduction in rent. Rent expenses decreased by \$1,016,181 (-18.2%) as a result of using approximately \$1.0 million of unspent bond proceeds to pay the interest on Charter School bonds. This in turn reduced the amount that the Charter Schools needed to pay to the City as rental expenses. The remaining \$0.3 million reduction in operating expenses was attributable to a decrease in the administrative fees paid to the City.

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

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

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$3,877,879, a decrease of \$650,012 over the previous fiscal year. The ending fund balance is assigned to rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2012, the Charter Schools had estimated revenues and appropriations of \$36,925,771 and \$38,821,156, respectively, excluding other financing sources. Over the course of the year, the Charter Schools made several revisions to budgeted revenues and appropriations.

These amendments may fall into the following categories:

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

The Charter Elementary Schools, East, West and Central Campuses, made the following amendments to budget: Several amendments were made to increase budgeted revenues totaling \$101,339. This was mainly attributable to an increase in the food service budget in the amount of \$63,912.

Amendments were made decreasing the expenditure budget in the amount of \$853,867. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for workers' compensation in the amount of \$787,196.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$319,491, and actual expenditures were below final budgeted amounts by \$381,507 before transfers.

The Charter Middle Schools, West and Central Campuses, made the following amendments to budget: Several amendments were made to the budgeted revenues totaling \$76,276. This was mainly attributable to an amendment of \$52,433 increasing the food service budget.

Amendments were made decreasing the expenditure budget in the amount of \$591,669. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for workers' compensation in the amount of \$564,205.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$114,430 and actual expenditures were below final budgeted amounts by \$187,325 before transfers.

The Charter High School made the following amendments to budget: Amendments were made to increase the budgeted revenues totaling \$55,671. This was mainly to increase the food service budget in the amount of \$63,912.

Amendments were made to reduce the expenditure budget in the amount of \$850,835. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for workers' compensation in the amount of \$691,454.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$298,052 and actual expenditures were below final budgeted amounts by \$360,541 before transfers.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2012 amounted to \$2,656,694, 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>2012</u>	<u>2011</u>	<u>Increase</u>
Improvements other than buildings	\$ 1,979,320	\$ 2,035,189	\$ (55,869)
Machinery and equipment	<u>677,374</u>	<u>659,593</u>	<u>17,781</u>
Total capital assets	<u>\$ 2,656,694</u>	<u>\$ 2,694,782</u>	<u>\$ (38,088)</u>

The Charter Schools invested approximately \$150,000 in new computer equipment in fiscal year 2012, in preparation for the new FCAT standards that will implemented.

Additional information on the Charter Schools' capital assets can be found on Note 4 of the notes to the special purpose financial statements (page 29).

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital outlay funding from the State will remain the same as FY2012. The State is funding this revenue at an estimated 41% of the total maximum allocation. The Charter Schools will enroll 4,955 students for the 2013 school year.
- ◆ Broward County School Board will maintain the administrative costs to 2% only on the first 500 students for the entire system.
- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased slightly from \$3,479.22 per student in FY2012 to \$3,582.98 in FY2013. This increased the revenue budget by approximately \$55,000
- ◆ The 2012-2013 Budget position count has no increase in full-time positions, but an increase of 4 part-time positions for the after-school care program. The budget does not include step increases, cost-of-living adjustments, or bonuses
- ◆ The Charter Schools' student attendance rate remains stable at 97%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2012-13 budgets of \$41,133,397 and \$41,133,397 respectively.

- ◆ The Charter Schools estimate budget savings of approximately \$2,753,000 during FY2013 as a result of changes in the insurance plan. If these savings do not materialize, fund balance will have to be utilized to close the expenditure gap.

