

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

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(With Independent Auditors' Reports Thereon)

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

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3-8
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	13
Notes to Basic Financial Statements	14-25
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):	
Budgetary Comparison Schedule	26
Notes to Budgetary Comparison Schedule	27
CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND:	
Schedule by Source	28
Schedule by Function and Activity	29
Schedule of Changes by Function and Activity	30
SUPPLEMENTARY AUDITORS' REPORTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	31-32
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	33-34



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1.a., the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City), are intended to present the financial position and the changes in its financial position of only the transactions of the School as chartered by Florida State University. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines as a whole and does not include the City's Schools as chartered by the Broward County District School Board as of June 30, 2008, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 26 through 27, 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 an opinion on the financial statements that collectively comprise the School's basic financial statements. The schedule of capital assets used in the operation of the Governmental Fund as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fort Lauderdale, Florida
October 30, 2008

TCBA Water Rise LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/Florida State University (“FSU”) Charter Elementary School (“the Charter School”), we offer readers of the Charter School’s financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Charter School’s financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved in our fifth year of operation.

The City of Pembroke Pines/FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 610 Elementary school students. This partnership between the City of Pembroke Pines and the FSU was the first of its kind in Broward County. The Charter was granted to establish a Developmental Research Laboratory School, with the primary goal being to enhance the educational instruction and research of reading, and other disciplines at the primary and secondary school levels. The City also owns and operates six other Charter Schools within its corporate limits, which are sponsored by the School Board of Broward County.

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

Financial Highlights

- The assets of the FSU Charter School exceeded its liabilities at the close of the most recent fiscal year by \$545,464 (*net assets*).
- As of the close of the current fiscal year, the FSU Charter School’s governmental fund’s financial statements had an excess of revenues over expenses of \$389,033, as compared to \$114,313 from last year, and an ending fund balance of \$526,686 as compared with \$137,653 from last year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School’s basic financial statements. The Charter School’s basic financial statements consist of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements, 4) required supplementary information, and 5) supplementary auditors’ reports.

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

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

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

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

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City of Pembroke Pines/FSU Charter Elementary School maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City of Pembroke Pines/FSU Charter Elementary School adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 11-13 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14-25 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 26-27 of this report, and the Management's Discussion and Analysis (MD&A) comprising pages 3-8.

Supplementary Auditors' Reports. This section includes the following:

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

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pembroke Pines/FSU Charter Elementary School, net assets as of June 30, 2008 exceeded net assets as of June 30, 2007 by \$426,266.

Investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amount to \$109,556. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Increase (Decrease)
	2008	2007	
Current assets	\$ 559,926	\$ 328,579	\$ 231,347
Capital assets, net of depreciation	109,556	68,665	40,891
Total assets	669,482	397,244	272,238
Current liabilities	33,240	190,926	(157,686)
Noncurrent liabilities	90,778	87,120	3,658
Total liabilities	124,018	278,046	(154,028)
Net assets:			
Invested in capital assets	109,556	68,665	40,891
Unrestricted	435,908	50,533	385,375
Total net assets	\$ 545,464	\$ 119,198	\$ 426,266

Current assets increased by \$231,347 (70.4%) during the year. This was attributable to an increase of \$264,488 in pooled cash and cash equivalents, a decrease of \$34,902 in amounts due from FSU, a decrease of \$363 in other miscellaneous receivables, and an increase of \$2,124 in commodities inventory. The net increase in capital assets of \$40,891 (59.6%) is related to depreciation expense of \$34,317 required by GASB Statement No. 34 and the purchase of computer and playground equipment amounting to \$75,208.

Current liabilities decreased by \$157,686 (-82.6%) during the year. This decrease was related to an increase of \$3,884 in deposits, a decrease of \$100,101 in due to other funds, a decrease of \$62,520 in accrued liabilities, and a \$1,051 increase in deferred revenue. Noncurrent liabilities increased by \$3,658 (4.2%) during the year, which is related to compensated absences. Invested capital assets increased by \$40,891 (59.6%) and unrestricted net assets increased by \$385,375 (762.6%).

