

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

**FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(With Independent Auditor's Reports Thereon)**

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

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR’S REPORT	1-2
MANAGEMENT’S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Basic Financial Statements	14-24
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):	
Budgetary Comparison Schedule – Charter Elementary School	25
Notes to Budgetary Comparison Schedule	26
CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND:	
Schedule by Source	27
Schedule by Function and Activity	28
Schedule of Changes by Function and Activity	29
SUPPLEMENTARY AUDITOR’S REPORTS	
Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	30-31
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	32-33

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1.a, the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City), are intended to present the financial position and the changes in its financial position of only the transactions of the School as chartered by Florida State University. They do not purport to, and they do not, present fairly the financial position of the City of Pembroke Pines as a whole and does not include the City's Schools as chartered by Broward County School District as of June 30, 2006, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2006 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fort Lauderdale, Florida  
August 25, 2006

*Walter Rice LHP*

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

As management of the City of Pembroke Pines/Florida State University ("FSU") Charter Elementary School, we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Charter School's financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved in our third year of operation.

The City of Pembroke Pines/FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 600 Elementary school students. This partnership between the City of Pembroke Pines and the FSU was the first of its kind in Broward County. The Charter was granted to establish a Developmental Research Laboratory School, with the primary goal being to enhance the educational instruction and research of reading, and other disciplines at the primary and secondary school levels. The City also owns and operates six other Charter Schools within its corporate limits, which are sponsored by the Broward County School Board.

During the previous fiscal year, 100 fifth grade students who had graduated from the FSU Charter Elementary School in 2004 were sent to the Charter Middle School Central campus as sixth graders. Although these students were physically located on this campus, they were counted as part of the FTE's of the FSU Charter Schools, since these schools were sponsored under a separate charter. Both the revenues and expenditures of the FSU Charter School were affected as a result of the increased student population. For the 2006 school year, the decision was taken by the School's administration to integrate these students as part of the Broward County sponsored Charter School system instead of having them continue as FSU Charter School students.

This is the third year that the School will be reporting on their financial statements, thus comparative information is available. The government-wide format using the GASB Statement No. 34 financial reporting and the fund-based financial reporting are not viewed as being in conflict with each other; however, they are not comparable.

### **Financial Highlights**

- The liabilities of the FSU Charter School as reported in the government-wide financial statements were equal to the assets at the close of the current fiscal year as compared with (\$268,519) (deficit) from last year.
- As of the close of the current fiscal year, the FSU Charter Schools governmental funds financial statements had an excess of revenues over expenses of \$241,534, but overall reported combined ending fund balance of \$23,340 as compared with a (deficit) of (\$251,146) from last year.

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

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School's basic financial statements. The Charter School's basic financial statements consist of five components: 1) government-wide financial statements, 2)

fund financial statements, 3) notes to basic financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Pembroke Pines/FSU Charter Elementary School's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on the City of Pembroke Pines/FSU Charter Elementary School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Pembroke Pines/FSU Charter Elementary School is improving or deteriorating.

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

The Charter School's government-wide financial statements distinguish the functions of the City of Pembroke Pines/FSU Charter Elementary School as being principally supported by local revenues (FTE dollars through the Florida State University) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Pembroke Pines/FSU Charter Elementary School has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 9-10 of this report.

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City of Pembroke Pines/FSU Charter Elementary School maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of

revenues, expenditures, and changes in fund balance. The City of Pembroke Pines/FSU Charter Elementary School adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 11-13 of this report.

**Notes to basic financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14-24 of this report.

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

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

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

**Government-wide financial analysis.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pembroke Pines/FSU Charter Elementary School, liabilities were exactly equal to assets as of June 30, 2006.

Investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amount to \$45,024. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

#### CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 261,263	\$ 334,255
Capital assets, net of depreciation	<u>45,024</u>	<u>41,973</u>
Total assets	<u>306,287</u>	<u>376,228</u>
Current liabilities	237,923	585,401
Noncurrent liabilities	<u>68,364</u>	<u>59,346</u>
Total liabilities	<u>306,287</u>	<u>644,747</u>
Net assets:		
Invested in capital assets	45,024	41,973
Unrestricted (deficit)	<u>(45,024)</u>	<u>(310,492)</u>
Total net assets (deficit)	<u>\$ -</u>	<u>\$ (268,519)</u>

Current assets decreased by \$72,992 (21.8%) during the year. This decrease was related to a decrease of \$76,465 in due from FSU, an increase of \$5,265 in other miscellaneous receivables, and a decrease of \$1,792 in commodities inventory. The net increase in capital assets of \$3,051 is related to depreciation expense of \$12,637 required by GASB Statement No. 34 and the purchase of computer equipment and Interactive Metronome systems amounting to \$15,688.

