

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

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

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

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor, City Commission and City Manager  
City of Pembroke Pines/Broward County School Board's Charter Schools  
Pembroke Pines, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2006, which collectively comprise the Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 opinions.

As discussed in Note 1.a, the financial statements of the City of Pembroke Pines Charter Schools (Special Revenue Funds of the City), are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and each major fund of the Schools as chartered by the Broward County District School Board that is attributable to the transactions of the Schools as chartered by the Broward County District School Board. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines as a whole and does not include the City's school as chartered by the Florida State University 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 our opinions, the 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/Broward County School Board's Charter Schools as of June 30, 2006, 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 August 25, 2006 on our consideration of the Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 11 and 30 through 33, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fort Lauderdale, Florida  
August 25, 2006

*Watson Rice LLP*

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

As management of the Charter Schools, we offer readers of the Charter Schools' financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Charter Schools' financial statements, which follow this section.

### **Financial Highlights**

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$3,328,530 (net assets). Of this amount, \$511,088 (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 \$1,102,935, or 3.3% of total expenditures. This represents a decrease of \$1,508,837 or 57.8% over the prior year. Approximately 98% of this total amount or \$1,085,040, is available for spending (unreserved fund balance), but has been designated for rent payments.

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

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

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

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

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

The Charter Schools' government-wide financial statements distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Charter Schools maintain three funds (governmental funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Charter Schools adopt an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The governmental fund financial statements can be found on pages 14-16 of this report.

**Notes to basic financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17-30 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 which can be found on pages 31-34 of this report, and the Management's Discussion and Analysis (MD&A) comprising pages 3-11.

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

- Report of Independent Certified Public Accountants on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (pages 38-39).
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida (pages 40-41).

**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 \$3,328,530 as of June 30, 2006 as compared to \$4,949,240 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amount to \$2,817,442. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending. An additional portion of the Charter Schools' net assets (approximately 15%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

#### CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Current assets	\$1,936,640	\$3,338,520
Capital assets, net of depreciation	<u>2,817,442</u>	<u>2,860,847</u>
Total assets	<u>4,754,082</u>	<u>6,199,367</u>
Current liabilities	833,705	726,748
Noncurrent liabilities	<u>591,847</u>	<u>523,379</u>
Total liabilities	<u>1,425,552</u>	<u>1,250,127</u>
Net assets:		
Invested in capital assets	2,817,442	2,860,847
Unrestricted	<u>511,088</u>	<u>2,088,393</u>
Total net assets	<u>\$3,328,530</u>	<u>\$4,949,240</u>

Current assets decreased by \$1,401,880 (-42.0%) during the year. The Elementary Schools' current assets decline of \$739,319, the Middle Schools' decline of \$721,481, and the High School's increase of \$58,920 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The net decrease in capital assets of \$43,405 is related to depreciation expense required by GASB Statement No. 34 of \$239,731, and the increase in capital additions of \$196,326.

Current liabilities increased by \$106,957 (14.7%) during the year in the Elementary, Middle, and High Schools. This increase is related to an increase of \$39,178 in deposits, and an increase of \$67,779 in accrued liabilities. Noncurrent liabilities increased by \$68,468 (13.1%) during the year. This increase is related to compensated absences. Invested in capital assets decreased by \$43,405 (-1.5%) during the year in the Elementary, Middle, and High schools. This net decrease is related to capital assets being depreciated and the increase in additions of \$196,326.

Unrestricted net assets decreased by \$1,577,305 (-75.5%) during the year in the Elementary, Middle, and High Schools. This decrease represents the degree to which liabilities exceeded current assets.

# CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,055,742	\$ 4,780,088
Operating grants and contributions	615,544	805,512
Capital grants and contributions	-	63,268
General revenues:		
FTE non-specific revenues	26,009,584	23,541,949
Unrestricted investment earnings	118,060	83,730
Rental income	1,425,659	1,271,580
Contributions	-	473,646
Miscellaneous	-	13,552
Total revenues	<u>32,224,589</u>	<u>31,033,325</u>
Expenses:		
Instructional services	15,440,597	14,556,653
Rent	6,407,857	6,395,089
Instructional support services	1,229,606	1,144,198
Student transportation services	1,256,158	1,115,486
Operation and maintenance of school	5,241,964	5,347,331
School administration	3,746,980	3,656,015
Other	<u>522,137</u>	<u>481,925</u>
Total expenses	<u>33,845,299</u>	<u>32,696,697</u>
Change in net assets	(1,620,710)	(1,663,372)
Net assets, beginning	<u>4,949,240</u>	<u>6,612,612</u>
Net assets - ending	<u>\$ 3,328,530</u>	<u>\$ 4,949,240</u>

**Governmental activities.** The Charter Schools' total net assets at the end of the year amount to \$3,328,530, a decrease of \$1,620,710. The total cost of all governmental activities this year was \$33,845,299. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$1,191,264 (3.8%) during the year. Program revenues which includes charges for services, operating grants and contributions and capital grants and contributions, decreased by \$977,582 (-17.3%); and General revenues which include FTE non specific revenues increased by \$2,168,846 (8.5%).