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental		Increase (Decrease)
	Activities		
	<u>2008</u>	<u>2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 789,213	\$ 789,276	\$ (63)
Operating grants and contributions	119,629	116,284	3,345
Capital contributions	60,399	-	60,399
General revenues:			
FTE non-specific revenues	4,565,915	4,308,994	256,921
Unrestricted investment earnings	5,683	-	5,683
Rental income	<u>47,964</u>	<u>47,412</u>	<u>552</u>
Total revenues	<u>5,588,803</u>	<u>5,261,966</u>	<u>326,837</u>
Expenses:			
Instructional services	2,197,327	2,254,903	(57,576)
Instructional support services	166,946	147,553	19,393
Student transportation services	248,746	239,559	9,187
School administration	853,068	842,948	10,120
Operation of school	1,005,763	973,471	32,292
Rent	539,574	537,010	2,564
Child care supervision	151,113	143,618	7,495
Interest expense	<u>-</u>	<u>3,706</u>	<u>(3,706)</u>
Total expenses	<u>5,162,537</u>	<u>5,142,768</u>	<u>19,769</u>
Change in net assets	426,266	119,198	(307,068)
Net assets, beginning	<u>119,198</u>	<u>-</u>	<u>119,198</u>
Net assets, ending	<u>\$ 545,464</u>	<u>\$ 119,198</u>	<u>\$ 426,266</u>

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's reported total net assets of \$545,464 at the end of the current fiscal year versus \$119,198 for fiscal year 2007. The total cost of all governmental activities this year was \$5,162,537. Key elements of these changes in net assets are as follows:

The Charter School's total revenues increased by \$326,837 (6.2%) due mainly to an increase in FTE non-specific revenues. FTE non-specific revenues increased by \$256,921 (6.0%), and capital contributions increased by \$60,399 (100%) for amounts that were donated from for playground equipment.

Total expenditures increased slightly by \$19,769 (0.4%) during the year, mainly attributable to an increase in operating cost as personnel cost remained level over last year.

Instructional services decreased by \$57,576 (-2.6%) instructional support services increased by \$19,393 (13.1%), student transportation services increased by \$9,187 (3.8%), and school administration increased by \$10,120 (1.2%). Rent increased by \$2,564 (0.5%), which was attributable to the net effect of scheduled principal and interest payments on the construction

funds borrowed, and the investment income earned on sinking fund deposits and required reserves. Operation of school increased by \$32,292 (3.3%), child care supervision increased by \$7,495 (5.2%) and interest expense decreased by \$3,706 (-100.0%).

Financial analysis of the City of Pembroke Pines/FSU Charter Elementary School's fund.

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

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

As of the end of the current fiscal year, the City of Pembroke Pines/FSU Charter Elementary School's governmental fund reported an ending unreserved fund balance of \$526,686, an increase of \$389,033 over last year.

Budgetary Highlights

For the fiscal year ended June 30, 2008, the City of Pembroke Pines/FSU Charter Elementary School had estimated revenues and appropriations of \$5,536,500 and \$5,401,452, respectively. Over the course of the year, the Charter School recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

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

The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget: Several amendments were made to the budgeted revenues in the amount of \$126,750. An amendment was made to the IDEA grant in the amount of \$69,561. An amendment was made to Florida Education Finance Program in the amount of (\$11,001). An amendment was made to Governor's A+ funds in the amount of \$60,600. An amendment was made to DCD Transition Supplement in the amount of \$6,500, and all other amendments were amounted to \$1,090.

