

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

FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(With Independent Auditors' Reports Thereon)

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

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## 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, 2009. 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 \$6,594,572 (*net assets*), compared with \$6,987,457 for the previous fiscal year. Of this amount, \$3,764,370 (*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 \$4,561,872, or 11% of total expenditures. This represents a decrease of (\$304,705) over the prior year. Approximately 99% of this total amount or \$4,516,831, is available for spending (unreserved fund balance), but has been designated for rent payments and capital replacements.

### **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 Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

**Notes to basic financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to 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 \$6,594,572 as of June 30, 2009 as compared to \$6,987,457 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amounted to \$2,830,202. 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 \$3,764,370 (approximately 57%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental		Increase (Decrease)
	Activities		
	<u>2009</u>	<u>2008</u>	
Current assets	\$4,601,165	\$ 5,423,571	\$ (822,406)
Noncurrent assets	375,444	-	375,444
Capital assets, net of depreciation	<u>2,830,202</u>	<u>2,849,261</u>	<u>(19,059)</u>
Total assets	<u>7,806,811</u>	<u>8,272,832</u>	<u>(466,021)</u>
Current liabilities	414,737	556,994	(142,257)
Noncurrent liabilities	<u>797,502</u>	<u>728,381</u>	<u>69,121</u>
Total liabilities	<u>1,212,239</u>	<u>1,285,375</u>	<u>(73,136)</u>
Net assets:			
Invested in capital assets	2,830,202	2,849,261	(19,059)
Unrestricted	<u>3,764,370</u>	<u>4,138,196</u>	<u>(373,826)</u>
Total net assets	<u>\$6,594,572</u>	<u>\$ 6,987,457</u>	<u>\$ (392,885)</u>

Current assets decreased by \$822,406 (-15.2%) during the year. The Elementary Schools' current assets decrease of \$294,151, the Middle Schools' decrease of \$486,407, and the High School's decrease of \$41,848 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The net decrease in capital assets of \$19,059 is mainly attributable to the disposals of assets as a result of a physical inventory. The noncurrent asset, representing the ICMA forfeitures receivable will be used to offset the 9.85% Charter Schools' contribution to the defined contribution plan, and represents employer contributions that have been forfeited when a participant leaves the plan without being vested.

Current liabilities decreased by \$142,257 (-25.5%) during the year in the Elementary, Middle, and High Schools. This decrease is related to a decrease of \$74,416 in deposits, a decrease of \$68,249 in accrued liabilities, and an increase of \$408 in deferred revenue. Noncurrent liabilities increased by \$69,121 (9.5%) during the year. This increase is related to compensated absences. Invested in capital assets decreased by \$19,059 (-0.7%) during the year in the Elementary, Middle, and High schools. This net decrease is mainly related to the disposal of assets as mentioned above.

Unrestricted net assets decreased by \$373,826 (-9.0%) during the year in the Elementary, Middle, and High Schools. This decrease represents a decline in which assets exceeded liabilities.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental		Increase (Decrease)
	Activities		
	<u>2009</u>	<u>2008</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 5,583,277	\$ 5,849,923	\$ (266,646)
Operating grants and contributions	1,408,040	723,207	684,833
Capital contributions	-	20,000	(20,000)
General revenues:			
FTE non-specific revenues	30,240,630	32,414,805	(2,174,175)
Unrestricted investment earnings	143,532	174,290	(30,758)
Rental income	1,628,573	1,577,981	50,592
ICMA forfeitures revenue	<u>523,608</u>	<u>-</u>	<u>523,608</u>
Total revenues	<u>39,527,660</u>	<u>40,760,206</u>	<u>(1,232,546)</u>
Expenses:			
Instructional services	20,204,109	17,281,842	2,922,267
Rent	5,633,643	5,520,315	113,328
Instructional support services	1,703,278	1,558,125	145,153
Student transportation services	1,454,780	1,465,725	(10,945)
Operation and maintenance of school	6,461,237	6,486,440	(25,203)
School administration	3,824,325	4,434,906	(610,581)
Other	<u>639,173</u>	<u>575,155</u>	<u>64,018</u>
Total expenses	<u>39,920,545</u>	<u>37,322,508</u>	<u>2,598,037</u>
Change in net assets	(392,885)	3,437,698	(3,830,583)
Net assets, beginning	<u>6,987,457</u>	<u>3,549,759</u>	<u>3,437,698</u>
Net assets - ending	<u>\$ 6,594,572</u>	<u>\$ 6,987,457</u>	<u>\$ (392,885)</u>