Charges for services decreased by \$724,346 (-15.2%). Operating grants and contributions decreased by \$189,968 (-23.6%) during the year. The FTE non-specific revenues increased by \$2,467,635 (10.5%). This increase was related to the FTE annual increases. Rental income increased by \$154,079 during the year. This increase is attributable to contractual rent increases received from Florida International University for the university building at the Academic Village, and new rent received from additional classroom rentals. Contributions decreased by \$473,646 mainly as a result of a one-time donation of \$473,646 made to the Charter High School in fiscal year 2005.

Total expenditures increased by \$1,148,602 (3.5%) during the year. This increase was mainly attributable to increasing salaries. During the year there was a net increase in the number of employees of fourteen (14) full-time and eighteen (18) part-time. Instructional services increased by \$883,944 (6.1%) over last year. The majority of this increase was related to salaries and benefits for teachers and non-instructional staff. Student transportation services increased by \$140,672 (12.6%), the main increase came from the Elementary and Middle Schools which accounted for \$114,920 (82%) of the overall increase. School administration expenses increased by \$90,965 (2.5%). Operation and maintenance of school expenses decreased by \$105,367 (-2.0%).

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

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

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$1,102,935, a decrease of \$1,508,837 (-57.8%) over the previous fiscal year. The fund balance consists of a reserve for commodities inventory of \$17,895. The remaining \$1,085,040 is unreserved, but has been primarily designated for future rent payments.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2006, the Charter Schools had estimated revenues and appropriations of \$33,226,446 and \$34,388,234, respectively. Over the course of the year, the Charter Schools recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

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

***The Charter Elementary Schools made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$238,044 as follows: An amendment was made to budget for Governor's A+ funds in the amount of \$179,916. An

amendment was made to IDEA grant funds in the amount of \$51,051. An amendment was made to contributions in the amount of \$7,077.

Amendments to budgeted expenditures totaled \$268,794 as follows:

**The Charter Elementary School East Campus made the following amendments totaling \$75,909:** Amendments were made to K-3 Basic in the amount of \$20,716. Amendments were made to 4-8 Basic in the amount of \$20,500. Amendments were made to Exceptional Student (ESE) Program in the amount of \$24,408. Amendments were made to guidance services in the amount of \$8,744. Amendments were made to instructional media services in the amount of \$702. Amendments were made to school administration in the amount of \$26,201. An amendment was made to facilities acquisition and construction in the amount of (\$16,000). Amendments were made to student transportation services in the amount of \$5,550. Amendments were made to operation and maintenance of school in the amount of (\$8,835). Amendments were made to child care supervision in the amount of (\$6,077).

**The Charter Elementary School West Campus made the following amendments totaling \$76,839:** Amendments were made to K-3 Basic in the amount of \$28,217. Amendments were made to 4-8 Basic in the amount of \$14,929. Amendments were made to ESE program in the amount of \$20,547. Amendments were made to substitute teachers in the amount of \$3,500. Amendments were made to guidance services in the amount of (\$6,830). An amendment was made to instructional media services in the amount of \$202. Amendments were made to instructional staff training in the amount of (\$4,000). Amendments were made to school administration in the amount of \$11,614. Amendments were made to facilities acquisition and construction in the amount of (\$13,000). Amendments were made to student transportation services in the amount of \$6,000. Amendments were made to operation and maintenance of school in the amount of \$5,450. Amendments were made to child care supervision in the amount of \$10,210.

**The Charter Elementary School Central Campus made the following amendments totaling \$116,046:** Amendments were made to K-3 Basic in the amount of \$25,414. Amendments were made to 4-8 Basic in the amount of \$11,076. Amendments were made to ESE program in the amount of \$28,471. Amendments were made to guidance services in the amount of \$4,310. Amendments were made to instructional media services in the amount of \$1,344. Amendments were made to school administration in the amount of \$22,454. An amendment was made to facilities acquisition and construction in the amount of (\$22,000). Amendments were made to student transportation services in the amount of \$6,050. Amendments were made to operation and maintenance of school in the amount of \$43,227. Amendments were made to child care supervision in the amount of (\$4,300).

Overall, the Charter Elementary Schools had a positive budget expenditure variance of \$186,497 before transfers. This positive budgetary variance was mainly attributable to operation and maintenance of school, and K-3 Basic in the amount of \$132,040 and \$41,766, respectively.

After appropriations were amended, as described above, actual revenues were \$313,962 below final budgeted amounts due to reductions in funding, and actual expenditures were \$186,497 below final budget amounts.