Current liabilities decreased by \$347,478 (-59.4%) during the year. This decrease was related to an increase of \$12,483 in accrued liabilities, a decrease of \$367,718 in due to other funds, and an increase of \$7,757 in deposits. Noncurrent liabilities increased by \$9,018 (15.2%) during the year, which is related to compensated absences. Invested capital assets increased by \$3,051 (7.3%) and unrestricted net assets increased by \$265,468.

#### CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 550,631	\$ 333,762
Operating grants and contributions	152,883	247,906
General revenues:		
FTE non-specific revenues	4,168,586	4,565,624
Rental income	<u>48,680</u>	<u>43,650</u>
Total revenues	<u>4,920,780</u>	<u>5,190,942</u>
Expenses:		
Instructional services	2,141,711	2,331,994
Instructional support services	90,370	123,553
Student transportation services	206,565	223,080
School administration	670,144	747,135
Rent	550,030	676,458
Operation of school	864,545	949,418
Child care supervision	118,233	114,942
Interest expense	<u>10,663</u>	<u>7,661</u>
Total expenses	<u>4,652,261</u>	<u>5,174,241</u>
Change in net assets	268,519	16,701
Net assets, beginning	<u>(268,519)</u>	<u>(285,220)</u>
Net assets (deficit), ending	<u>\$ -</u>	<u>\$ (268,519)</u>

**Governmental activities.** The City of Pembroke Pines/FSU Charter Elementary School's reported total net assets of zero at the end of the current fiscal year versus a deficit of (\$268,519) for fiscal year 2005, an increase in net assets of \$268,519. The total cost of all governmental activities this year was \$4,652,261. Key elements of these changes in net assets are as follows:

The Charter School's total revenues decreased by \$270,162 (-5.2%) due to a decrease of the 100 Middle School students which were allocated to the City of Pembroke Pines/FSU Charter Elementary School last year. Charges for services increased by \$216,869 (65.0%) as a result of a reclassification of revenues not previously reported in this category. Operating grants and



contributions decreased by \$95,023 (-38.3%) during the year mainly as a result of the fact that the City of Pembroke Pines/FSU Charter Elementary School is no longer eligible to receive the Start-Up grant which is available for only the first two years of operation. FTE non-specific revenues decreased by \$397,038 (-8.7%) during the year as a result of the 100 Middle School students. Rental income increased by \$5,030 (11.5%) during the year as a result of new City facility rentals.

Total expenditures decreased by \$521,980 (-10.1%) during the year. This decrease was mainly attributable to the reduction for the 100 Middle School students which were allocated as additional expenditures to the City of Pembroke Pines/FSU Charter Elementary School last year. Instructional services decreased by 190,283 (-8.2 %), the majority of this decrease related to the prior year increase in staff for the additional 100 middle school students. Instructional support services decreased by \$33,183 (-26.9%), student transportation services decreased by \$16,515 (-7.4%), and school administration decreased by \$76,991 (-10.3%), all as a result of the decrease in student population. Rent decreased by \$126,428 (-18.7%), which was attributable to the net effect of scheduled principal and interest payments on the construction funds borrowed, and the investment income earned on sinking fund deposits and required reserves. Operation of school decreased by \$84,873 (-8.9%) as a result of the decrease in student population and net of the increasing cost of building maintenance and electricity. Child care supervision and interest expense increased by \$3,291 (2.9%) and \$3,002 (39.2%) respectively.

**Financial analysis of the City of Pembroke Pines/FSU Charter Elementary School's fund.** As noted earlier, the City of Pembroke Pines/FSU Charter Elementary School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

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

As of the end of the current fiscal year, the City of Pembroke Pines/FSU Charter Elementary School's governmental fund reported an ending unreserved fund balance of \$23,340.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2006, the City of Pembroke Pines/FSU Charter Elementary School had estimated revenues and appropriations of \$4,672,603 and \$4,640,036, respectively. Over the course of the year, the Charter School recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

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

***The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues in the amount of \$218,235. An amendment was made to the IDEA grant in the amount of \$81,088. An amendment was made to Florida Education Finance Program in the amount of \$75,830, and an amendment was made to Governor's A+ funds in the amount of \$61,317.