Amendments were made to the budgeted expenditures in the amount of \$126,750. Amendments were made to K-3 Basic in the amount of (\$1,173). Amendments were made to 4-8 Basic in the amount of \$3,147. Amendments were made to Exceptional Student Education (ESE) program in the amount of \$60,765. Amendments were made to substitute teachers in the amount of \$9,450. Amendments were made to guidance services in the amount of (\$990). Amendments were made to instructional media services in the amount of (\$8,380). Amendments were made to instructional staff training services in the amount of (\$3,254). Amendments were made to school administration in the amount of (\$20,143). Amendments were made to facilities acquisition and construction in the amount of \$25,534. Amendments were made to student transportation services in the amount of \$10,720. Amendments were made to operation of school in the amount of (\$16,889).

Amendments were made to child care supervision in the amount of \$1,410. Amendments were made to capital outlay in the amount of \$26,267.

After appropriations were amended, as described above, actual revenues and expenditures were above final budgeted amounts by \$52,303 and \$201,682 respectively.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$109,556 (net of accumulated depreciation). This investment in capital assets consists mainly of playground equipment.

	<u>CAPITAL ASSETS (Net of Depreciation)</u>		
	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Increase</u>
Machinery and equipment	<u>\$ 109,556</u>	<u>\$ 68,665</u>	<u>\$ 40,891</u>
Total capital assets	<u>\$ 109,556</u>	<u>\$ 68,665</u>	<u>\$ 40,891</u>

Additional information on the Charter School's capital assets can be found on pages 28-30 of this report, and on Note 4 of the notes to the basic financial statements (page 22).

Economic Factors and Next Year's Budget and Rates

- ◆ Capital outlay funding will continue to be funded at 100%, 74% from State capital outlay funds and 26% from "2 Mil" funding.
- ◆ The Charter School will house 650 Elementary Students for the 2009 school year.
- ◆ The Charter School's contribution to the Florida Retirement System (FRS) will remain unchanged at 9.85%.
- ◆ The 2008-2009 Budget includes a net increase of 10 full-time.
- ◆ Salary increases will remain consistent with the School Board of Broward County.

Requests for Information

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

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

STATEMENT OF NET ASSETS

JUNE 30, 2008

<u>ASSETS</u>	<u>Governmental Activities</u>
Pooled cash and cash equivalents	\$ 264,788
Due from FSU	277,997
Other miscellaneous receivables	13,721
Commodities inventory	3,420
Capital assets being depreciated, net	<u>109,556</u>
Total assets	<u>669,482</u>
<u>LIABILITIES</u>	
Deferred revenue	4,780
Deposits	28,460
Noncurrent liabilities:	
Due within one year	73,007
Due in more than one year	<u>17,771</u>
Total liabilities	<u>124,018</u>
<u>NET ASSETS</u>	
Invested in capital assets	109,556
Unrestricted	<u>435,908</u>
Total net assets	<u><u>\$ 545,464</u></u>

See notes to basic financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
					<u>Total Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 2,197,327	\$ -	\$ 69,561	\$ -	\$ (2,127,766)
Instructional support services	166,946	-	-	-	(166,946)
Student transportation services	248,746	90,934	-	-	(157,812)
School administration	853,068	-	-	-	(853,068)
Operation and maintenance of school	1,005,763	539,593	50,068	60,399	(355,703)
Rent	539,574	-	-	-	(539,574)
Child care supervision	151,113	158,686	-	-	7,573
Total Charter School	\$ 5,162,537	\$ 789,213	\$ 119,629	\$ 60,399	(4,193,296)
General revenues:					
FTE non-specific revenues					4,565,915
Unrestricted investment earnings					5,683
Rental income					47,964
Total general revenues					4,619,562
Change in net assets					426,266
Net assets, beginning					119,198
Net assets, ending					\$ 545,464

See notes to basic financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2008

ASSETS

Pooled cash and cash equivalents	\$ 264,788
Due from FSU	277,997
Other miscellaneous receivables	13,721
Commodities inventory	3,420
Total assets	\$ 559,926

LIABILITIES AND FUND BALANCE

Liabilities:	
Deferred revenue	\$ 4,780
Deposits	28,460
Total liabilities	33,240

Fund balances:	
Reserved for commodities inventory	3,420
Unreserved:	
Designated for rent payments	495,786
Designated for capital replacement	27,480
Total unreserved fund balance	523,266
Total fund balances	526,686