Requests for Information

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and investments	\$ 4,417,997
Due from Broward County	2,017
Due from Federal Government	12,001
Other miscellaneous receivables	11,210
Capital assets being depreciated, net	<u>2,656,694</u>
Total assets	<u>7,099,919</u>
<u>LIABILITIES</u>	
Accrued liabilities	24,412
Deferred revenue	22,052
Deposits	518,882
Noncurrent liabilities:	
Due within one year	772,545
Due in more than one year	<u>199,554</u>
Total liabilities	<u>1,537,445</u>
<u>NET ASSETS</u>	
Invested in capital assets	2,656,694
Unrestricted	<u>2,905,780</u>
Total net assets	<u>\$ 5,562,474</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

				Net (Expense) Revenue and Changes in <u>Net Assets</u>
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 20,018,206	\$ -	\$ 136,885	\$ (19,881,321)
Rent	4,571,693	-	-	(4,571,693)
Instructional support services	1,556,627	-	4,684	(1,551,943)
Student transportation services	1,561,356	446,237	-	(1,115,119)
Operation and maintenance of school	6,011,708	3,536,637	1,187,214	(1,287,857)
School administration	3,740,435	1,503	-	(3,738,932)
Other	544,006	594,059	1,047,973	1,098,026
Total Charter Schools	<u>\$ 38,004,031</u>	<u>\$ 4,578,436</u>	<u>\$ 2,376,756</u>	<u>(31,048,839)</u>
General revenues:				
FTE non-specific revenues				28,466,032
Unrestricted investment earnings				51,848
Rental income				1,757,064
ICMA forfeitures revenue				11,635
Total general revenues				<u>30,286,579</u>
Change in net assets				(762,260)
Net assets, beginning				<u>6,324,734</u>
Net assets, ending				<u>\$ 5,562,474</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2012

	Charter Elementary <u>Schools</u>	Charter Middle <u>Schools</u>	Charter High <u>School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$2,951,595	\$ 99,785	\$1,366,617	\$4,417,997
Due from Broward County	-	-	2,017	2,017
Due from Federal Government	6,483	3,758	1,760	12,001
Other miscellaneous receivables	4,466	3,031	3,713	11,210
Total assets	<u>\$2,962,544</u>	<u>\$ 106,574</u>	<u>\$1,374,107</u>	<u>\$4,443,225</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ 6,458	\$ 4,651	\$ 13,303	\$ 24,412
Deferred revenue	11,480	4,633	5,939	22,052
Deposits	114,178	77,862	326,842	518,882
Total liabilities	<u>132,116</u>	<u>87,146</u>	<u>346,084</u>	<u>565,346</u>
Fund balances:				
Assigned for rent payments	2,830,428	19,428	1,028,023	3,877,879
Total fund balances	<u>2,830,428</u>	<u>19,428</u>	<u>1,028,023</u>	<u>3,877,879</u>
Total liabilities and fund balances	<u>\$2,962,544</u>	<u>\$ 106,574</u>	<u>\$1,374,107</u>	

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 2,656,694

Compensated absences, shown as noncurrent liabilities, are not due and payable
in the current period and, therefore, are not reported in the funds. (972,099)

Net assets of governmental activities (page 12) \$ 5,562,474

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2012

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 13,880,457	\$ 8,435,348	\$ 13,077,972	\$ 35,393,777
Federal grants	<u>341,623</u>	<u>204,882</u>	<u>253,516</u>	<u>800,021</u>
Total revenues	<u>14,222,080</u>	<u>8,640,230</u>	<u>13,331,488</u>	<u>36,193,798</u>
Expenditures:				
Current:				
K-3 Basic	5,128,597	-	-	5,128,597
4-8 Basic	2,390,547	4,976,639	-	7,367,186
9-12 Basic	-	-	5,750,647	5,750,647
Exceptional student program	744,744	420,108	187,511	1,352,363
Vocational 6-12	-	-	138,094	138,094
Substitute teachers	103,929	95,039	64,904	263,872
School/other	-	-	17,447	17,447
Guidance services	191,030	158,306	496,628	845,964
Instructional media services	271,188	250,501	103,454	625,143
ESE specialist	-	-	70,936	70,936
Instructional staff training service	2,025	6,749	5,810	14,584
School administration	1,555,444	1,085,430	1,025,401	3,666,275
Facilities acquisition and construction	1,257,167	1,069,848	2,244,678	4,571,693
Student transportation services	762,672	505,564	293,120	1,561,356
Operation of school	2,076,224	1,380,989	2,325,658	5,782,871
Child care supervision	345,971	-	-	345,971
Athletics	-	12,036	185,999	198,035
Capital outlay	<u>84,894</u>	<u>67,958</u>	<u>37,897</u>	<u>190,749</u>
Total expenditures	<u>14,914,432</u>	<u>10,029,167</u>	<u>12,948,184</u>	<u>37,891,783</u>
Excess (Deficit) of revenues over expenditures	<u>(692,352)</u>	<u>(1,388,937)</u>	<u>383,304</u>	<u>(1,697,985)</u>
Other financing sources (uses):				
Transfers in	-	1,147,973	-	1,147,973
Transfers out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>1,147,973</u>	<u>(100,000)</u>	<u>1,047,973</u>
Net change in fund balances	(692,352)	(240,964)	283,304	(650,012)
Fund balances, beginning	<u>3,522,780</u>	<u>260,392</u>	<u>744,719</u>	<u>4,527,891</u>
Fund balances, ending	<u>\$ 2,830,428</u>	<u>\$ 19,428</u>	<u>\$ 1,028,023</u>	<u>\$ 3,877,879</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds (Page 14)	\$ (650,012)
--	--------------