**Governmental activities.** The Charter Schools' total net assets at the end of the year amounted to \$6,594,572, a decrease of \$392,885 over the previous fiscal year. The total cost of all governmental activities this year was \$39,920,545. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues decreased by \$1,232,546 (-3.0%) during the year. Program revenues which include charges for services, operating grants and contributions and capital contributions increased by \$398,187 (6.0%). General revenues which include FTE non-specific revenues decreased by \$1,630,733 (-4.8%).

Charges for services decreased by \$266,646 (-4.6%). Operating grants and contributions increased by \$684,833 (94.7%) during the year. Attributing to this increase was a new federal grant in the amount of \$215,174 by the Department of Education Autism Program, and an increase in contributions of approximately \$295,000. The FTE non-specific revenues

decreased by \$2,174,175 (-6.7%). This decrease was related to the FTE decrease in State funding. The Base Student Allocation rate (BSA) which is used to calculate the FTE revenues have declined. In FY2008-09 the Charter School budgeted this rate at \$3,971.74 per FTE, but the actual amount reimbursed by the State was \$3,886.14. Additionally FY2008 FTE revenues were inflated due to two retroactive payments received from the Broward County School Board during the last fiscal year. These payments included \$695,494 for the McKay Scholarship reimbursements and \$853,309 for the reimbursement of the 5% administrative fees that were being withheld by the School Board. Unrestricted investment earnings decreased by \$30,758 (-17.6%) as a result of lower interest rates. Rental income increased by \$50,592 (3.2%), and the ICMA forfeitures receivable increased by \$523,608 (100%).

Total expenditures increased by \$2,598,037 (7.0%) during the year. This increase was mainly attributable to an increase in personnel costs, including salaries and benefits, of approximately \$1,945,000. Increases in personnel costs were mainly driven by increases in salaries for instructional staff, while health, life and workers' compensation benefits increased by approximately \$419,000. Overall, operating costs increased by approximately \$160,000 (1.0%).

Instructional services increased by \$2,922,267 (16.9%) over last year. Instructional support services increased by \$145,153 (9.3%). Rent increased by \$113,328 (2.1%). This was offset by a decrease in School administration expenses of \$610,581 (-13.8%). All other expenses had a net increase of \$27,870 (0.3%).

**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 \$4,561,872, a decrease of \$304,705 over the previous fiscal year. The fund balance consists of a reserve for commodities inventory of \$45,041. The remaining \$4,516,831 is unreserved, of which \$4,047,085 has been designated for future rent payments, and \$469,746 has been designated for capital replacements.

### **Budgetary Highlights**

For the fiscal year ended June 30, 2009, the Charter Schools had estimated revenues and appropriations of \$40,569,908 and \$41,081,198, respectively, excluding other financing sources. 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 amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$463,456 as follows: An amendment was made for ICMA forfeitures revenue of \$263,808. An amendment was made to budget for Governor's A+ funds in the amount of \$153,000. Amendments made to contributions totaling \$45,003, and an amendment was made to miscellaneous revenues in the amount of \$1,645.

Amendments to budgeted expenditures totaled \$196,729 as follows:

***The Charter Elementary Schools, East, West and Central Campuses made the following amendments to budget:*** Amendments were made to K-3 Basic in the amount of \$73,719. Amendments were made to 4-8 Basic in the amount of \$28,331. Amendments were made to Exceptional Student (ESE) Program in the amount of (\$18,947). Amendments were made to substitute teachers in the amount of (\$11,169). Amendments were made to guidance services in the amount of (\$527). Amendments were made to instructional media services in the amount of (\$7,295). Amendments were made to instructional staff training services in the amount of (\$9,500). Amendments were made to school administration in the amount of \$3,555. An amendment was made to student transportation services in the amount of \$4,500. Amendments were made to operation and maintenance of school in the amount of \$115,074. Amendments were made to child care supervision in the amount of (\$14,354), and amendments were made to capital outlay expenditures in the amount of \$33,342.