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	109,556
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(90,778)
Net assets of governmental activities (page 9)	\$ 545,464

See notes to basic financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

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

FISCAL YEAR ENDED JUNE 30, 2008

Revenues:	
Local	\$ 5,469,600
Federal grants	<u>119,203</u>
Total revenues	<u>5,588,803</u>
Expenditures:	
Current:	
K-3 basic	1,185,197
4-8 basic	601,011
Guidance services	97,810
Exceptional student program	371,713
Substitute teachers	39,406
School administration	849,410
Student transportation services	248,746
Operation of school	971,446
Facilities acquisition and construction	539,574
Instructional media service	68,191
Instructional staff training services	945
Child care supervision	151,113
Capital outlay	<u>75,208</u>
Total expenditures	<u>5,199,770</u>
Excess of revenues over expenditures	<u>389,033</u>
Net change in fund balance	389,033
Fund balance, beginning	<u>137,653</u>
Fund balance, ending	<u><u>\$ 526,686</u></u>

See notes to basic financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

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

FISCAL YEAR ENDED JUNE 30, 2008

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

Net change in fund balance - total governmental fund (page 12)	\$ 389,033
--	------------

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

The detail of the difference is as follows:

Capital outlay	\$ 75,208	
Depreciation expense	<u>(34,317)</u>	
Net adjustment		40,891

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>(3,658)</u>
----------------------	--	----------------

Change in net assets of governmental activities (page 10)	<u>\$ 426,266</u>
---	-------------------

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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

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

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

The City also owns and operates six other Charter Schools - three (3) Charter Elementary Schools, two (2) Charter Middle Schools, and one (1) Charter High School. All of these Schools are chartered by the School Board of Broward County. The financial information of these six (6) Charter Schools are not included herein, as they are separately chartered with the School Board of Broward County.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School reports the following major fund:

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

Amounts reported as *program revenues* include 1) charges to the School 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 School's policy to use restricted resources first, and then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets

1. Pooled Cash and Cash Equivalents

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

2. Receivables

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

3. Inventories

Inventories consist of expendable food commodities and are valued on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

3. Inventories (Continued)

at their fair value as determined at the time of donation to the School's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used rather than purchased.

4. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000, except for computer equipment which uses an initial, individual cost of \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 asset lives are not capitalized.

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

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

5. Compensated Absences

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

5. *Compensated Absences* (Continued)

Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The Charter Elementary School has recorded the amount of accrued sick and vacation benefits as of and for the year ended June 30, 2008 in the government-wide financial statements.

6. *Long-Term Obligations*

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

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School. In December 2006, \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 was advance refunded by a portion of the \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. In 2008, the City issued the Charter School Revenue Bonds, Series 2008 for \$64,095,000 and used approximately \$3,360,000 to finance the construction of 12 new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School. These new classrooms will be utilized in the 2008-2009 school year.

The Elementary School remits a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 5 – Operating Leases).

7. *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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. Equity Classifications (Continued)

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School had no restricted assets as of June 30, 2008.
- 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.

8. Revenue Sources

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

9. Use of Estimates

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2. INVESTMENTS

The School invests in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs the LGSF. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The LGSF is not a registrant of the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2a-7 Fund and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares. The balance is entirely invested in "Pool A" shares and there are no withdrawal limitations on these amounts. The School's 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>\$264,788</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 3. REVENUE SOURCES

