

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

**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(With Independent Auditors' Reports Thereon)**

CITY OF PEMBROKE PINES, FLORIDA
CHARTER SCHOOLS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/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, 2007, 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 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 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, 2007, 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 opinion, 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, 2007, 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 September 21, 2007 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. 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 considered in assessing the results of the audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 31 through 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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
September 21, 2007

Winton 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, 2007. 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 \$3,549,759 (net assets), compared with \$3,328,530 for the previous fiscal year. Of this amount, \$476,616 (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 \$1,102,990, or 3.0% of total expenditures. This represents a slight increase of \$55 over the prior year. Approximately 97% of this total amount or \$1,072,240, 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 City of Pembroke Pines/Charter Schools' basic financial statements. The Charter Schools' basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

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

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

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

The Charter Schools' government-wide financial statements distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School 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 11-12 of this report.

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

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 13-15 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16-30 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, and the Management's Discussion and Analysis (MD&A) comprising pages 3-10.

Supplementary Auditors' Reports. This section includes the following:

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

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Schools, assets exceeded liabilities by \$3,549,759 as of June 30, 2007 as compared to \$3,328,530 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amounted to \$3,073,143. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending. An additional portion of the Charter Schools' net assets amounting to \$476,616 (approximately 13%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2007</u>	<u>2006</u>	
Current assets	\$2,064,138	\$ 1,936,640	\$ 127,498
Capital assets, net of depreciation	<u>3,073,143</u>	<u>2,817,442</u>	<u>255,701</u>
Total assets	<u>5,137,281</u>	<u>4,754,082</u>	<u>383,199</u>
Current liabilities	961,148	833,705	127,443
Noncurrent liabilities	<u>626,374</u>	<u>591,847</u>	<u>34,527</u>
Total liabilities	<u>1,587,522</u>	<u>1,425,552</u>	<u>161,970</u>
Net assets:			
Invested in capital assets	3,073,143	2,817,442	255,701
Unrestricted	<u>476,616</u>	<u>511,088</u>	<u>(34,472)</u>
Total net assets	<u>\$3,549,759</u>	<u>\$ 3,328,530</u>	<u>\$ 221,229</u>

Current assets increased by \$127,498 (6.6%) during the year. The Elementary Schools' current assets increase of \$52,299, the Middle Schools' increase of \$17,265, and the High School's increase of \$57,934 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The net increase in capital assets of \$255,701 is related to the difference between depreciation expense required by GASB Statement No. 34 of \$243,545, and the increase in capital additions of \$499,246.

Current liabilities increased by \$127,443 (15.3%) during the year in the Elementary, Middle, and High Schools. This increase is related to an increase of \$75,058 in deposits, an increase of \$40,379 in accrued liabilities, and an increase of \$12,006 in deferred revenue. Noncurrent liabilities increased by \$34,527 (5.8%) during the year. This increase is related to compensated absences. Invested in capital assets increased by \$255,701 (9.1%) during the year in the Elementary, Middle, and High schools. This net decrease is related to the difference between capital assets being depreciated and the increase in additions of \$499,246.

Unrestricted net assets decreased by \$34,472 (-6.7%) 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		Increase (Decrease)
	<u>2007</u>	<u>2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 6,230,822	\$ 4,055,742	\$ 2,175,080
Operating grants and contributions	682,995	615,544	67,451
General revenues:			
FTE non-specific revenues	28,668,150	26,009,584	2,658,566
Unrestricted investment earnings	170,705	118,060	52,645
Rental income	1,500,006	1,425,659	74,347
Miscellaneous	<u>6,248</u>	<u>-</u>	<u>6,248</u>
Total revenues	<u>37,258,926</u>	<u>32,224,589</u>	<u>5,034,337</u>
Expenses:			
Instructional services	16,754,675	15,440,597	1,314,078
Rent	6,236,116	6,407,857	(171,741)
Instructional support services	1,427,452	1,229,606	197,846
Student transportation services	1,445,816	1,256,158	189,658
Operation and maintenance of school	6,434,659	5,241,964	1,192,695
School administration	4,226,299	3,746,980	479,319
Other	<u>512,680</u>	<u>522,137</u>	<u>(9,457)</u>
Total expenses	<u>37,037,697</u>	<u>33,845,299</u>	<u>3,192,398</u>
Change in net assets	221,229	(1,620,710)	1,841,939
Net assets, beginning	<u>3,328,530</u>	<u>4,949,240</u>	<u>(1,620,710)</u>
Net assets - ending	<u>\$ 3,549,759</u>	<u>\$ 3,328,530</u>	<u>\$ 221,229</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amounted to \$3,549,759, an increase of \$221,229 over the previous fiscal year. The total cost of all governmental activities this year was \$37,037,697. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$5,034,337 (15.6%) during the year. Program revenues which include charges for services and operating grants and contributions increased by \$2,242,531 (48.0%); and General revenues which include FTE non-specific revenues increased by \$2,791,806 (10.1%).