***The Charter Middle Schools made the following significant amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$147,373 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$119,679. An amendment was made to the budget for Exceptional Student Education (ESE) guaranteed allocation in the amount of \$7,617. An amendment was made to the budget for summer reading program in the amount of \$13,000. An amendment was made to the budget for contributions in the amount of \$7,077.

Amendments to budgeted expenditures totaled \$178,123 as follows:

**The Charter Middle School West Campus made the following amendments totaling \$68,602:** Amendments were made to 4-8 Basic in the amount of \$52,725. Amendments were made to Intensive English/ESOL in the amount of (\$4,100). Amendments were made to ESE program in the amount of \$9,812. Amendments were made to guidance services in the amount of (\$940). Amendments were made to instructional media services in the amount of \$14,935. Amendments were made to school administration in the amount of \$12,181. An amendment was made to facilities acquisition and construction in the amount of (\$6,000). Amendments were made to student transportation services in the amount of \$3,250. Amendments were made to operation and maintenance of school in the amount of (\$13,261)

**The Charter Middle School Central Campus made the following amendments totaling \$109,521:** Amendments were made to 4-8 Basic in the amount of \$43,221. Amendments were made to Intensive English/ESOL in the amount of (\$1,750). Amendments were made to the ESE program in the amount of \$17,311. Amendments were made to substitute teachers in the amount of (\$2,647). Amendments were made to guidance services in the amount of \$1,275. Amendments were made to instructional media services in the amount of (\$8,978). Amendments were made to school administration in the amount of \$26,562. An amendment was made to facilities acquisition and construction in the amount of (\$37,000). Amendments were made to student transportation services in the amount of \$3,050. Amendments were made to operation and maintenance of school in the amount of \$68,477.

Overall, the Charter Middle Schools had a positive budget expenditure variance in the amount of \$7,076 before transfers. After appropriations were amended as described above, actual revenues were \$188,231 below final budgeted amounts due to reductions in funding; and actual expenditures were \$7,076 below final budget amounts.

***The Charter High School made the following significant amendments to budget:*** One amendment was made to budgeted revenues in advance placement funding in the amount of \$162,128.

Amendments to budgeted expenditures totaled \$162,128. Amendments were made to 9-12 Basic in the amount of \$103,223. Amendments were made to Intensive English/ESOL in the amount of \$4,500. Amendments were made to Vocational 6-12 in the amount of \$4,318. Amendments were made to substitute teachers in the amount of \$1,390. Amendments were made to school/other in the amount of \$2,000. Amendments were made to guidance services in the amount of \$18,386. Amendments were made to instructional media services in the amount of \$12,883. Amendments were made to ESE specialist in the amount of \$2,436. Amendments were made to school administration in the amount of \$18,599. Amendments were made to student transportation services in the amount of \$20,050. Amendments were made to operation and maintenance of school in the amount of \$9,638. An amendment was made to facilities acquisition and construction in the amount of (\$35,295).

The Budgeted Charter High School transfers did not change. The budgetary variance for transfers in totaled \$324,492 and related to negative budget variances in the High School, therefore, the High School needed the entire budgeted operating transfers in for fund operations.

After appropriations were amended as described above, actual revenues were \$785,726 below final budgeted amounts due to reductions in funding; actual expenditures were \$461,234 below final budget amounts.

### **Capital Assets**

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2006 amounts to \$2,817,442, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

<u>CAPITAL ASSETS (Net of Depreciation)</u>		
	Governmental	
	Activities	
	<u>2006</u>	<u>2005</u>
Improvements other than buildings	\$ 2,178,750	\$ 2,228,565
Machinery and equipment	<u>638,692</u>	<u>632,282</u>
Total capital assets	<u>\$ 2,817,442</u>	<u>\$ 2,860,847</u>

Additional information on the Charter Schools' capital assets can be found on pages 35-37 of this report, and in Note 4 in the notes to the basic financial statements (page 26).

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

- ◆ Capital outlay funding from the State has increased to an estimated 70%.
- ◆ Broward County School District has reduced administrative costs to 5% only on the first 500 students per Charter.
- ◆ The Charter Schools' student attendance rate remains stable at 98%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2006-07 budgets of \$37,064,908 and \$37,064,908, respectively.
- ◆ The Adopted budget for fiscal year 2006-07 will include 3% increase for teachers; 2% for clerical personnel; and 2% to 3.5% for principals.
- ◆ The Charter High School student population will increase by an additional 100 students from 1,600 to 1,700.

**Requests for Information**

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

**CITY OF PEMBROKE PINES, FLORIDA**  
**CHARTER SCHOOLS**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	Governmental <u>Activities</u>
 <b><u>ASSETS</u></b>	
Pooled cash and cash equivalents	\$ 1,830,558
Due from Broward County	23,074
Other miscellaneous receivables	65,113
Commodities inventory	17,895
Capital assets being depreciated, net	<u>2,817,442</u>
Total assets	<u>4,754,082</u>
 <b><u>LIABILITIES</u></b>	
Accrued liabilities	432,473
Deposits	401,232
Noncurrent liabilities:	
Due within one year	472,499
Due in more than one year	<u>119,348</u>
Total liabilities	<u>1,425,552</u>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets	2,817,442
Unrestricted	<u>511,088</u>
Total net assets	<u>\$ 3,328,530</u>

See notes to basic financial statements.