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

The detail of the difference is as follows:

Capital outlay	\$ 190,749	
Depreciation expense	<u>(223,475)</u>	
Net adjustment		(32,726)

The net effect of various miscellaneous transactions involving capital assets	(5,362)
---	---------

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>(74,160)</u>
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Change in net assets of governmental activities (page 12)	<u>\$ (762,260)</u>
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See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 17, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses; the City of Pembroke Pines Charter Middle School, consisting of two campuses; and the City of Pembroke Pines Charter High School, consisting of one campus, respectively. The three schools will be referred to collectively as the Schools in these special purpose financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 1002.33 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle Schools' first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

The Schools operate under a charter of the sponsoring school district, the Broward County School Board (the District). The Elementary Schools' charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle Schools' charter was approved by the City Commission on June 2, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. All three charters may be renewed in increments of five (5) years by mutual written agreement between the Schools and the District. At the end of the term of the charters, the District may choose not to renew the charters under grounds specified in the charter in which case the District is required to notify the Schools in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33, Florida Statutes, the charter school contract provides that in the event the Schools are dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County School Board. During the term of the charter, the District may also terminate the charter if good cause is shown. The Schools are accounted for as special revenue funds of the City. The financial statements contained herein present only the operations of the Schools, which are special revenue funds, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

On February 1, 2003 the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 679 students for the 2012-13 school year. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own special purpose financial statements.

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' special purpose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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

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

The Schools' fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if they are collected within 60

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East, West and Central campus, serving 1,928 student stations for the 2012-13 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,312 student stations for the 2012-13 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 1,715 student stations for the 2012-13 school year.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets

1. Deposits & Investments

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

2. Receivables

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

3. Inventories

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

4. Capital Assets

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, individual cost of more than \$1,000, except for computers which are capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

4. *Capital Assets* (Continued)

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

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

5. *Compensated Absences*

The City's Charter Schools' regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay.

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, the Schools report only the compensated absence liability due and payable at June 30th and paid from expendable available financial resources.

6. *Long-Term Obligations*

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

6. *Long-Term Obligations* (Continued)

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. *Equity Classifications*

Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Schools have no restricted assets as of June 30, 2012.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Financial Statements

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. *Equity Classifications* (Continued)

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

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

8. *Revenue Sources*

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Schools' charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the Schools report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1002.33, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Schools is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the Schools during the designated full-time equivalent student survey periods.