Charges for services increased by \$2,175,080 (53.6%). This increase was attributable to an increase in Public Education Capital Outlay (PECO) funding in the amount of \$1,889,108, and an increase in food sales in the amount of \$146,590. Operating grants and contributions increased by \$67,451 (11.0%) during the year. The FTE non-specific revenues increased by \$2,658,566 (10.2%). This increase was related to the FTE annual increases. Unrestricted investment earnings increased by \$52,645 (44.6%) as a result of increases in short-term interest rates. Rental income increased by \$74,347 (5.2%) and miscellaneous revenues increased by \$6,248 (100%).

Total expenditures increased by \$3,192,398 (9.4%) during the year. This increase was mainly attributable to an increase in personnel costs, including salaries and benefits, of approximately \$1,943,000 and an increase in operating costs of approximately \$1,280,000. Increases in personnel costs were mainly driven by salaries and pension costs. During the year there was a net increase in the number of employees of eight (8) full-time positions, but a net decrease of three (-3) part-time positions. Additionally, in fiscal year 2007, most of the Charter Schools' full-time and part-time employees joined the Florida Retirement System (FRS). The contribution to the FRS amounts to 9.85% of payroll, and this increased the Charter Schools' costs by \$1,091,112.

Operating cost increases were mainly attributable to a \$450,900 increase in contract, building maintenance as a result of janitorial service increases, a \$206,000 increase in professional and technical services, a \$379,000 increase in insurance costs and a \$161,000 increase in electric utility charges.

Instructional services increased by \$1,314,078 (8.5%) over last year. School administration expenses increased by \$479,319 (12.8%). Operation and maintenance of school expenses increased by \$1,192,695 (22.8%), for the reasons previously mentioned.

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 the fiscal year.

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$1,102,990, a small increase of \$55 over the previous fiscal year. The fund balance consists of a reserve for commodities inventory of \$30,750. The remaining \$1,072,240 is unreserved, but has been designated for future rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2007, the Charter Schools had estimated revenues and appropriations of \$36,546,367 and \$37,921,011, 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, East, West and Central Campuses, made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$309,485 as follows: An amendment was made to budget for Governor's A+ funds in the amount of \$180,000. An amendment was made to IDEA grant

funds in the amount of \$22,470. An amendment was made to food sales in the amount of \$86,970, and amendments were made to the school breakfast and lunch grants totaling \$20,045.

Amendments to budgeted expenditures totaled \$606,857 as follows:

The Charter Elementary Schools, East, West and Central Campuses made the following amendments: Amendments were made to K-3 Basic in the amount of \$177,666. Amendments were made to 4-8 Basic in the amount of \$75,139. Amendments were made to Exceptional Student (ESE) Program in the amount of \$19,429. Amendments were made to guidance services in the amount of \$9,762. Amendments were made to instructional media services in the amount of \$21,129. Amendments were made to school administration in the amount of \$43,129. An amendment was made to facilities acquisition and construction in the amount of (\$88,361). Amendments were made to student transportation services in the amount of \$147,320. Amendments were made to operation and maintenance of school in the amount of \$122,228. Amendments were made to child care supervision in the amount of (\$16,441). Amendments were made to substitute teachers in the amount of \$21,918 and amendments were made to capital outlay expenditures in the amount of \$73,939.

Overall, the Charter Elementary Schools had a positive budget expenditure variance of \$181,275 before transfers. After appropriations were amended, as described above, actual revenues were \$174,837 above final budgeted amounts.