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### 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	\$ 15,440,597	\$ -	\$ -	\$(15,440,597)
Rent	6,407,857	-	-	(6,407,857)
Instructional support services	1,229,606	-	-	(1,229,606)
Student transportation services	1,256,158	384,206	-	(871,952)
Operation and maintenance of school	5,241,964	3,148,605	329,481	(1,763,878)
School administration	3,746,980	-	-	(3,746,980)
Other	522,137	522,931	286,063	286,857
Total Charter Schools	<u>\$ 33,845,299</u>	<u>\$ 4,055,742</u>	<u>\$ 615,544</u>	<u>\$(29,174,013)</u>
General revenues:				
FTE non-specific revenues				26,009,584
Unrestricted investment earnings				118,060
Rental income				<u>1,425,659</u>
Total general revenues				<u>27,553,303</u>
Change in net assets				(1,620,710)
Net assets, beginning				<u>4,949,240</u>
Net assets, ending				<u>\$ 3,328,530</u>

See notes to basic financial statements.

**CITY OF PEMBROKE PINES, FLORIDA**  
**CHARTER SCHOOLS**  
BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2006

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
<b><u>ASSETS</u></b>				
Pooled cash and cash equivalents	\$ 1,148,430	\$ 327,421	\$ 354,707	\$ 1,830,558
Due from Broward County	-	-	23,074	23,074
Other miscellaneous receivables	31,176	24,660	9,277	65,113
Commodities inventory	4,282	3,707	9,906	17,895
Total assets	<u>\$ 1,183,888</u>	<u>\$ 355,788</u>	<u>\$ 396,964</u>	<u>\$ 1,936,640</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>				
Accrued liabilities	\$ 165,029	\$ 118,070	\$ 149,374	\$ 432,473
Deposits	106,433	47,209	247,590	401,232
Total liabilities	<u>271,462</u>	<u>165,279</u>	<u>396,964</u>	<u>833,705</u>
<b>Fund balances:</b>				
Reserved for commodities inventory	4,282	3,707	9,906	17,895
<b>Unreserved:</b>				
Designated for rent payments	908,144	186,802	(9,906)	1,085,040
Total fund balances	912,426	190,509	-	1,102,935
Total liabilities and fund balances	<u>\$ 1,183,888</u>	<u>\$ 355,788</u>	<u>\$ 396,964</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.	2,817,442
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(591,847)
Net assets of governmental activities (page 12)	<u>\$ 3,328,530</u>

See notes to basic financial statements.



# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2006

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 11,688,095	\$ 7,598,270	\$ 12,322,681	\$ 31,609,046
Federal grants	<u>155,700</u>	<u>79,593</u>	<u>94,188</u>	<u>329,481</u>
Total revenues	<u>11,843,795</u>	<u>7,677,863</u>	<u>12,416,869</u>	<u>31,938,527</u>
Expenditures:				
Current:				
K-3 basic	3,527,778	-	-	3,527,778
4-8 basic	1,736,737	4,034,764	-	5,771,501
9-12 basic	-	-	4,710,698	4,710,698
Intensive English/ESOL	-	-	38,784	38,784
Exceptional student program	495,461	322,386	131,162	949,009
Vocational 6-12	-	-	234,472	234,472
Substitute teachers	92,957	64,946	38,623	196,526
School/other	-	-	11,829	11,829
Guidance services	206,701	130,162	429,548	766,411
Instructional media service	48,817	235,830	108,444	393,091
ESE specialist	-	-	56,290	56,290
Instructional staff training service	2,442	8,452	2,920	13,814
School administration	1,876,689	874,384	927,438	3,678,511
Facilities acquisition and construction	1,418,187	1,407,944	3,581,726	6,407,857
Student transportation services	625,950	413,083	217,125	1,256,158
Operation of school	1,600,177	1,154,739	2,247,319	5,002,235
Child care supervision	331,114	-	-	331,114
Athletics	-	-	191,023	191,023
Capital outlay	<u>63,041</u>	<u>61,668</u>	<u>71,617</u>	<u>196,326</u>
Total expenditures	<u>12,026,051</u>	<u>8,708,358</u>	<u>12,999,018</u>	<u>33,733,427</u>
Excess (deficiency) of revenues over expenditures	<u>(182,256)</u>	<u>(1,030,495)</u>	<u>(582,149)</u>	<u>(1,794,900)</u>
Other financing sources (uses):				
Transfers in	-	286,063	582,149	868,212
Transfers out	<u>(582,149)</u>	<u>-</u>	<u>-</u>	<u>(582,149)</u>
Total other financing sources (uses)	<u>(582,149)</u>	<u>286,063</u>	<u>582,149</u>	<u>286,063</u>
Net change in fund balances	(764,405)	(744,432)	-	(1,508,837)
Fund balances, beginning	<u>1,676,831</u>	<u>934,941</u>	<u>-</u>	<u>2,611,772</u>
Fund balances, ending	<u>\$ 912,426</u>	<u>\$ 190,509</u>	<u>\$ -</u>	<u>\$ 1,102,935</u>

See notes to basic financial statements.