Amendments were made to the budgeted expenditures in the amount of \$218,235. The narrative that follows include the \$15,722 capital outlay amendments. Amendments were made to K-3 Basic in the amount of \$94,007. Amendments were made to 4-8 Basic in the amount of \$52,342. Amendments were made to Exceptional Student Education (ESE) program in the amount of \$36,100. Amendments were made to substitute teachers in the amount of \$6,860. Amendments were made to guidance services in the amount of \$1,377. Amendments were made to instructional media services in the amount of (\$4,850). Amendments were made to school administration in the amount of (\$1,281). Amendments were made to facilities acquisition and construction in the amount of (\$6,958). Amendments were made to student transportation services in the amount of \$9,050. Amendments were made to operation of school in the amount of \$35,300. Amendments were made to child care supervision in the amount of (\$3,712).

After appropriations were amended, as described above, actual revenues were \$215,225 above final budget amounts; and actual expenditures were \$6,258 above final budget amounts.

### **Capital Assets**

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$45,024 (net of accumulated depreciation). This investment in capital assets consists of machinery and equipment. During the year the additions to capital assets were attributable to the purchase of computer and other equipment amounting to approximately \$15,688. Of this amount \$11,966 was used to purchase Interactive Metronome ® systems which are designed to assist the Exceptional Student Education (ESE) program.

#### **CAPITAL ASSETS (Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Machinery and equipment	\$ 45,024	\$ 41,973
Total capital assets	<u>\$ 45,024</u>	<u>\$ 41,973</u>

Additional information on the Charter School's capital assets can be found on pages 27-29 of this report, and on Note 4 of the notes to the basic financial statements (page 21).

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

- ◆ Capital outlay funding will continue to be funded at 100%, 70% from State capital outlay funds and 30% from "2 Mil" funding.
- ◆ The Charter School will house 615 Elementary Students for the 2007 school year.
- ◆ School employees will be able to participate in the FRS (Florida Retirement System).

### **Requests for Information**

This financial report is designed to provide the reader with a general overview of the Charter School's finances, as well as demonstrate accountability for funds the Charter School receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Controller, Pembroke Pines/FSU Charter Elementary School, 13975 Pembroke Road, Pembroke Pines, Florida 33027.

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

**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	<b>Governmental Activities</b>
 <b><u>ASSETS</u></b>	
Petty cash	\$ 400
Due from FSU	248,902
Other miscellaneous receivables	11,961
Capital assets being depreciated, net	<u>45,024</u>
Total assets	<u>306,287</u>
 <b><u>LIABILITIES</u></b>	
Accrued liabilities	63,099
Due to other funds	155,300
Deposits	19,524
Noncurrent liabilities:	
Due within one year	55,554
Due in more than one year	<u>12,810</u>
Total liabilities	<u>306,287</u>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets	45,024
Unrestricted (deficit)	<u>(45,024)</u>
Total net assets	<u>\$ -</u>

See notes to basic financial statements.

**CITY OF PEMBROKE PINES, FLORIDA**  
**FLORIDA STATE UNIVERSITY**  
**CHARTER ELEMENTARY SCHOOL**  
**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 2,141,711	\$ -	\$ 81,088	\$ (2,060,623)
Instructional support services	90,370	-	-	(90,370)
Student transportation services	206,565	62,545	-	(144,020)
School administration	670,144	-	-	(670,144)
Operation of school	864,545	323,401	38,843	(502,301)
Rent	550,030	-	-	(550,030)
Child care supervision	118,233	164,685	-	46,452
Interest expense	10,663	-	-	(10,663)
Other	-	-	32,952	32,952
Total Charter School	<u>\$ 4,652,261</u>	<u>\$ 550,631</u>	<u>\$ 152,883</u>	<u>(3,948,747)</u>
General revenues:				
FTE non-specific revenues				4,168,586
Rental income				48,680
Total general revenues				<u>4,217,266</u>
Change in net assets				268,519
Net assets (deficit) - beginning				<u>(268,519)</u>
Net assets - ending				<u>\$ -</u>

See notes to basic financial statements.