The Charter Middle Schools, West and Central Campuses, made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$175,904 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$119,950. An amendment was made to the budget for DEA grant funds in the amount of \$8,227. An amendment was made to the budget for food sales in the amount of \$38,502 and amendments were made to the school breakfast and lunch grants totaling \$9,225.

Amendments to budgeted expenditures totaled \$373,937 as follows:

The Charter Middle Schools, West and Central Campuses, made the following amendments totaling \$373,937: Amendments were made to 4-8 Basic in the amount of \$251,414. Amendments were made to Intensive English/ESOL Basic in the amount of (\$6,600). Amendments were made to ESE program in the amount of \$15,531. Amendments were made to substitute teachers in the amount of \$17,541. Amendments were made to guidance services in the amount of \$4,373. Amendments were made to instructional media services in the amount of (\$7,512). Amendments were made to school administration in the amount of (\$35,121). Amendments were made to facilities acquisition and construction in the amount of (\$73,857). Amendments were made to student transportation services in the amount of \$80,249. Amendments were made to operation and maintenance of school in the amount of \$85,855, and amendments were made to capital outlay expenditures amounting to \$42,064.

Overall, the Charter Middle Schools had a positive budget expenditure variance in the amount of \$92,482, before transfers. After appropriations were amended as described above, actual revenues were \$63,200 above final budgeted amounts.

The Charter High School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$342,753 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$159,929. An amendment was made to the budget for DEA grant funds in the amount of \$12,261. An amendment was made to the budget for food sales in the amount of \$10,547 and amendments were made to the

school breakfast and lunch grants totaling \$3,116, and an amendment was made to budgeted revenues in advance placement funding in the amount of \$156,900.

Amendments to budgeted expenditures totaled \$306,577. Amendments were made to 9-12 Basic in the amount of \$117,472. Amendments were made to Intensive English/ESOL in the amount of \$1,753. Amendments were made to Vocational 6-12 in the amount of \$7,616. Amendments were made to ESE program in the amount of \$4,719. Amendments were made to school/other in the amount of \$3,415. Amendments were made to guidance services in the amount of \$14,166. Amendments were made to instructional media services in the amount of \$2,475. Amendments were made to ESE specialist in the amount of \$6,865. Amendments were made to school administration in the amount of \$48,903. Amendments were made to student transportation services in the amount of \$59,931. Amendments were made to operation and maintenance of school in the amount of \$230,957. An amendment was made to facilities acquisition and construction in the amount of (\$219,141). Amendments were made to the athletics program in the amount of (\$10,000) and amendments were made to capital outlay expenditures in the amount of \$37,446.

After appropriations were amended as described above, actual revenues were \$209,989 above final budgeted amounts; and actual expenditures were \$388,384 below final budgeted amounts.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$3,073,143, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>Increase</u>
Improvements other than buildings	\$ 2,130,965	\$ 2,178,750	\$ (47,785)
Machinery and equipment	<u>942,178</u>	<u>638,692</u>	<u>303,486</u>
Total capital assets	<u>\$ 3,073,143</u>	<u>\$ 2,817,442</u>	<u>\$ 255,701</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 25).

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital outlay funding from the State has increased to an estimated 78%.
- ◆ 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 2007-08 budgets of \$39,230,340 and \$39,230,340, respectively.

- ♦ The Adopted budget for fiscal year 2007-08 will include 3% increase for teachers; 2% for clerical personnel; and 2% to 3.5% for principals.

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 CHARTER SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 1,918,287
Due from Broward County	20,715
Other miscellaneous receivables	94,386
Commodities inventory	30,750
Capital assets being depreciated, net	<u>3,073,143</u>
Total assets	<u>5,137,281</u>
<u>LIABILITIES</u>	
Accrued liabilities	472,852
Deferred revenue	12,006
Deposits	476,290
Noncurrent liabilities:	
Due within one year	500,348
Due in more than one year	<u>126,026</u>
Total liabilities	<u>1,587,522</u>
<u>NET ASSETS</u>	
Invested in capital assets	3,073,143
Unrestricted	<u>476,616</u>
Total net assets	<u>\$ 3,549,759</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