9. *Use of Estimates*

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

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

<u>Description</u>	<u>Carrying Amount</u>
FMIVT 1-3 Year High Quality Bond Fund	\$4,416,122
Cash on hand	<u>1,875</u>
Total pooled cash and cash equivalents	<u>\$4,417,997</u>

The Charter Schools' investment objective order of priority is safety of capital, liquidity of funds, and investment income, in that order. Authorized investments of the Charter Schools are subject to limitations prescribed in the City of Pembroke Pines' Investment Policy as adopted per Ordinance 1493, dated September 1, 2004. The average duration of the entire portfolio as a whole may not exceed five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement. This calculation also applies to the expected average life of asset-backed securities and mortgage-backed securities (rather than the stated final maturity). No more than 30% of the total investment portfolio shall be placed in securities with an expected duration of more than five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement. Authorized Investments per the Investment Policy are as follows:

LIST OF AUTHORIZED INVESTMENTS:

(a) The Local Government Surplus Funds Trust Fund and any other investment plan or investment trust developed by the Florida League of Cities, the Florida Association of Counties, the Florida Association of Court Clerks, or similar state or national associations, approved by the City.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

(b) Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government or its agencies, including but not limited to, U.S. Government Treasury Securities, and Government National Mortgage Associations (GNMAs).

(c) Non-negotiable interest-bearing time certificates of deposits or savings accounts in state or federal banks, state or federal savings and loan associations as permitted and/or prescribed by Chapter 280 of the Florida Statutes.

(d) Government Sponsored Enterprises including but not limited to Federal Farm Credit Banks, Federal Home Loan Bank or its district banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.

(e) Prime commercial paper. Commercial Paper having a maturity of 90 days or less shall require one of the following three minimum ratings: A-1, P-1 or F-1, or better as rated by Standard & Poors, Moody's, and/or Fitch Investors Service rating services. Prime commercial paper of U.S. Corporations having a maturity in excess of 90 days shall require two of the three above-mentioned ratings.

(f) Repurchase agreements comprised of only those investment instruments as otherwise authorized herein.

(g) State or local government taxable and tax exempt debt, general obligation and/or revenue bonds rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt or rated at least MIG-2 by Moody's or SP-2 Standard & Poor's for short-term debt.

(h) Securities or, other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio meets the City's investment policy.

(i) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. The funds must be in compliance with Title 17, Part 270, Section 2a-7 of the Federal Code of Regulations (Appendix B).

(j) U.S dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets having two of the following three minimum ratings: A-, A3, or A-, as rated by Standard and Poor's, and/or Moody's, and/or Fitch Investors Service rating services. However, if such obligations are rated by only one rating service, then such rating shall be at least AA-, Aa3, or AA- by Standard & Poor's, or Moody's or Fitch.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

(k) Real estate, so long as the acquisition and sale complies with applicable federal and state laws and regulations in addition to applicable City Charter provisions, if any, and the City Code of Ordinances.

(l) Real Estate Investment Trusts ("REIT") which are properly registered pursuant to applicable Federal and State laws, provided the ("REIT") portfolio meets the City's Investment Policy.

(m) Land Trusts or Title Trusts as described in Sections 689.07 or 689.071, Florida Statutes, so long as the Land Trust complies with any applicable Federal and State laws and regulations, applicable City Charter provisions, if any, and the City's Code of Ordinances.

(n) Mortgage-Backed Securities. Securities collateralized by mortgages on residential property or commercial (industrial, office, retail etc.) property ("commercial Mortgage-Backed Securities"). The securities may be issued by a Federal Instrumentality or by a private corporation and may be structured as collateralized mortgage obligations or unstructured pass-through securities.

(o) Asset-Backed Securities. Securities collateralized by pools of assets (credit cards, autos, home equity loans) The securities may be structured or unstructured pass-through securities.

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. Information about the sensitivity of the fair values of the Schools' investments to market interest rate fluctuations is provided below.

<u>Interest Rate Risk Information in Years</u>	<u>Duration</u>	<u>Weighted</u>
		<u>Average</u> <u>Maturity</u>
FMIvT 1-3 Year High Quality Bond Fund	1.52	1.63