Overall, the Charter Elementary Schools had a negative budget expenditure variance of (\$83,749) before transfers. After appropriations were amended, as described above, actual revenues were (\$600,797) below final budgeted amounts.

***The Charter Middle Schools, West and Central Campuses, made the following amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$303,847 as follows: An amendment was made for ICMA forfeitures revenue of \$183,445. An amendment was made to the budget for Governor's A+ funds in the amount of \$101,771. Amendments made to contributions totaling \$17,405, and an amendment was made to miscellaneous revenues in the amount of \$1,226.

Amendments to budgeted expenditures totaled \$119,295 as follows:

***The Charter Middle Schools, West and Central Campuses, made the following amendments to budget:*** Amendments were made to 4-8 Basic in the amount of \$70,348. Amendments were made to Intensive English/ESOL Basic in the amount of (\$400). Amendments were made to ESE program in the amount of \$10,922. Amendments were made to substitute teachers in the amount of \$4,000. Amendments were made to guidance services in the amount of \$6,622. Amendments were made to instructional media services in the amount of (\$16,277). Amendments were made to instructional staff training services in the amount of (\$11,000). Amendments were made to school administration in the amount of \$3,776. Amendments were made to student transportation services in the amount of \$1,000.



Amendments were made to operation and maintenance of school in the amount of \$20,050, and amendments were made to capital outlay expenditures amounting to \$30,254.

Overall, the Charter Middle Schools had a negative budget expenditure variance in the amount of (\$180,129), before transfers. After appropriations were amended as described above, actual revenues were (\$353,181) below final budgeted amounts.

***The Charter High School made the following amendments to budget:*** Several amendments were made to the budgeted revenues totaling \$385,130 as follows: An amendment was made for ICMA forfeitures revenue of \$238,328. An amendment was made to the budget for Governor’s A+ funds in the amount of \$144,322, and an amendment was made to contributions totaling \$2,480.

Amendments to budgeted expenditures totaled \$146,822. Amendments were made to 9-12 Basic in the amount of \$15,476. Amendments were made to Intensive English/ESOL in the amount of \$26. Amendments were made to exceptional student program in the amount of \$23,525. Amendments were made to Vocational 6-12 in the amount of (\$12,062). Amendments were made to substitute teachers in the amount of \$24,500. Amendments were made to school/other in the amount of \$6,500. Amendments were made to guidance services in the amount of \$6,697. Amendments were made to instructional media services in the amount of \$993. Amendments were made to ESE specialist in the amount of \$16,485. Amendments were made to school administration in the amount of (\$4,201). Amendments were made to student transportation services in the amount of \$6,149. Amendments were made to operation and maintenance of school in the amount of \$59,403, and amendments were made to capital outlay expenditures in the amount of \$3,331.

After appropriations were amended as described above, the Charter High School had a negative budget expenditure variance of (\$44,848) before transfers. After appropriations were amended, as described above, actual revenues were (\$603,571) below final budgeted amounts.

**Capital Assets**

The Charter Schools’ investment in capital assets for its governmental activities as of June 30, 2009 amounts to \$2,830,202, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