				Net (Expense) Revenue and Changes in <u>Net Assets</u>
			Operating Grants and Contributions	Total Governmental Activities
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>		
Governmental activities:				
Instructional services	\$ 16,754,675	\$ -	\$ 29,805	\$ (16,724,870)
Rent	6,236,116	-	-	(6,236,116)
Instructional support services	1,427,452	-	-	(1,427,452)
Student transportation services	1,445,816	482,931	-	(962,885)
Operation and maintenance of school	6,434,659	5,184,298	388,658	(861,703)
School administration	4,226,299	-	-	(4,226,299)
Other	512,680	563,593	264,532	315,445
Total Charter Schools	<u>\$ 37,037,697</u>	<u>\$ 6,230,822</u>	<u>\$ 682,995</u>	<u>(30,123,880)</u>
General revenues:				
FTE non-specific revenues				28,668,150
Unrestricted investment earnings				170,705
Rental income				1,500,006
Miscellaneous				6,248
Total general revenues				<u>30,345,109</u>
Change in net assets				221,229
Net assets, beginning				<u>3,328,530</u>
Net assets, ending				<u>\$ 3,549,759</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2007

<u>ASSETS</u>	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Pooled cash and cash equivalents	\$ 1,179,994	\$ 336,741	\$ 401,552	\$ 1,918,287
Due from Broward County	-	-	20,715	20,715
Other miscellaneous receivables	47,683	29,427	17,276	94,386
Commodities inventory	8,510	6,885	15,355	30,750
Total assets	<u>\$ 1,236,187</u>	<u>\$ 373,053</u>	<u>\$ 454,898</u>	<u>\$ 2,064,138</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ 183,505	\$ 122,933	\$ 166,414	\$ 472,852
Deferred revenue	7,955	1,972	2,079	12,006
Deposits	132,301	57,584	286,405	476,290
Total liabilities	<u>323,761</u>	<u>182,489</u>	<u>454,898</u>	<u>961,148</u>
Fund balances:				
Reserved for commodities inventory	8,510	6,885	15,355	30,750
Unreserved:				
Designated for rent payments	903,916	183,679	(15,355)	1,072,240
Total fund balances	<u>912,426</u>	<u>190,564</u>	<u>-</u>	<u>1,102,990</u>
Total liabilities and fund balances	<u>\$ 1,236,187</u>	<u>\$ 373,053</u>	<u>\$ 454,898</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,073,143
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(626,374)
Net assets of governmental activities (page 12)	<u><u>\$ 3,549,759</u></u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2007

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 13,327,684	\$ 8,571,391	\$ 14,677,188	\$ 36,576,263
Federal grants	193,219	102,503	122,408	418,130
Total revenues	<u>13,520,903</u>	<u>8,673,894</u>	<u>14,799,596</u>	<u>36,994,393</u>
Expenditures:				
Current:				
K-3 Basic	3,803,218	-	-	3,803,218
4-8 Basic	1,826,304	4,392,592	-	6,218,896
9-12 Basic	-	-	5,206,323	5,206,323
Intensive English/ESOL	-	-	40,232	40,232
Exceptional student program	501,944	354,738	148,730	1,005,412
Vocational 6-12	-	-	235,600	235,600
Substitute teachers	107,739	86,130	38,474	232,343
School/other	-	-	12,651	12,651
Guidance services	180,783	153,807	499,538	834,128
Instructional media services	175,279	237,292	98,121	510,692
ESE specialist	-	-	64,553	64,553
Instructional staff training service	7,621	9,783	675	18,079
School administration	2,141,259	1,014,387	1,036,126	4,191,772
Facilities acquisition and construction	1,385,923	1,374,223	3,475,970	6,236,116
Student transportation services	719,455	471,682	254,679	1,445,816
Operation of school	2,024,213	1,411,867	2,755,033	6,191,113
Child care supervision	344,838	-	-	344,838
Athletics	-	-	167,842	167,842
Capital outlay	230,457	138,289	130,500	499,246
Total expenditures	<u>13,449,033</u>	<u>9,644,790</u>	<u>14,165,047</u>	<u>37,258,870</u>
Excess (deficiency) of revenues over expenditures	<u>71,870</u>	<u>(970,896)</u>	<u>634,549</u>	<u>(264,477)</u>
Other financing sources (uses):				
Transfers in	423,587	970,951	-	1,394,538
Transfers out	(495,457)	-	(634,549)	(1,130,006)
Total other financing sources (uses)	<u>(71,870)</u>	<u>970,951</u>	<u>(634,549)</u>	<u>264,532</u>
Net change in fund balances	-	55	-	55
Fund balances, beginning	912,426	190,509	-	1,102,935
Fund balances, ending	<u>\$ 912,426</u>	<u>\$ 190,564</u>	<u>\$ -</u>	<u>\$ 1,102,990</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2007