**CITY OF PEMBROKE PINES, FLORIDA**  
**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, 2006**

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

Net change in fund balances - total governmental funds (Page 15)	\$ (1,508,837)
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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	\$ 196,326	
Depreciation expense	<u>(239,731)</u>	
Net adjustment		(43,405)

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>(68,468)</u>
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Change in net assets of governmental activities (page 13)	<u>\$ (1,620,710)</u>
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See notes to basic financial statements.

# **CITY OF PEMBROKE PINES, FLORIDA**

## **CHARTER SCHOOLS**

### **NOTES TO BASIC 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 basic financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 228.056 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle School's first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission, 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 District School Board (the District). The Elementary School's charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle School's charter was approved by the City Commission on June 2, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. All three charters may be renewed in increments of five (5) years by mutual written agreement between the Schools and the District. At the end of the term of the charters, the District may choose not to renew the charters under grounds specified in the charter in which case the District is required to notify the Schools in writing at least 90 days prior to the charter's expiration. Pursuant to Section 228.056(10)(e), Florida Statutes, the charter school contract provides that in the event the Schools are dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County District School Board. During the term of the charter, the District may also terminate the charter if good cause is shown. The Schools are accounted for as special revenue funds of the City.

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 School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 610 students. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own basic Financial Statements.

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to 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' financial statements have been prepared in accordance with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board.

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

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

The Schools' fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

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

period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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 1,800 student stations.

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

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

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

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

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

###### 1. *Pooled Cash and Cash Equivalents*

The Schools consider all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Schools maintain their cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investments 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. *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 computer equipment with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

During the fiscal year ended June 30, 2000, the Schools were awarded approximately \$6 million from the District's School Infrastructure Thrift Program (SIT Funds) to be used for any lawful capital outlay expenditure. In

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### 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)

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

##### 4. *Compensated Absences*

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

##### 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 Schools' financial statements, is described below:

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

# **CITY OF PEMBROKE PINES, FLORIDA**

## **CHARTER SCHOOLS**

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

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

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

##### **5. *Long-Term Obligations* (Continued)**

construction of the City of Pembroke Pines Charter High School and further expansion of the Schools. During 2001, the City issued Charter School Revenue Bonds, Series 2001A and 2001B for \$31,910,000 and \$20,060,000, respectively, which were used to finance the construction of the City of Pembroke Pines Charter Central Campus and the shared-use facility located at the Academic Village Charter High School Campus.

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

##### **6. *Equity Classifications***

##### **Government-wide Financial Statements**

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation 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 had 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.

##### **7. *Revenue Sources***

Revenues for current operations are received primarily from the Broward County District School Board pursuant to the funding provisions included in the Schools’



# **CITY OF PEMBROKE PINES, FLORIDA**

## **CHARTER SCHOOLS**

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

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

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

###### **7. *Revenue Sources* (Continued)**

charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Schools report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Schools is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the Schools during the designated full-time equivalent student survey periods.

###### **8. *Use of Estimates***

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

###### **9. *Reclassifications***

Certain accounts were reclassified to conform to the 2006 financial statement presentation.

#### **NOTE 2. INVESTMENTS**

The Schools invest 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. The Schools'

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

investments, which are included in pooled cash and cash equivalents, are summarized as follows:

	<u>Carrying Amount</u>
Investments not subject to risk categorization:	
State Board of Administration Investment Pool	<u>\$1,830,558</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 3. REVENUE SOURCES**