Florida State University:	
Florida education finance program	\$ 3,485,678
Class size reduction	486,660
Public education capital outlay (PECO)	423,915
District school taxes	384,688
Instructional materials	96,542
Governor's A+ funds	60,600
Discretionary lottery funds	29,196
DCD transition supplement	10,684
Library media materials	8,706
Science lab materials	2,376
Total Florida State University	4,989,045
Other:	
After school education program	158,686
Food sales	115,678
In-house transportation	90,934
Contributions	60,825
Rental revenue	47,964
Interest	5,683
School lunch supplement	542
School breakfast supplement	243
Total other	480,555
Total local	\$ 5,469,600
Federal grants:	
IDEA grant	\$ 69,561
School lunch reimbursement - Free/Reduced	35,949
Commodities -Donated Food	7,540
School breakfast reimbursement - Non-Severe Need	6,153
Total Federal grants	\$ 119,203

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4. CAPITAL ASSETS

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 111,857	\$ 75,208	\$ -	\$ 187,065
Total capital assets being depreciated	<u>111,857</u>	<u>75,208</u>	<u>-</u>	<u>187,065</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(43,192)</u>	<u>(34,317)</u>	<u>-</u>	<u>(77,509)</u>
Total accumulated depreciation	<u>(43,192)</u>	<u>(34,317)</u>	<u>-</u>	<u>(77,509)</u>
Total capital assets being depreciated, net	<u>\$ 68,665</u>	<u>\$ 40,891</u>	<u>\$ -</u>	<u>\$ 109,556</u>

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

Governmental activities:	
Operation of school	<u>\$ 34,317</u>

NOTE 5. OPERATING LEASES

Schools' Facility Lease

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5.). For the fiscal year ended June 30, 2008, rent expense was approximately \$567,000.

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

Fiscal year ending June 30:	
2009	\$ 807,000
2010	839,000
2011	840,000
2012	840,000
2013	826,000
2014-2018	3,078,000
2019-2023	2,745,000
2024-2028	1,350,000
2029-2033	1,812,000
2034-2038	<u>1,759,000</u>
Total approximate minimum future rentals	<u>\$ 14,896,000</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
Compensated absences	<u>\$ 87,120</u>	<u>\$ 77,500</u>	<u>\$ (73,842)</u>	<u>\$ 90,778</u>	<u>\$ 73,007</u>

NOTE 7. RISK MANAGEMENT

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

Health and hospitalization, workers’ compensation and life insurance coverage are provided through the City of Pembroke Pines, and the City, in turn, charges the School for this coverage. The School maintains its insurance as an additional named insured on the aggregate insurance policies purchased for all of the City’s Charter Schools for general liability, automotive liability, basic and catastrophic student accident, school leaders errors and omissions, and property and flood coverage through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in the past two years.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Commitment

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

Contingency

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9. PENSION PLANS

Defined Benefit Plan

The FSU Charter Elementary School 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 School's required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2008, the contribution rate was 9.85% of covered payroll which amounted to \$188,937. The Charter School is required to contribute both for full-time and part-time members of the Plan. As of June 30, 2008 there were 74 members in this 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 9. PENSION PLANS (Continued)

Defined Contribution Plan (Continued)

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, 2008, there were 11 FSU Plan members in this Plan. Effective January 1, 2002, the Charter School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter School's required contribution increased to 9.85% from 5% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2008, the Charter School contributed \$54,844 to the Plan; there were no employee contributions during the year. Provisions of the Charter School's Plan may be amended by the City Commission. The Charter School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter School's Plan are not included in the City's financial statements.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CHARTER ELEMENTARY SCHOOL