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

Net change in fund balances - total governmental funds (Page 14)	\$	55
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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	\$ 499,246	
Depreciation expense	<u>(243,545)</u>	
Net adjustment		255,701

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>(34,527)</u>	
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Change in net assets of governmental activities (page 12)	\$	<u>221,229</u>
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See notes to basic financial statements.

CITY OF PEMBROKE PINES 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 Elementary 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 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 of America as prescribed by the Governmental Accounting Standards Board.

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1,700 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 CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets

1. *Pooled Cash and Cash Equivalents*

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

2. *Receivables*

All receivables are considered to be collectible. 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 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>
Improvements other than buildings	5-50
Machinery and equipment	3-10

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

CITY OF PEMBROKE PINES 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)

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

4. *Compensated Absences*

The City's Charter Schools regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The City's Charter Schools have recorded the amount of accrued sick and vacation benefits as of June 30, 2007.

5. *Long-Term Obligations*

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

On December 1, 2006, \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998, and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 were advance refunded by the City's \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. Also on December 1, 2006, \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999 was advance refunded by a portion of the City's \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006. These advance refundings generate an approximate future rental benefit of \$2,316,000 for the City of Pembroke Pines Charter Schools over the remaining life of the bonds.

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 have no restricted assets as of June 30, 2007.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

Fund Financial Statements

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

7. Revenue Sources

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

8. Use of Estimates

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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' 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>\$1,915,316</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

	Elementary <u>Schools</u>	Middle <u>Schools</u>	High <u>School</u>	<u>Total</u>
Broward County District School Board:				
Florida education finance program	\$ 7,347,116	\$4,729,491	\$ 7,399,052	\$19,475,659
Public education capital outlay (PECO)	1,336,284	959,499	1,694,393	3,990,176
Class size reduction	1,285,948	824,541	1,363,545	3,474,034
District school taxes	489,071	315,523	491,704	1,296,298
Supplemental academic instruction	410,796	271,470	386,873	1,069,139
Transportation revenue	173,960	241,532	402,793	818,285
ESE guaranteed allocation	294,010	178,907	166,074	638,991
Governor's A+ Funds	180,000	119,950	159,929	459,879
Supplementary discretion millage	169,736	109,505	170,650	449,891
Instructional materials	164,340	108,602	154,772	427,714
Discretionary lottery funds	68,746	44,351	69,116	182,213
Advanced placement funding	-	-	156,900	156,900
Safe schools program	45,037	29,763	42,415	117,215
Summer reading program	5,464	13,184	50,018	68,666
Library media materials	10,038	6,633	9,453	26,124
Science lab materials	2,744	1,813	2,584	7,141
Total Broward County District School Board	<u>11,983,290</u>	<u>7,954,764</u>	<u>12,720,271</u>	<u>32,658,325</u>
Other:				
Rental revenue	95,961	131,209	1,272,836	1,500,006
Food sales	363,190	293,478	537,787	1,194,455
After school education program	541,215	-	-	541,215
In-house transportation	234,629	168,342	79,960	482,931
Interest	87,021	23,598	60,086	170,705
Summer school fees	22,378	-	-	22,378
Other miscellaneous revenue	-	-	6,248	6,248
Total other	<u>1,344,394</u>	<u>616,627</u>	<u>1,956,917</u>	<u>3,917,938</u>
Total local	<u>\$13,327,684</u>	<u>\$8,571,391</u>	<u>\$14,677,188</u>	<u>\$36,576,263</u>
Federal grants:				
School lunch reimbursement - Free/Reduced	\$ 135,076	\$ 62,723	\$ 65,911	\$ 263,710
School breakfast reimbursement - Food commodities program	27,490	21,399	34,811	83,700
Non-Severe Need	21,336	10,154	9,425	40,915
IDEA grant	9,317	8,227	12,261	29,805
Total Federal grants	<u>\$ 193,219</u>	<u>\$ 102,503</u>	<u>\$ 122,408</u>	<u>\$ 418,130</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,480,072	\$ 2,050	\$ -	\$ 2,482,122
Machinery and equipment	<u>2,314,272</u>	<u>497,196</u>	<u>(11,831)</u>	<u>2,799,637</u>
Total capital assets being depreciated	<u>4,794,344</u>	<u>499,246</u>	<u>(11,831)</u>	<u>5,281,759</u>
Less accumulated depreciation for:				
Improvements other than buildings	(301,322)	(49,835)	-	(351,157)
Machinery and equipment	<u>(1,675,580)</u>	<u>(193,710)</u>	<u>11,831</u>	<u>(1,857,459)</u>
Total accumulated depreciation	<u>(1,976,902)</u>	<u>(243,545)</u>	<u>11,831</u>	<u>(2,208,616)</u>
Total capital assets being depreciated, net	<u>\$ 2,817,442</u>	<u>\$ 255,701</u>	<u>\$ -</u>	<u>\$ 3,073,143</u>