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

BALANCE SHEET  
GOVERNMENTAL FUND

JUNE 30, 2006

ASSETS

Petty cash	\$ 400
Due from FSU	248,902
Other miscellaneous receivables	<u>11,961</u>
Total assets	<u>\$ 261,263</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 63,099
Due to other funds	155,300
Deposits	<u>19,524</u>
Total liabilities	<u>237,923</u>
Fund balance:	
Unreserved	<u>23,340</u>
Total fund balance	23,340

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	45,024
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(68,364)</u>
Net assets of governmental activities (page 9)	<u>\$ -</u>

See notes to basic financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2006

Revenues:	
Local	\$ 4,767,897
Federal grants	<u>119,931</u>
Total revenues	<u>4,887,828</u>
Expenditures:	
Current:	
K-3 basic	1,200,697
4-8 basic	591,866
Guidance services	80,264
Exceptional student program	316,995
Substitute teachers	32,153
School administration	661,126
Student transportation services	206,565
Operation of school	851,908
Facilities acquisition and construction	550,030
Instructional media service	10,106
Child care supervision	118,233
Interest expense	10,663
Capital outlay	<u>15,688</u>
Total expenditures	<u>4,646,294</u>
Excess of revenues over expenditures	<u>241,534</u>
Other financing sources:	
Transfer in	<u>32,952</u>
Total other financing sources	<u>32,952</u>
Net change in fund balance	274,486
Fund balance (deficit), beginning	<u>(251,146)</u>
Fund balance, ending	<u>\$ 23,340</u>

See notes to basic financial statements.

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

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

**FISCAL YEAR ENDED JUNE 30, 2006**

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

Net change in fund balance - total governmental fund (page 12)	\$ 274,486
--	------------

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 capital outlays exceeded depreciation in the current period.

The detail of the difference is as follows:

Capital outlay	\$ 15,688	
Depreciation expense	<u>(12,637)</u>	
Net adjustment		3,051

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>(9,018)</u>
----------------------	----------------

Change in net assets of governmental activities (page 10)	<u>\$ 268,519</u>
---	-------------------

See notes to basic financial statements.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

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

**a. Reporting Entity**

On February 3, 2003, the City of Pembroke Pines ("the City") and Florida State University ("FSU") signed an agreement ("Charter Agreement") for the establishment of a Developmental Research Charter Laboratory School ("the School") to train teachers and to promote learning and research through collaboration. The Charter Agreement is for a 15-year term from July 1, 2003 through June 30, 2018 with provisions for extensions in increments of additional fifteen years. The Pembroke Pines/FSU Charter Elementary School Campus was constructed with funds from the Public Improvement Revenue Bonds, Series 2001. The principal and interest on this bond relating to the construction are payable from rental payments received from the Pembroke Pines/FSU Charter Elementary School.

The Charter Agreement is constructed pursuant to Florida Statutes 1002.32 and 1002.33. FSU has an existing Charter School in Leon County, Florida, and the Charter Agreement calls for the Pembroke Pines/FSU Charter Elementary School to serve as a model for the FSU Professional Development School program and be a part of FSU Charter Schools' existing School District. The Pembroke Pines/FSU Charter Elementary School opened for the 2003-2004 school year with 600 students in grades K-5 in the new facility plus 13 Exceptional Student Education ("ESE") students attending the City of Pembroke Pines Charter School Central Campus. The Charter Agreement calls for continued expansion of the program to encompass grades K-12 and expansion of the ESE program to provide for a total of 50 students.

The Governing Body of the School is comprised of six voting members, consisting of the City of Pembroke Pines Mayor, Vice-Mayor and three Commissioners plus the FSU President or his or her designee. The Governing Body shall establish a School Advisory Board or Boards, pursuant to the requirements of Section 1002.32(8) Florida Statutes. The City operates the School as a public employer, and the School's employees are considered public employees. The City will indemnify FSU from any claims, suits or actions. The School is accounted for as a special revenue fund of the City. The Pembroke Pines City Manager serves as the school superintendent.

Non-renewal of the Charter Agreement requires 365 days notice prior to the expiration date by either the City or FSU to the other party. Any real or personal property paid for by the City will revert to the City in the event of termination of the Charter Agreement.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

The major individual governmental fund is reported as separate column in the fund financial statements. The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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

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

The School's fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

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

The School reports the following major fund:

**Charter Elementary School** – The Elementary School, located at the Pembroke Shores site serves 600 student stations and an additional 10 students in the ESE Program.

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

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

**1. Pooled Cash and Cash Equivalents**

The School considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investment in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The Charter Elementary School had no cash equivalents as of June 30, 2006.

**2. Receivables**

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

**3. Capital Assets**

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000, except for computer equipment which uses an initial, individual cost of \$750; and an estimated useful life in excess of one year. Such assets are recorded at

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

**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

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

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

**3. *Capital Assets* (Continued)**

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

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3-10

**4. *Compensated Absences***

The Charter School's regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The Charter Elementary School has recorded the amount of accrued sick and vacation benefits as of and for the year ended June 30, 2006 in the government-wide financial statements.