	Governmental		
	Activities		Increase
	<u>2009</u>	<u>2008</u>	<u>(Decrease)</u>
Improvements other than buildings	\$ 2,057,983	\$ 2,081,017	\$ (23,034)
Machinery and equipment	<u>772,219</u>	<u>768,244</u>	<u>3,975</u>
Total capital assets	<u>\$ 2,830,202</u>	<u>\$ 2,849,261</u>	<u>\$ (19,059)</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 will remain the same as FY2009. The State is funding this revenue at an estimated 66% of the total maximum allocation.
- ◆ Broward County School Board will maintain the administrative costs to 5% only on the first 500 students for the entire system.
- The Charter school will no longer receive District Discretionary Lottery funding; in FY 2009 the Charter school collected approximately \$119,000.
- ◆ The Charter Schools' student attendance rate remains stable at 96%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2009-10 budgets of 41,678,864 and \$41,678,864 respectively.
- ◆ The Elementary School population will increase by 52 students. The total number of students will be 1,928 for the 2009-10 school year.
- ◆ The Middle School population will increase by 15 students. The total number of students will be 1,215 for the 2009-10 school year.

### **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, 2009

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 4,534,738
Due from Broward County	13,565
Due from Federal Government	6,478
ICMA forfeitures receivable	375,444
Other miscellaneous receivables	1,343
Commodities inventory	45,041
Capital assets being depreciated, net	<u>2,830,202</u>
Total assets	<u>7,806,811</u>
 <u>LIABILITIES</u>	
Accrued liabilities	5,372
Deferred revenue	16,706
Deposits	392,659
Noncurrent liabilities:	
Due within one year	617,504
Due in more than one year	<u>179,998</u>
Total liabilities	<u>1,212,239</u>
 <u>NET ASSETS</u>	
Invested in capital assets	2,830,202
Unrestricted	<u>3,764,370</u>
Total net assets	<u>\$ 6,594,572</u>

See notes to basic financial statements.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in <u>Net Assets</u> Total Governmental <u>Activities</u>
Governmental activities:				
Instructional services	\$ 20,204,109	\$ -	\$ 333,594	\$ (19,870,515)
Rent	5,633,643	-	-	(5,633,643)
Instructional support services	1,703,278	-	-	(1,703,278)
Student transportation services	1,454,780	623,085	-	(831,695)
Operation and maintenance of school	6,461,237	4,402,050	559,135	(1,500,052)
School administration	3,824,325	7,231	-	(3,817,094)
Other	639,173	550,911	515,311	427,049
Total Charter Schools	<u>\$ 39,920,545</u>	<u>\$ 5,583,277</u>	<u>\$ 1,408,040</u>	<u>(32,929,228)</u>
General revenues:				
				30,240,630
				143,532
				1,628,573
				<u>523,608</u>
				<u>32,536,343</u>
				(392,885)
				<u>6,987,457</u>
				<u>\$ 6,594,572</u>

See notes to basic financial statements.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Pooled cash and cash equivalents	\$ 3,278,704	\$ 812,670	\$ 443,364	\$ 4,534,738
Due from Broward County	-	-	13,565	13,565
Due from Federal Government	3,953	1,980	545	6,478
ICMA forfeitures receivable	133,420	93,071	148,953	375,444
Other miscellaneous receivables	656	468	219	1,343
Commodities inventory	<u>13,250</u>	<u>10,567</u>	<u>21,224</u>	<u>45,041</u>
Total assets	<u>\$ 3,429,983</u>	<u>\$ 918,756</u>	<u>\$ 627,870</u>	<u>\$ 4,976,609</u>

### LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ 2,874	\$ 1,270	\$ 1,228	\$ 5,372
Deferred revenue	9,891	3,481	3,334	16,706
Deposits	<u>76,482</u>	<u>52,157</u>	<u>264,020</u>	<u>392,659</u>
Total liabilities	<u>89,247</u>	<u>56,908</u>	<u>268,582</u>	<u>414,737</u>
Fund balances:				
Reserved for commodities inventory	13,250	10,567	21,224	45,041
Unreserved:				
Designated for rent payments	3,102,964	741,229	202,892	4,047,085
Designated for capital replacements	<u>224,522</u>	<u>110,052</u>	<u>135,172</u>	<u>469,746</u>
Total unreserved fund balance	<u>3,327,486</u>	<u>851,281</u>	<u>338,064</u>	<u>4,516,831</u>
Total fund balances	<u>3,340,736</u>	<u>861,848</u>	<u>359,288</u>	<u>4,561,872</u>
Total liabilities and fund balances	<u>\$ 3,429,983</u>	<u>\$ 918,756</u>	<u>\$ 627,870</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,830,202

Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (797,502)

Net assets of governmental activities (page 12) \$ 6,594,572

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<b>Revenues:</b>				
Local	\$ 14,778,654	\$ 9,001,751	\$ 14,706,171	\$ 38,486,576
Federal grants	<u>236,604</u>	<u>138,345</u>	<u>150,834</u>	<u>525,783</u>
Total revenues	<u>15,015,258</u>	<u>9,140,096</u>	<u>14,857,005</u>	<u>39,012,359</u>
<b>Expenditures:</b>				
Current:				
K-3 Basic	5,260,652	-	-	5,260,652
4-8 Basic	2,404,680	4,847,224	-	7,251,904
9-12 Basic	-	-	5,853,236	5,853,236
Intensive English/ESOL	-	-	5,199	5,199
Exceptional student program	729,657	427,106	146,493	1,303,256
Vocational 6-12	-	-	229,671	229,671
Substitute teachers	115,232	98,323	69,014	282,569
School/other	-	-	17,621	17,621
Guidance services	203,723	172,603	559,721	936,047
Instructional media services	297,494	249,284	101,479	648,257
ESE specialist	-	-	83,575	83,575
Instructional staff training service	7,197	10,691	17,511	35,399
School administration	1,567,569	1,096,732	1,090,903	3,755,204
Facilities acquisition and construction	1,495,705	1,120,728	3,017,210	5,633,643
Student transportation services	707,256	475,064	272,460	1,454,780
Operation of school	2,129,753	1,422,556	2,614,734	6,167,043
Child care supervision	439,091	-	-	439,091
Athletics	-	25,479	174,603	200,082
Capital outlay	<u>112,848</u>	<u>95,403</u>	<u>66,895</u>	<u>275,146</u>
Total expenditures	<u>15,470,857</u>	<u>10,041,193</u>	<u>14,320,325</u>	<u>39,832,375</u>
Excess (Deficit) of revenues over expenditures	<u>(455,599)</u>	<u>(901,097)</u>	<u>536,680</u>	<u>(820,016)</u>
<b>Other financing sources (uses):</b>				
Transfers in	336,382	515,311	-	851,693
Transfers out	<u>-</u>	<u>-</u>	<u>(336,382)</u>	<u>(336,382)</u>
Total other financing sources (uses)	<u>336,382</u>	<u>515,311</u>	<u>(336,382)</u>	<u>515,311</u>
Net change in fund balances	(119,217)	(385,786)	200,298	(304,705)
Fund balances, beginning	<u>3,459,953</u>	<u>1,247,634</u>	<u>158,990</u>	<u>4,866,577</u>
Fund balances, ending	<u>\$ 3,340,736</u>	<u>\$ 861,848</u>	<u>\$ 359,288</u>	<u>\$ 4,561,872</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, 2009

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

Net change in fund balances - total governmental funds (Page 14) \$ (304,705)

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	\$ 275,146	
Depreciation expense	<u>(285,682)</u>	
Net adjustment		(10,536)

The net effect of various miscellaneous transactions involving capital assets (8,523)

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>(69,121)</u>
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Change in net assets of governmental activities (page 12) \$ (392,885)

# 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 Schools' first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

The Schools operate under a charter of the sponsoring school district, the Broward County School Board (the District). The Elementary Schools' charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle Schools' charter was approved by the City Commission on June 2, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. All three charters may be renewed in increments of five (5) years by mutual written agreement between the Schools and the District. At the end of the term of the charters, the District may choose not to renew the charters under grounds specified in the charter in which case the District is required to notify the Schools in writing at least 90 days prior to the charter's expiration. Pursuant to Section 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 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 656 students for the 2009-10 school year. 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 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.

# 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)

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

The Schools report the following major funds:

**Charter Elementary Schools** – The Elementary Schools consist of an East, West and Central campus, serving 1,928 student stations for the 2009-10 school year.