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

Governmental activities:

Operation and maintenance of plant	<u>\$ 243,545</u>
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NOTE 5. INTERFUND TRANSFERS

Transfers out					
City of Pembroke					
	Elementary	High	Pines	Total	Purpose
Transfers in:					
Middle	\$ 495,457	\$ 210,962	\$ 264,532	\$ 970,951	Transfer gain of Early Development Center
Elementary	<u>-</u>	<u>423,587</u>	<u>-</u>	<u>423,587</u>	Supplement other funds
Total	<u>\$ 495,457</u>	<u>\$ 634,549</u>	<u>\$ 264,532</u>	<u>\$1,394,538</u>	

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. OPERATING LEASES

Communications Facility Lease

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

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

Fiscal year ending June 30:

2008	\$ 121,000
2009	123,000
2010	126,000
2011	128,000
2012	131,000
2013	<u>78,000</u>
Total approximate future minimum rentals	<u>\$ 707,000</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 172nd Avenue, and includes the City's Charter High School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward Community College (BCC) as well as the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the costs incurred by the City, the agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for 10 years with one ten-year renewal period. An additional option may be negotiated if requested in

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. OPERATING LEASES (Continued)

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

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, 2007 are:

Fiscal year ending June 30:

2008	\$ 850,000
2009	850,000
2010	850,000
2011	850,000
2012	<u>425,000</u>
Total approximate future minimum rentals	<u>\$ 3,825,000</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, 2007, rent expense was approximately \$1,386,000, \$1,374,000 and \$3,476,000 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:

2008	\$ 6,521,000
2009	6,361,000
2010	6,317,000
2011	6,316,000
2012	6,317,000
2013-2017	31,721,000
2018-2022	32,239,000
2023-2027	26,159,000
2028-2031	<u>12,186,000</u>
Total approximate minimum future rentals	<u>\$ 134,137,000</u>

CITY OF PEMBROKE PINES 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>\$ 591,847</u>	<u>\$ 621,531</u>	<u>\$(587,004)</u>	<u>\$ 626,374</u>	<u>\$ 500,348</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 two years.

NOTE 9. CONTINGENCY

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

NOTE 10. PENSION PLANS

Defined Benefit Plan

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. PENSION PLANS (Continued)

Defined Benefit Plan (continued)

The Charter Schools' employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS). The FRS is noncontributory, and is totally administered by the State of Florida.