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High School</u>	<u>Total</u>
Broward County School Board:				
Florida education finance program	\$ 7,293,433	\$4,555,351	\$ 6,458,685	\$18,307,469
Class size reduction	2,497,138	1,184,108	1,624,148	5,305,394
Public education capital outlay (PECO)	648,905	500,538	891,866	2,041,309
District school taxes	716,575	447,562	634,556	1,798,693
Supplemental academic instruction	380,446	253,997	341,072	975,515
Transportation revenue	147,390	212,160	404,090	763,640
ESE guaranteed allocation	290,209	166,965	177,466	634,640
Instructional materials	135,831	90,685	134,602	361,118
Governor's A+ Funds	134,925	87,010	119,979	341,914
Safe schools program	44,776	29,894	40,142	114,812
Summer reading program	3,427	7,997	25,769	37,193
Library media materials	8,369	5,587	7,503	21,459
Discretionary lottery funds	6,501	4,340	5,828	16,669
Education Jobs Fund	6,137	3,833	5,245	15,215
Science lab materials	2,288	1,527	2,051	5,866
Total Broward County School Board	<u>12,316,350</u>	<u>7,551,554</u>	<u>10,873,002</u>	<u>30,740,906</u>
Other:				
Rental revenue	139,291	212,217	1,405,556	1,757,064
Food sales	387,113	360,400	504,854	1,252,367
After school education program	594,059	-	-	594,059
Contributions	189,766	145,333	193,663	528,762
In-house transportation	217,931	155,662	72,644	446,237
Interest	32,031	4,809	15,008	51,848
ICMA forfeiture revenue	-	2,631	9,004	11,635
School lunch supplement	2,391	1,584	2,127	6,102
School breakfast supplement	1,291	855	1,148	3,294
Other miscellaneous revenue	234	303	966	1,503
Total other	<u>1,564,107</u>	<u>883,794</u>	<u>2,204,970</u>	<u>4,652,871</u>
Total local	<u>\$13,880,457</u>	<u>\$8,435,348</u>	<u>\$13,077,972</u>	<u>\$35,393,777</u>
Federal grants:				
National school lunch program	\$ 208,831	\$ 124,268	\$ 156,757	\$ 489,856
Race to the Top - ARRA	50,721	33,841	31,663	116,225
NSLP non-cash assistance (commodities)	30,092	23,377	37,247	90,716
School breakfast program	40,188	17,292	20,400	77,880
Individuals with disabilities education act (IDEA)	11,791	6,104	7,449	25,344
Total Federal grants	<u>\$ 341,623</u>	<u>\$ 204,882</u>	<u>\$ 253,516</u>	<u>\$ 800,021</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,597,638	\$ 3,424	\$ -	\$ 2,601,062
Machinery and equipment	<u>2,637,751</u>	<u>187,325</u>	<u>(137,679)</u>	<u>2,687,397</u>
Total capital assets being depreciated	<u>5,235,389</u>	<u>190,749</u>	<u>(137,679)</u>	<u>5,288,459</u>
Less accumulated depreciation for:				
Improvements other than buildings	(562,449)	(59,293)	-	(621,742)
Machinery and equipment	<u>(1,978,158)</u>	<u>(164,182)</u>	<u>132,317</u>	<u>(2,010,023)</u>
Total accumulated depreciation	<u>(2,540,607)</u>	<u>(223,475)</u>	<u>132,317</u>	<u>(2,631,765)</u>
Total capital assets being depreciated, net	<u>\$ 2,694,782</u>	<u>\$ (32,726)</u>	<u>\$ (5,362)</u>	<u>\$ 2,656,694</u>

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

Governmental activities:

Operation and maintenance of plant	<u>\$ 223,475</u>
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NOTE 5. RECEIVABLES

<u>Receivables</u>	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Due from Broward County	\$ -	\$ -	\$ 2,017	\$ 2,017
Due from Federal Government	6,483	3,758	1,760	12,001
Other miscellaneous receivables	<u>4,465</u>	<u>3,032</u>	<u>3,713</u>	<u>11,210</u>
Total receivables	<u>\$ 10,948</u>	<u>\$ 6,790</u>	<u>\$ 7,490</u>	<u>\$ 25,228</u>

Other miscellaneous receivables mainly consist of \$3,859 relating to proceeds to be received from the Pembroke Pines Charter School Foundation and \$6,398 for a contribution from Planet T Uniforms. All receivables are expected to be collected within one year.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND TRANSFERS

		<u>Transfers out</u>		
		<u>Charter High School</u>	<u>City of Pembroke Pines</u>	<u>Total</u>
Transfers in:				
Charter Middle School	\$100,000	\$1,047,973	\$1,147,973	Supplement current year operations & Transfer gain of Early Development Centers
Total	<u>\$100,000</u>	<u>\$1,047,973</u>	<u>\$1,147,973</u>	