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

**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***

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

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School.

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

**6. *Equity Classifications***

**Government-wide Financial Statements**

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation 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 School has no restricted assets as of June 30, 2006.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

**Fund Financial Statements**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

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

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

**7. Revenue Sources**

Revenues for current operations are received primarily from Florida State University pursuant to the funding provisions included in the School's Charter. In accordance with the funding provisions of the Charter Agreement and Section 228.056(13), Florida Statutes, the School reports the full-time equivalent (FTE) students and related data to Florida State University. Under the provisions of Section 236.081, Florida Statutes, the University reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

**8. Use of Estimates**

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

**NOTE 2. INVESTMENTS**

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

As of June 30, 2006, the School had no funds invested with the State Board of Administration.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**(Continued)**

**NOTE 3. REVENUE SOURCES**

**Florida State University:**

Florida education finance program	\$ 3,286,283
District School Taxes	353,909
Public Education Capital Outlay	227,070
Class Size Reduction	346,268
Instructional materials	58,647
Governor's A+ Funds	60,997
District discretionary lottery fund	29,177
DCD Transition supplement	12,820
Public school technology	11,448
Teacher Training Allocation	4,128
Library Media Materials	3,855
Science Lab Materials	<u>1,054</u>
Total Florida State University	<u>4,395,656</u>

**Other:**

After school education program	164,685
Food sales	96,331
In-house transportation	62,545
Rental revenue	<u>48,680</u>
Total other	<u>372,241</u>
Total local	<u>\$ 4,767,897</u>

**Federal Grants:**

School lunch reimbursement - Free/Reduced	\$ 28,798
School breakfast reimbursement - Non-Severe Need	4,589
Commodities - donated food	5,456
IDEA grant	<u>81,088</u>
Total federal grants	<u>\$ 119,931</u>

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

**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:				
Machinery and equipment	\$51,102	\$15,688	\$ -	\$ 66,790
Total capital assets being depreciated	<u>51,102</u>	<u>15,688</u>	<u>-</u>	<u>66,790</u>
Less accumulated depreciation for:				
Machinery and equipment	(9,129)	(12,637)	-	(21,766)
Total accumulated depreciation	<u>(9,129)</u>	<u>(12,637)</u>	<u>-</u>	<u>(21,766)</u>
Total capital assets being depreciated, net	<u>\$41,973</u>	<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ 45,024</u>

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

Governmental activities:

Operation of school	<u>\$ 12,637</u>
---------------------	------------------

**NOTE 5. INTERFUND TRANSFERS**

	<u>City of Pembroke Pines</u>	<u>Purpose</u>
Transfers in:		
FSU Charter Elementary School	\$ 32,952	Operating transfer
Total	<u>\$ 32,952</u>	

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

**NOTE 6. OPERATING LEASES**

***School's Facility Lease***

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5). For the fiscal year ended June 30, 2006, rent expense was approximately \$550,000.

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

Fiscal year ending June 30:

2007	\$ 560,000
2008	560,000
2009	559,000
2010	559,000
2011	560,000
2012-2016	2,795,000
2017-2021	2,796,000
2022-2023	<u>699,000</u>
Total approximate minimum future rentals	<u>\$ 9,088,000</u>

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One Year
Compensated absences	<u>\$ 59,346</u>	<u>\$ 84,623</u>	<u>\$ (75,605)</u>	<u>\$68,364</u>	<u>\$ 55,554</u>

**NOTE 8. RISK MANAGEMENT**

The Charter Agreement requires the City to maintain the same insurance levels and coverage for the FSU School as it currently maintains for the other City's Charter Schools, as required by the City's Charters with the Broward County District School Board.

Health and hospitalization, workers' compensation and life insurance coverage are provided through the City of Pembroke Pines, and the City, in turn, charges the School for this



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

**NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

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

coverage. The School maintains its insurance as an additional named insured on the aggregate insurance policies purchased for all of the City's Charter Schools for general liability, automotive liability, basic and catastrophic student accident, and property and flood coverage through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

***Commitment***

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

***Contingency***

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

**NOTE 10. PENSION PLAN**

***Charter Schools and Early Development Centers Employees***

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

At June 30, 2006, there were 39 FSU Plan members. Effective January 1, 2002, the Charter Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The City's required contribution is five percent (5%) of the Plan member's gross salary. For the year ended June 30, 2006, the