Plan Description

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

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

Funding Policy

The Charter Schools' required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2007, the contribution rate was 9.85% of covered payroll which amounted to \$1,911,112. As of June 30, 2007 there were 378 members in this Plan. The Charter Schools are required to contribute both for full-time and part-time members of the Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

Defined Contribution Plan

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2007, there were 55 Plan members, versus 279 for the previous fiscal year. 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 Charter Schools' required contribution increased to 9.85% from 5% of the Plan

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. PENSION PLANS (Continued)

***Defined Contribution Plan* (Continued)**

member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2007, the Charter Schools contributed \$369,002 and the employees contributed \$34,723 to the 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. Therefore, the net assets of the Charter Schools' Plan are not included in the Charter Schools' financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2007

	<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	\$12,889,581	\$ 13,156,551	\$13,327,684	\$ 171,133
Federal grants	<u>147,000</u>	<u>189,515</u>	<u>193,219</u>	<u>3,704</u>
Total revenues	<u>13,036,581</u>	<u>13,346,066</u>	<u>13,520,903</u>	<u>174,837</u>
Expenditures:				
Current:				
K-3 Basic	3,628,511	3,806,177	3,803,218	2,959
4-8 Basic	1,756,747	1,831,886	1,826,304	5,582
Exceptional student program	514,718	534,147	501,944	32,203
Substitute teachers	90,755	112,673	107,739	4,934
Guidance services	171,065	180,827	180,783	44
Instructional media services	154,248	175,377	175,279	98
Instructional staff training service	17,592	17,592	7,621	9,971
School administration	2,102,444	2,145,573	2,141,259	4,314
Facilities acquisition and construction	1,492,054	1,403,693	1,385,923	17,770
Student transportation services	587,625	734,945	719,455	15,490
Operation of school	1,925,226	2,047,454	2,024,213	23,241
Child care supervision	374,361	357,920	344,838	13,082
Capital outlay	<u>208,105</u>	<u>282,044</u>	<u>230,457</u>	<u>51,587</u>
Total expenditures	<u>13,023,451</u>	<u>13,630,308</u>	<u>13,449,033</u>	<u>181,275</u>
Excess (deficiency) of revenues over expenditures	13,130	(284,242)	71,870	356,112
Other financing sources (uses):				
Transfers in	-	423,587	423,587	-
Transfers out	<u>(431,268)</u>	<u>(495,457)</u>	<u>(495,457)</u>	<u>-</u>
Total other financing sources (uses)	<u>(431,268)</u>	<u>(71,870)</u>	<u>(71,870)</u>	<u>-</u>
Net change in fund balances	(418,138)	(356,112)	-	356,112
Fund balances, beginning	<u>912,426</u>	<u>912,426</u>	<u>912,426</u>	<u>-</u>
Fund balances, ending	<u>\$ 494,288</u>	<u>\$ 556,314</u>	<u>\$ 912,426</u>	<u>\$ 356,112</u>

See notes to budgetary comparison schedules.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$8,362,290	\$8,520,742	\$8,571,391	\$ 50,649
Federal grants	72,500	89,952	102,503	12,551
Total revenues	<u>8,434,790</u>	<u>8,610,694</u>	<u>8,673,894</u>	<u>63,200</u>
Expenditures:				
Current:				
4-8 Basic	4,143,280	4,394,694	4,392,592	2,102
Intensive English/ESOL	6,600	-	-	-
Exceptional student program	361,801	377,332	354,738	22,594
Substitute teachers	72,258	89,799	86,130	3,669
Guidance services	149,806	154,179	153,807	372
Instructional media services	245,868	238,356	237,292	1,064
Instructional staff training service	19,330	19,330	9,783	9,547
School administration	1,050,546	1,015,425	1,014,387	1,038
Facilities acquisition and construction	1,459,241	1,385,384	1,374,223	11,161
Student transportation services	391,750	471,999	471,682	317
Operation of school	1,347,585	1,433,440	1,411,867	21,573
Capital outlay	115,270	157,334	138,289	19,045
Total expenditures	<u>9,363,335</u>	<u>9,737,272</u>	<u>9,644,790</u>	<u>92,482</u>
Deficiency of revenues over expenditures	(928,545)	(1,126,578)	(970,896)	155,682
Other financing sources:				
Transfers in	<u>928,545</u>	<u>1,139,507</u>	<u>970,951</u>	<u>(168,556)</u>
Net change in fund balances	-	12,929	55	(12,874)
Fund balances, beginning	<u>190,509</u>	<u>190,509</u>	<u>190,509</u>	<u>-</u>
Fund balances, ending	<u>\$ 190,509</u>	<u>\$ 203,438</u>	<u>\$ 190,564</u>	<u>\$ (12,874)</u>