NOTE 7. OPERATING LEASES

Communications Facility Lease

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

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

Fiscal year ending June 30:	
2013	\$ 157,000
2014	159,000
2015	162,000
2016	164,000
2017	<u>167,000</u>
Total approximate future minimum rentals	<u>\$ 809,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 7. OPERATING LEASES (continued)

Other Facility Lease (continued)

On March 13, 2002 the City signed an Interlocal Agreement with Florida International University (FIU) for use of educational facilities located in the City's Academic Village. The Academic Village is a City-owned complex located on the northeast corner of Sheridan Street and Northwest 172nd Avenue, and includes the City's Charter High School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward College, as well as the Shared-Use Facility for the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the construction and operating costs incurred by the City, the Agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The original lease was for ten years through December 31, 2012, with one ten-year renewal period.

On December 21, 2011, the City Commission approved the First Amendment to the Interlocal Agreement. This amendment calls for an additional term of eighteen (18) months, commencing January 1, 2013 and ending June 30, 2014, rather than a ten year extension. FIU shall have the option to extend the Interlocal Agreement for additional one (1) year terms and may exercise these options by providing written notice to the City Commission no later than one (1) year prior to the termination of the new term and any subsequent renewal term. The renewal term(s), if any, shall be negotiated by the City and FIU, and evidenced through the execution of a written amendment to this Interlocal Agreement, approved by the City Commission, and signed by both parties.

The annual rentals are payable to the Charter High School in quarterly advance payments.

The rental income of \$997,986 received in the Charter Schools' fiscal year ended June 30, 2012 was recorded in the Charter High School financial statements, and future rentals are included in the table below. The City's cost for the Shared-Use Facility amounted to \$13,599,845, and accumulated depreciation and net book value as of June 30, 2012 amounted to \$2,188,212 and \$11,411,633, respectively. These costs plus the annual depreciation expense of \$282,350 are recorded in the City's financial statements and are not included in the Charter Schools' financial data.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 7. OPERATING LEASES (continued)

Other Facility Lease (continued)

The approximate minimum future rentals to be received, excluding cost of living index changes or expected lease renewals on this non-cancelable operating lease as of June 30, 2012 are:

Fiscal year ending June 30:	
2013	\$ 1,029,000
2014	<u>1,039,000</u>
Total approximate future minimum rentals	<u>\$ 2,068,000</u>

Schools' Facility Leases

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

For the fiscal year ended June 30, 2012, rent expense was approximately \$1,257,000, \$1,070,000 and \$2,245,000 for the Elementary, Middle and High Schools, respectively.

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

Fiscal year ending June 30:	
2013	\$ 6,332,000
2014	6,445,000
2015	6,477,000
2016	6,475,000
2017	6,485,000
2018-2022	32,339,000
2023-2027	31,493,000
2028-2032	30,516,000
2033-2037	30,148,000
2038	<u>5,957,000</u>
Total approximate minimum future rentals	<u>\$ 162,667,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

	Beginning			Ending	Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Within
					One
					<u>Year</u>
Compensated absences	<u>\$ 897,939</u>	<u>\$ 346,083</u>	<u>\$(271,923)</u>	<u>\$ 972,099</u>	<u>\$ 772,545</u>

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CONTINGENCY

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

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (continued)

Florida Retirement System (continued)

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 with six years of service, or 30 years of creditable service regardless of age if the individual was employed by an FRS employer prior to July 1, 2011. If the member was employed on or after July 1, 2011, normal retirement is age 65 with eight years of vested service; or the age after 65 that the member becomes vested; or thirty-three years of service, regardless of age.

FRS issues an annual financial report. A copy can be obtained by sending a written request to:

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

Funding Policy

The Charter Schools' required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2012, the contribution rate decreased from 10.77% to 4.91% of covered payroll which amounted to \$812,317. The Charter Schools are required to contribute both for full-time and part-time members of the Plan. As of June 30, 2012, there were 434 members in this Plan, compared with 431 members the previous fiscal year. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.03%.