	Elementary Schools	Middle Schools	High School	Total
Broward County District School Board:				
Florida education finance program	\$ 6,987,995	\$ 4,567,713	\$ 6,832,439	\$ 18,388,147
Public education capital outlay (PECO)	673,357	515,089	912,625	2,101,071
Supplemental academic instruction	380,471	251,754	337,449	969,674
Class size reduction	993,791	629,449	944,267	2,567,507
District school taxes	396,087	258,875	387,263	1,042,225
Transportation revenue	163,856	221,115	294,348	679,319
ESE guaranteed allocation	255,045	158,844	128,116	542,005
Instructional materials	148,742	98,422	131,923	379,087
Governor's A+ Funds	179,916	119,679	-	299,595
Discretionary lottery funds	83,568	54,618	81,706	219,892
Supplementary discretion millage	166,437	108,780	162,729	437,946
Safe schools program	41,556	27,497	36,857	105,910
Advanced placement funding	-	-	162,128	162,128
Public school technology	33,386	22,092	29,611	85,089
Teacher training allocation	12,105	8,010	10,736	30,851
Summer reading program	5,464	13,184	49,973	68,621
Library media materials	9,734	6,441	8,633	24,808
Science lab materials	2,661	1,760	2,360	6,781
Total Broward County District School Board	<u>10,534,171</u>	<u>7,063,322</u>	<u>10,513,163</u>	<u>28,110,656</u>
Other:				
Rental revenue	85,922	119,869	1,219,868	1,425,659
Food sales	281,202	257,591	508,741	1,047,534
After school education program	500,366	-	-	500,366
In-house transportation	187,636	134,025	62,545	384,206
Interest	76,233	23,463	18,364	118,060
Summer school fees	22,565	-	-	22,565
Total other	<u>1,153,924</u>	<u>534,948</u>	<u>1,809,518</u>	<u>3,498,390</u>
Total local	<u>\$ 11,688,095</u>	<u>\$ 7,598,270</u>	<u>\$ 12,322,681</u>	<u>\$ 31,609,046</u>
Federal grants:				
School lunch reimbursement - Free/Reduced	\$ 118,792	\$ 59,622	\$ 65,958	\$ 244,372
School breakfast reimbursement - Non-Severe Need	20,872	6,977	9,091	36,940
Food commodities program	16,036	12,994	19,139	48,169
Total Federal grants	<u>\$ 155,700</u>	<u>\$ 79,593</u>	<u>\$ 94,188</u>	<u>\$ 329,481</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 4. CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,480,072	\$ -	\$ -	\$ 2,480,072
Machinery and equipment	<u>2,117,946</u>	<u>196,326</u>	<u>-</u>	<u>2,314,272</u>
Total capital assets being depreciated	<u>4,598,018</u>	<u>196,326</u>	<u>-</u>	<u>4,794,344</u>
Less accumulated depreciation for:				
Improvements other than buildings	(251,507)	(49,815)	-	(301,322)
Machinery and equipment	<u>(1,485,664)</u>	<u>(189,916)</u>	<u>-</u>	<u>(1,675,580)</u>
Total accumulated depreciation	<u>(1,737,171)</u>	<u>(239,731)</u>	<u>-</u>	<u>(1,976,902)</u>
Total capital assets being depreciated, net	<u>\$ 2,860,847</u>	<u>\$ (43,405)</u>	<u>\$ -</u>	<u>\$ 2,817,442</u>

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

Governmental activities:

Operation and maintenance of plant	<u>\$ 239,731</u>
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**NOTE 5. INTERFUND TRANSFERS**

Transfers out			
	<u>Elementary</u>	<u>City of Pembroke Pines</u>	<u>Purpose</u>
Transfers in:			
Middle	\$ -	\$ 286,063	Operating transfer
High	<u>582,149</u>	<u>-</u>	Operating transfer
Total	<u>\$ 582,149</u>	<u>\$ 286,063</u>	

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

**NOTE 6. OPERATING LEASES**

***Communications Facility Lease***

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

2007	\$ 119,000
2008	121,000
2009	123,000
2010	126,000
2011	128,000
2012-2013	<u>209,000</u>
Total future minimum rentals	<u>\$ 826,000</u>

***Other Facility Lease***

On March 13, 2002 the City signed an agreement with the Florida International University (FIU), for use of educational facilities located at the Academic Village. The Academic Village is a shared-use facility located on the northeast corner of Sheridan Street and Northwest 172<sup>nd</sup> Avenue, and includes the City's Charter High School, a regional library and the Southwest Broward County Campus for Broward Community College (BCC). In order to provide for the operation of an integrated educational program, and to offset the costs incurred by the City, the agreement requires FIU to pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for 10 years with one ten-year renewal period. An additional option may be negotiated if requested in writing to the City. The annual rentals are payable to the Charter High School in quarterly advance payments.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

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

The approximate minimum future rentals to be received, excluding cost of living increases or expected lease renewals, on non-cancelable operating lease as of June 30, 2006 are:

Fiscal year ending June 30:	
2007	\$ 850,000
2008	850,000
2009	850,000
2010	850,000
2011	850,000
2012-2013	<u>425,000</u>
Total future minimum rentals	<u>\$ 4,675,000</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.5.). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2006, rent expense was approximately \$1,450,000, \$1,431,000 and \$3,636,000 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:	
2007	\$ 6,665,000
2008	6,671,000
2009	6,670,000
2010	6,675,000
2011	6,672,000
2012-2016	32,376,000
2017-2021	32,180,000
2022-2026	28,886,000
2027-2031	<u>16,323,000</u>
Total minimum future rentals	<u>\$143,118,000</u>

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One <u>Year</u>
Compensated absences	<u>\$523,379</u>	<u>\$599,321</u>	<u>\$(530,853)</u>	<u>\$591,847</u>	<u>\$472,499</u>

#### NOTE 8. RISK MANAGEMENT

Health and hospitalization, workers' compensation and life insurance coverage is provided through the City of Pembroke Pines, and the City, in turn, charges the 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 three years.