See notes to budgetary comparison schedules.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$14,160,854	\$14,488,230	\$14,677,188	\$ 188,958
Federal grants	86,000	101,377	122,408	21,031
Total revenues	<u>14,246,854</u>	<u>14,589,607</u>	<u>14,799,596</u>	<u>209,989</u>
Expenditures:				
Current:				
9-12 Basic	5,311,058	5,428,530	5,206,323	222,207
Intensive English/ESOL	38,773	40,526	40,232	294
Exceptional student program	146,149	150,868	148,730	2,138
Vocational 6-12	243,516	251,132	235,600	15,532
Substitute teachers	39,214	39,214	38,474	740
School/other	10,038	13,453	12,651	802
Guidance services	490,519	504,685	499,538	5,147
Instructional media services	102,592	105,067	98,121	6,946
ESE specialist	58,370	65,235	64,553	682
Instructional staff training service	42,241	42,241	675	41,566
School administration	993,411	1,042,314	1,036,126	6,188
Facilities acquisition and construction	3,713,637	3,494,496	3,475,970	18,526
Student transportation services	195,875	255,806	254,679	1,127
Operation of school	2,565,533	2,796,490	2,755,033	41,457
Athletics	193,628	183,628	167,842	15,786
Capital outlay	102,300	139,746	130,500	9,246
Total expenditures	<u>14,246,854</u>	<u>14,553,431</u>	<u>14,165,047</u>	<u>388,384</u>
Excess of revenues over expenditures	-	36,176	634,549	598,373
Other financing uses:				
Transfers out	-	(634,549)	(634,549)	-
Net change in fund balances	-	(598,373)	-	598,373
Fund balances, beginning	-	-	-	-
Fund balances, ending	<u>\$ -</u>	<u>\$ (598,373)</u>	<u>\$ -</u>	<u>\$ 598,373</u>

See notes to budgetary comparison schedules.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2007

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.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations of approximately \$607,000 in the elementary schools, approximately \$374,000 more than the original budget in the middle schools and approximately \$307,000 in the high school during the fiscal year ended June 30, 2007.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2007

Governmental funds capital assets:

Improvements other than buildings	\$2,482,122
Machinery and equipment	<u>2,799,637</u>
Total governmental capital assets	<u>\$5,281,759</u>

Investments in governmental funds capital assets by source:

Charter Elementary Schools	\$2,273,252
Charter Middle Schools	2,476,976
Charter High School	<u>531,531</u>
Total governmental funds capital assets	<u>\$5,281,759</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2007

<u>Function and Activity</u>	Improvements		<u>Total</u>
	Other Than <u>Buildings</u>	Machinery and <u>Equipment</u>	
Education:			
Elementary Schools	\$ 1,218,921	\$1,054,331	\$2,273,252
Middle Schools	1,263,201	1,213,775	2,476,976
High School	-	531,531	531,531
Total governmental funds capital assets	<u>\$ 2,482,122</u>	<u>\$2,799,637</u>	<u>\$5,281,759</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED JUNE 30, 2007

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30,			Governmental Funds Capital Assets June 30,	
	<u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>	
Education:					
Elementary Schools	\$ 2,047,587	\$ 230,456	\$ (4,791)	\$ 2,273,252	
Middle Schools	2,345,726	138,290	(7,040)	2,476,976	
High School	401,031	130,500	-	531,531	
Total governmental funds capital assets	<u>\$ 4,794,344</u>	<u>\$ 499,246</u>	<u>\$ (11,831)</u>	<u>\$ 5,281,759</u>	



Watson Rice LLP

Certified Public Accountants and Consultants

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

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/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, 2007, which collectively comprise the Schools' basic financial statements as listed in the table of contents and have issued our report thereon dated September 21, 2007. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
September 21, 2007

Watson Rice LLP

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

Honorable Mayor and Members of the City Commission
City of Pembroke Pines/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, 2007, which collectively comprise the Schools' basic financial statements as listed in the table of contents and have issued our report thereon dated September 21, 2007. 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. 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 September 21, 2007, 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, 2007, 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 expenditures.
 - c. Had deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.
 - 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 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
September 21, 2007

Walter Hie LLP