In fiscal year 2012, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$479,074.

Fiscal Year	Annual Required Contributions	Total Employer Contributions	Percentage Contributed	Contribution Rates
2012	\$812,317	\$812,317	100.0%	4.91 %
2011	1,761,326	1,761,326	100.0	10.77
2010	1,563,168	1,563,168	100.0	9.85

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (continued)

Defined Contribution Plan

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2012, there were 40 Plan members, versus 42 for the previous fiscal year. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' required contribution decreased to 4.91% from 10.77% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2012, the Schools contributed \$78,177 and the employees contributed \$10,059 to the Plan. Provisions of the Schools' Plan may be amended by the City Commission. The Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Schools' Plan are not included in the Schools' special purpose financial statements.

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

NOTE 12. OTHER INFORMATION

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

On July 23, 2010, a Broward County Circuit Court judge ruled that the Broward County School Board was not obligated to provide the City's Schools with funding for capital projects. However, in August 2011, the City Commission authorized the City Attorney's Office to file an appeal to the 4th District Court of Appeals. Both parties have filed their initial appeals and responses. The matter is still pending.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 14,156,015	\$ 14,234,122	\$ 13,880,457	\$ (353,665)
Federal grants	<u>284,217</u>	<u>307,449</u>	<u>341,623</u>	<u>34,174</u>
Total revenues	<u>14,440,232</u>	<u>14,541,571</u>	<u>14,222,080</u>	<u>(319,491)</u>
Expenditures:				
Current:				
K-3 Basic	5,753,578	5,246,846	5,128,597	118,249
4-8 Basic	2,683,865	2,453,312	2,390,547	62,765
Exceptional student program	789,830	746,454	744,744	1,710
Substitute teachers	115,937	115,937	103,929	12,008
Guidance services	218,689	195,841	191,030	4,811
Instructional media services	321,559	293,118	271,188	21,930
Instructional staff training service	14,200	11,200	2,025	9,175
School administration	1,774,569	1,580,776	1,555,444	25,332
Facilities acquisition and construction	1,299,269	1,299,269	1,257,167	42,102
Student transportation services	736,546	771,442	762,672	8,770
Operation of school	1,978,593	2,091,583	2,076,224	15,359
Child care supervision	372,893	369,538	345,971	23,567
Capital outlay	<u>90,278</u>	<u>120,623</u>	<u>84,894</u>	<u>35,729</u>
Total expenditures	<u>16,149,806</u>	<u>15,295,939</u>	<u>14,914,432</u>	<u>381,507</u>
Net change in fund balances	(1,709,574)	(754,368)	(692,352)	62,016
Fund balances, beginning	<u>3,522,780</u>	<u>3,522,780</u>	<u>3,522,780</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,813,206</u>	<u>\$ 2,768,412</u>	<u>\$ 2,830,428</u>	<u>\$ 62,016</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 8,521,133	\$ 8,575,050	\$ 8,435,348	\$ (139,702)
Federal grants	<u>157,251</u>	<u>179,610</u>	<u>204,882</u>	<u>25,272</u>
Total revenues	<u>8,678,384</u>	<u>8,754,660</u>	<u>8,640,230</u>	<u>(114,430)</u>
Expenditures:				
Current:				
4-8 Basic	5,449,459	4,982,267	4,976,639	5,628
Intensive English/ESOL	1,921	1,921	-	1,921
Exceptional student program	466,741	429,153	420,108	9,045
Substitute teachers	87,045	97,381	95,039	2,342
Guidance services	167,686	158,454	158,306	148
Instructional media services	289,539	267,739	250,501	17,238
Instructional staff training service	11,800	11,800	6,749	5,051
School administration	1,263,123	1,122,159	1,085,430	36,729
Facilities acquisition and construction	1,112,421	1,112,421	1,069,848	42,573
Student transportation services	491,236	511,316	505,564	5,752
Operation of school	1,385,928	1,421,819	1,380,989	40,830
Athletics	19,690	19,690	12,036	7,654
Capital outlay	<u>61,572</u>	<u>80,372</u>	<u>67,958</u>	<u>12,414</u>
Total expenditures	<u>10,808,161</u>	<u>10,216,492</u>	<u>10,029,167</u>	<u>187,325</u>
Excess (Deficit) of revenues over expenditures	(2,129,777)	(1,461,832)	(1,388,937)	72,895
Other financing sources:				
Transfers in	<u>753,221</u>	<u>853,221</u>	<u>1,147,973</u>	<u>294,752</u>
Net change in fund balances	(1,376,556)	(608,611)	(240,964)	367,647
Fund balances, beginning	<u>260,392</u>	<u>260,392</u>	<u>260,392</u>	<u>-</u>