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$ 5,363,340	\$ 5,420,529	\$ 5,469,600	\$ 49,071
Federal grants	<u>46,410</u>	<u>115,971</u>	<u>119,203</u>	<u>3,232</u>
Total revenues	<u>5,409,750</u>	<u>5,536,500</u>	<u>5,588,803</u>	<u>52,303</u>
Expenditures:				
Current:				
K-3 basic	1,208,991	1,207,818	1,185,197	22,621
4-8 basic	634,089	637,236	601,011	36,225
Guidance services	108,954	107,964	97,810	10,154
Exceptional student program	374,673	435,438	371,713	63,725
Substitute teachers	30,000	39,450	39,406	44
School administration	853,367	873,510	849,410	24,100
Student transportation services	238,036	248,756	248,746	10
Operation of school	1,003,904	987,015	971,446	15,569
Facilities acquisition and construction	541,520	567,054	539,574	27,480
Instructional media service	78,232	69,852	68,191	1,661
Instructional staff training services	4,200	946	945	1
Child care supervision	149,786	151,196	151,113	83
Capital outlay	<u>48,950</u>	<u>75,217</u>	<u>75,208</u>	<u>9</u>
Total expenditures	<u>5,274,702</u>	<u>5,401,452</u>	<u>5,199,770</u>	<u>201,682</u>
Excess of revenues over expenditures	<u>135,048</u>	<u>135,048</u>	<u>389,033</u>	<u>253,985</u>
Other financing uses:				
Transfers out	<u>(135,048)</u>	<u>(135,048)</u>	-	<u>(135,048)</u>
Net change in fund balance	-	-	389,033	389,033
Fund balance, beginning	<u>137,653</u>	<u>137,653</u>	<u>137,653</u>	-
Fund balance, ending	<u>\$ 137,653</u>	<u>\$ 137,653</u>	<u>\$ 526,686</u>	<u>\$ 389,033</u>

See notes to budgetary comparison schedule

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for the City of Pembroke Pines/Florida State University Charter Elementary School which is a governmental fund. The governmental fund budget is maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States (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, 2008, there were no encumbrances.

2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, 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 amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of approximately \$127,000 during the fiscal year ended June 30, 2008.

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

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

JUNE 30, 2008

Governmental fund capital assets:

Machinery and equipment

\$ 187,065

Investments in governmental fund capital assets by source:

Charter Elementary School

\$ 187,065

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

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

JUNE 30, 2008

<u>Function and Activity</u>	<u>Machinery and Equipment</u>
Education:	
Charter Elementary School	\$ 187,065
Total governmental fund capital assets	<u>\$ 187,065</u>

City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FISCAL YEAR ENDED JUNE 30, 2008

<u>Function and Activity</u>	Governmental Fund Capital Assets June 30, <u>2007</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Fund Capital Assets June 30, <u>2008</u>
Education:				
Charter Elementary School	\$ 111,857	\$ 75,208	\$ -	\$ 187,065

See notes to basic financial statements.



**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/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's 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 School's 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 School's 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 that are required to be reported under *Government Auditing Standards*.

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

Fort Lauderdale, Florida
October 30, 2008

TCBA Water 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/Florida State University Charter Elementary School
Pembroke Pines, Florida

We have audited the basic financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (Special Revenue Fund of the City) as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated October 30, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United of America; 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 Independent Auditors' Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated October 30, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

- Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires that we determine whether the Schools did not meet any of the conditions described in Section 218.503(1), Florida Statutes which may result in a state of financial emergency. 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.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls including recommendations addressing deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes. In connection with our audit, we did not have any such recommendations.

- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such finding.
- Section 10.854(1)(e) items 1 through 5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, contracts or grant agreements or abuse that have occurred, or were likely to have occurred; (2) illegal or improper expenditures that would have an immaterial effect on the financial statements; and (3) control 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; (4) failures to properly record financial transactions; and (5) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)7., Rules of the Auditor General, requires that the name or official title of the charter school or center be disclosed in the management letter. The City of Pembroke Pines, Florida was incorporated in accordance with House Bill no. 1413 on June 20, 1960. The City of Pembroke Pines/Florida State University Charter Elementary School is operated by the City. The City of Pembroke Pines/Florida State University Charter Elementary School was created by motion of the City Commission on February 3, 2003.
- Section 10.854(1)(e)8.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.39(5), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Schools did not meet any of the conditions described in Section 218.39(5), Florida Statutes.
- Section 10.854(1)(e)8.b., Rules of the Auditor General, require that we report deteriorating financial conditions. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

Fort Lauderdale, Florida
October 30, 2008

TCBA Watson Rice LLP