#### NOTE 9. CONTINGENCY

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

#### NOTE 10. PENSION 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.

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

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

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

At June 30, 2006, there were 279 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 contributed \$703,121 and the plan members contributed \$92,638 to the Broward County School Board's 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

## CHARTER SCHOOLS

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

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	\$ 11,767,264	\$ 12,005,308	\$ 11,688,095	\$ (317,213)
Federal grants	152,449	152,449	155,700	3,251
Total revenues	<u>11,919,713</u>	<u>12,157,757</u>	<u>11,843,795</u>	<u>(313,962)</u>
Expenditures:				
Current:				
K-3 basic	3,419,476	3,569,544	3,527,778	41,766
4-8 basic	1,656,518	1,703,023	1,736,737	(33,714)
Exceptional student program	452,025	525,451	495,461	29,990
Substitute teachers	75,250	78,750	92,957	(14,207)
Guidance services	195,857	202,081	206,701	(4,620)
Instructional media service	50,670	52,918	48,817	4,101
Instructional staff training service	19,200	15,200	2,442	12,758
School administration	1,792,035	1,849,629	1,876,689	(27,060)
Facilities acquisition and construction	1,492,857	1,441,857	1,418,187	23,670
Student transportation services	587,730	605,330	625,950	(20,620)
Operation of school	1,862,448	1,732,217	1,600,177	132,040
Child care supervision	339,688	339,521	331,114	8,407
Capital outlay	-	97,027	63,041	33,986
Total expenditures	<u>11,943,754</u>	<u>12,212,548</u>	<u>12,026,051</u>	<u>186,497</u>
Excess (deficiency) of revenues over expenditures	(24,041)	(54,791)	(182,256)	(127,465)
Other financing (uses):				
Transfers out	<u>(128,829)</u>	<u>(128,829)</u>	<u>(582,149)</u>	<u>(453,320)</u>
Net change in fund balances	(152,870)	(183,620)	(764,405)	(580,785)
Fund balances, beginning	<u>1,676,831</u>	<u>1,676,831</u>	<u>1,676,831</u>	-
Fund balances, ending	<u>\$ 1,523,961</u>	<u>\$ 1,493,211</u>	<u>\$ 912,426</u>	<u>\$ (580,785)</u>

# CITY OF PEMBROKE PINES, FLORIDA

## CHARTER SCHOOLS

### REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$ 7,640,657	\$ 7,786,501	\$ 7,598,270	\$ (188,231)
Federal grants	78,064	79,593	79,593	-
Total revenues	<u>7,718,721</u>	<u>7,866,094</u>	<u>7,677,863</u>	<u>(188,231)</u>
Expenditures:				
Current:				
4-8 basic	3,757,118	3,923,311	4,034,764	(111,453)
Intensive English/ESOL	6,600	750	-	750
Exceptional student program	326,770	353,893	322,386	31,507
Substitute teachers	64,000	61,353	64,946	(3,593)
Guidance services	130,293	130,628	130,162	466
Instructional media service	236,033	240,083	235,830	4,253
Instructional staff training service	19,330	19,330	8,452	10,878
School administration	859,989	893,114	874,384	18,730
Facilities acquisition and construction	1,461,292	1,418,292	1,407,944	10,348
Student transportation services	391,820	398,120	413,083	(14,963)
Operation of school	1,284,066	1,201,712	1,154,739	46,973
Capital outlay	-	74,848	61,668	13,180
Total expenditures	<u>8,537,311</u>	<u>8,715,434</u>	<u>8,708,358</u>	<u>7,076</u>
Deficiency of revenues over expenditures	(818,590)	(849,340)	(1,030,495)	(181,155)
Other financing sources (uses):				
Transfers in	589,221	589,221	286,063	(303,158)
Transfers out	<u>(128,828)</u>	<u>(128,828)</u>	-	128,828
Total other financing sources (uses)	<u>460,393</u>	<u>460,393</u>	<u>286,063</u>	<u>(174,330)</u>
Net change in fund balances	(358,197)	(388,947)	(744,432)	(355,485)
Fund balances, beginning	<u>934,941</u>	<u>934,941</u>	<u>934,941</u>	-
Fund balances, ending	<u>\$ 576,744</u>	<u>\$ 545,994</u>	<u>\$ 190,509</u>	<u>\$ (355,485)</u>