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)**

**NOTE 10. PENSION PLAN (Continued)**

City contributed \$93,157 and the employees contributed \$5,100 to the Charter Schools' Plan. Provisions of the Charter Schools' Plan may be amended by the City Commission. The Charter Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility and, therefore, the net assets of the Charter Schools' Plan are not included in the City's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
CHARTER ELEMENTARY SCHOOL

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Local	\$ 4,418,341	\$ 4,555,488	\$ 4,767,897	\$ 212,409
Federal grants	36,027	117,115	119,931	2,816
Total revenues	<u>4,454,368</u>	<u>4,672,603</u>	<u>4,887,828</u>	<u>215,225</u>
Expenditures:				
Current:				
K-3 basic	1,102,207	1,202,714	1,200,697	2,017
4-8 basic	540,283	592,625	591,866	759
Guidance services	77,053	78,430	80,264	(1,834)
Exceptional student program	295,440	319,540	316,995	2,545
Substitute teachers	25,300	32,160	32,153	7
School administration	661,641	660,360	661,126	(766)
Student transportation services	195,910	204,960	206,565	(1,605)
Operation of school	826,185	851,263	851,908	(645)
Facilities acquisition and construction	558,947	551,989	550,030	1,959
Instructional media service	16,890	12,040	10,106	1,934
Child care supervision	121,945	118,233	118,233	-
Interest expense	-	-	10,663	(10,663)
Capital outlay	-	15,722	15,688	34
Total expenditures	<u>4,421,801</u>	<u>4,640,036</u>	<u>4,646,294</u>	<u>(6,258)</u>
Excess of revenues over expenditures	32,567	32,567	241,534	208,967
Other financing sources:				
Transfer in	-	-	32,952	32,952
Net change in fund balances	32,567	32,567	274,486	241,919
Fund balance (deficit), beginning	<u>(251,146)</u>	<u>(251,146)</u>	<u>(251,146)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (218,579)</u>	<u>\$ (218,579)</u>	<u>\$ 23,340</u>	<u>\$ 241,919</u>

See note to budgetary comparison schedule.

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

**NOTES TO BUDGETARY COMPARISON SCHEDULE**

**FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

1. The annual budget is legally adopted for the City of Pembroke Pines/Florida State University Charter Elementary School which is a governmental fund. The governmental fund budget is maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America (US GAAP), except for encumbrances, which are purchase orders and contracts issued for goods or services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2006, there were no encumbrances.

2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 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 Principal 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 includes supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of approximately \$218,000 during the fiscal year ended June 30, 2006.

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

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

JUNE 30, 2006

Governmental fund capital assets:

Machinery and equipment	<u>\$ 66,790</u>
-------------------------	------------------

Investments in governmental fund capital assets by source:

Charter Elementary School	<u>\$ 66,790</u>
---------------------------	------------------

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

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

JUNE 30, 2006

<u>Function and Activity</u>	<u>Machinery and Equipment</u>
Education:	
Charter Elementary School	<u>\$    66,790</u>
Total governmental fund capital assets	<u>\$    66,790</u>

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

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

**FISCAL YEAR ENDED JUNE 30, 2006**

<u>Function and Activity</u>	Governmental Fund Capital Assets June 30, <u>2005</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Fund Capital Assets June 30, <u>2006</u>
Education: Charter Elementary School	<u>\$     51,102</u>	<u>\$   15,688</u>	<u>\$      -</u>	<u>\$   66,790</u>

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

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

We have audited the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated August 25, 2006. 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.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



We have also issued our Management Letter in Accordance with the rules of the *Auditor General of the State of Florida*. Disclosures in that report, which is dated August 25, 2006, should be considered in conjunction with this report on compliance and internal control over financial reporting

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

Fort Lauderdale, Florida  
August 25, 2006

*Walter Rice LHP*

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

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

We have audited the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2006, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated August 25, 2006.

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. We have also issued our Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 25, 2006, should be considered in conjunction with this Management Letter.

In connection with our audit of the financial statements of the School as of and for the year ended June 30, 2006, we report the following in accordance with Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854 (1)(d):

1. There were no recommendations made in the preceding annual financial audit.
2. The School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
3. There are no recommendations to improve the School's present financial management, accounting procedures and internal controls.
4. During the course of our audit, nothing came to our attention that caused us to believe that the School:
  - a. Was in violation of any laws, rules, regulations or contractual provisions or abuse.
  - b. Made any improper expenditures.
  - c. Had deficiencies in internal control.

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

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

Fort Lauderdale, Florida

August 25, 2006

*Watson Rise LLP*