Fund balances, ending	<u>\$ (1,116,164)</u>	<u>\$ (348,219)</u>	<u>\$ 19,428</u>	<u>\$ 367,647</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 13,373,765	\$ 13,395,649	\$ 13,077,972	\$ (317,677)
Federal grants	<u>200,104</u>	<u>233,891</u>	<u>253,516</u>	<u>19,625</u>
Total revenues	<u>13,573,869</u>	<u>13,629,540</u>	<u>13,331,488</u>	<u>(298,052)</u>
Expenditures:				
Current:				
9-12 Basic	6,624,608	5,904,127	5,750,647	153,480
Exceptional student program	191,601	187,993	187,511	482
Vocational 6-12	166,983	147,395	138,094	9,301
Substitute teachers	61,909	66,474	64,904	1,570
School/other	20,825	20,825	17,447	3,378
Guidance services	529,089	500,249	496,628	3,621
Instructional media services	111,692	110,195	103,454	6,741
ESE specialist	79,698	72,064	70,936	1,128
Instructional staff training service	16,617	11,617	5,810	5,807
School administration	1,209,189	1,093,490	1,025,401	68,089
Facilities acquisition and construction	2,286,357	2,286,357	2,244,678	41,679
Student transportation services	277,442	296,090	293,120	2,970
Operation of school	2,304,991	2,339,205	2,325,658	13,547
Athletics	225,174	223,902	185,999	37,903
Capital outlay	<u>53,385</u>	<u>48,742</u>	<u>37,897</u>	<u>10,845</u>
Total expenditures	<u>14,159,560</u>	<u>13,308,725</u>	<u>12,948,184</u>	<u>360,541</u>
Excess (Deficit) of revenues over expenditures	(585,691)	320,815	383,304	62,489
Other financing uses:				
Transfers out	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balances	(585,691)	220,815	283,304	62,489
Fund balances, beginning	<u>744,719</u>	<u>744,719</u>	<u>744,719</u>	<u>-</u>
Fund balances, ending	<u>\$ 159,028</u>	<u>\$ 965,534</u>	<u>\$ 1,028,023</u>	<u>\$ 62,489</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for all Charter School funds which are governmental funds. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, except for encumbrances, which are purchase orders and contracts issued for goods and services not received at year end.

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

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations before transfers, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations before transfers of approximately \$853,867 less than the original budget in the elementary schools, approximately \$591,669 less than the original budget in the middle schools and approximately \$850,835 less than the original budget in the high school during the fiscal year ended June 30, 2012.



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

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

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 3, 2012. 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

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

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

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

Compliance and Other Matters

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

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

GLSC & Company, PLLC

October 3, 2012





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

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

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the fiscal years ended June 30, 2012, and have issued our report thereon dated October 3, 2012. 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 internal control over financial reporting and on compliance and other matters dated October 3, 2012, and should be considered in conjunction with this management letter.

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

1. There were no recommendations made in the preceding audit report.
2. The Schools have not met one or more of the conditions described in Section 218.503(1), Florida Statutes.
3. There were no recommendations to improve the Schools' financial management, accounting procedures, and internal controls.
4. There were no violations of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred that have 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) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
6. The name of the charter schools is collectively referred to as City of Pembroke Pines Charter Schools, special revenue funds of the City of Pembroke Pines.

7. The auditor applied financial condition assessment procedures in accordance with Rule 10.854(1)(e)7.a and 10.855(11). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

GLSC & Company, PLLC

October 3, 2012