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

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 12,900,292	\$ 13,062,420	\$ 12,322,681	\$ (739,739)
Federal grants	<u>140,175</u>	<u>140,175</u>	<u>94,188</u>	<u>(45,987)</u>
Total revenues	<u>13,040,467</u>	<u>13,202,595</u>	<u>12,416,869</u>	<u>(785,726)</u>
Expenditures:				
Current:				
9-12 basic	4,619,368	4,782,080	4,710,698	71,382
Intensive English/ESOL	34,743	39,243	38,784	459
Exceptional student program	137,124	137,124	131,162	5,962
Vocational 6-12	237,949	238,267	234,472	3,795
Substitute teachers	40,000	41,390	38,623	2,767
School/other	10,000	12,000	11,829	171
Guidance services	421,046	439,432	429,548	9,884
Instructional media service	132,798	141,681	108,444	33,237
ESE specialist	54,333	56,769	56,290	479
Instructional staff training service	42,079	42,079	2,920	39,159
School administration	984,489	1,001,338	927,438	73,900
Facilities acquisition and construction	3,717,791	3,682,496	3,581,726	100,770
Student transportation services	195,910	215,960	217,125	(1,165)
Operation of school	2,470,595	2,355,990	2,247,319	108,671
Athletics	199,899	196,299	191,023	5,276
Capital outlay	-	78,104	71,617	6,487
Total expenditures	<u>13,298,124</u>	<u>13,460,252</u>	<u>12,999,018</u>	<u>461,234</u>
Deficiency of revenues over expenditures	(257,657)	(257,657)	(582,149)	(324,492)
Other financing sources:				
Transfers in	<u>257,657</u>	<u>257,657</u>	<u>582,149</u>	<u>324,492</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTES TO BUDGETARY COMPARISON SCHEDULES**

**FISCAL YEAR ENDED JUNE 30, 2006**

**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 (US GAAP), except for encumbrances, which are purchase orders and contracts issued for goods 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 Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1<sup>st</sup>. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1<sup>st</sup>, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
  - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
  - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
  - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations greater than the original budget of approximately \$269,000, in the elementary schools, \$178,000, in the middle schools and \$162,000, in the high school during the fiscal year ended June 30, 2006.

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

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

JUNE 30, 2006

Governmental funds capital assets:

Improvements other than buildings	\$ 2,480,072
Machinery and equipment	<u>2,314,272</u>
Total governmental capital assets	<u>\$ 4,794,344</u>

Investments in governmental funds capital assets by source:

Charter Elementary Schools	\$ 2,047,587
Charter Middle Schools	2,345,726
Charter High School	<u>401,031</u>
Total governmental funds capital assets	<u>\$ 4,794,344</u>

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

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

JUNE 30, 2006

<u>Function and Activity</u>	Improvements Other Than <u>Buildings</u>	Machinery and <u>Equipment</u>	<u>Total</u>
Education:			
Elementary Schools	\$ 1,218,921	\$ 828,666	\$ 2,047,587
Middle Schools	1,261,151	1,084,575	2,345,726
High School	-	401,031	401,031
Total governmental funds capital assets	<u>\$ 2,480,072</u>	<u>\$ 2,314,272</u>	<u>\$ 4,794,344</u>

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

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED JUNE 30, 2006

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2005</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Funds Capital Assets June 30, <u>2006</u>
Education:				
Elementary Schools	\$ 1,984,545	\$ 63,041	\$ -	\$ 2,047,586
Middle Schools	2,284,058	61,668	-	2,345,726
High School	<u>329,415</u>	<u>71,617</u>	<u>-</u>	<u>401,032</u>
Total governmental funds capital assets	<u>\$ 4,598,018</u>	<u>\$ 196,326</u>	<u>\$ -</u>	<u>\$ 4,794,344</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/Broward County School Board's Charter Schools  
Pembroke Pines, Florida

We have audited the financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2006, which collectively comprise the Schools' 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 of America.

**Compliance**

As part of obtaining reasonable assurance about whether the Schools' 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 Schools' 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 a material weakness.



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, the Auditor General of the State of Florida and the Broward County District School Board and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, Florida  
August 25, 2006

*Watan Rive LLP*



**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/Broward County School Board's Charter Schools  
Pembroke Pines, Florida

We have audited the financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2006, which collectively comprise the Schools' 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 and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 Schools' 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 Schools 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 report.
2. In connection with our audit, we determined that the Schools did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
3. There are no recommendations to improve the Schools' financial management, accounting procedures and internal controls.
4. During the course of our audit, nothing came to our attention that caused us to believe that the Schools:
  - a. Were in violation of any laws, rules, regulations or contractual provisions.
  - b. Made any illegal or improper expenditure.
  - c. Had improper or inadequate accounting procedures.
  - d. Failed to record financial transactions.
  - e. Had other inaccuracies, shortages, defalcations, and instances of fraud.
5. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The Charter Schools are operated by the City. The City's Charter Elementary Schools were created by motion of the City Commission on June 17, 1998. The City's Charter Middle Schools were created under Resolution No. 2668 on June 2, 1999. The City's Charter High School was created by motion of the City Commission on February 16, 2000.

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

Fort Lauderdale, Florida

August 25, 2006

*Walter Rice LHP*