**Charter Middle Schools** – The Middle Schools consist of a West and Central campus, serving 1,215 student stations for the 2009-10 school year.

**Charter High School** – The Charter High School, located at the Academic Village site, serving 1,700 student stations for the 2009-10 school year .

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. *Inventories*

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

##### 4. *Capital Assets*

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, individual cost of more than \$1,000, except for 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:

# 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)

##### 4. *Capital Assets* (Continued)

<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.

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

##### 5. *Compensated Absences*

The City's Charter Schools' regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The City's Charter Schools have recorded the amount of accrued sick and vacation benefits as of June 30, 2009.

##### 6. *Long-Term Obligations*

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

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

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

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

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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

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

##### 7. Equity Classifications

###### Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Schools have no restricted assets as of June 30, 2009.
- 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 the Broward County School Board pursuant to the funding provisions included in the Schools’ charter. In accordance with the funding provisions of the charter and Section 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.

# 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)

##### 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.

### 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.

On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A, currently referred to as the LGIP, consisted of all money market appropriate assets; and has no restrictions as to deposits or withdrawals. Pool B, currently referred to as Fund B Surplus Trust Fund (Fund B), consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. Withdrawals from Fund B were frozen, with funds being transferred to participants as maturities, sales proceeds and income become available. The Schools' investments are currently in LGIP (Pool A) with no restrictions.

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>\$4,532,262</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 School Board:				
Florida education finance program	\$ 7,800,318	\$4,773,828	\$ 7,255,475	\$19,829,621
Class size reduction	2,130,104	1,108,841	1,658,470	4,897,415
Public education capital outlay (PECO)	1,018,838	734,156	1,372,149	3,125,143
District school taxes	590,485	361,377	549,253	1,501,115
Supplemental academic instruction	416,032	266,181	377,255	1,059,468
Transportation revenue	172,637	214,624	338,958	726,219
ESE guaranteed allocation	276,888	191,091	164,974	632,953
Supplementary discretion millage	177,857	108,849	165,438	452,144
Instructional materials	163,676	104,721	148,419	416,816
Governor's A+ Funds	153,000	101,771	144,322	399,093
Discretionary lottery funds	46,641	28,544	43,384	118,569
Safe schools program	45,408	29,053	41,176	115,637
Summer reading program	5,729	10,554	33,280	49,563
Library media materials	9,982	6,386	9,051	25,419
Science lab materials	<u>2,728</u>	<u>1,746</u>	<u>2,474</u>	<u>6,948</u>
Total Broward County School Board	<u>13,010,323</u>	<u>8,041,722</u>	<u>12,304,078</u>	<u>33,356,123</u>
Other:				
Rental revenue	113,696	146,841	1,368,036	1,628,573
Food sales	384,680	349,157	543,070	1,276,907
In-house transportation	304,298	217,354	101,433	623,085
After school education program	546,195	-	-	546,195
ICMA forfeiture revenue	199,085	133,654	190,869	523,608
Contributions	126,745	77,748	162,453	366,946
Interest	83,108	31,485	28,939	143,532
Other miscellaneous revenue	2,458	1,318	3,465	7,241
School lunch supplement	1,848	1,364	2,112	5,324
Summer school fees	4,716	-	-	4,716
School breakfast supplement	<u>1,502</u>	<u>1,108</u>	<u>1,716</u>	<u>4,326</u>
Total other	<u>1,768,331</u>	<u>960,029</u>	<u>2,402,093</u>	<u>5,130,453</u>
Total local	<u>\$14,778,654</u>	<u>\$9,001,751</u>	<u>\$14,706,171</u>	<u>\$38,486,576</u>
Federal grants:				
School lunch reimbursement - Free/Reduced	\$ 162,912	\$ 90,528	\$ 89,472	\$ 342,912
Food commodities program	26,775	20,799	33,137	80,711
School breakfast reimbursement - Non-Severe Need	31,298	14,089	8,612	53,999
IDEA grant	<u>15,619</u>	<u>12,929</u>	<u>19,613</u>	<u>48,161</u>
Total Federal grants	<u>\$ 236,604</u>	<u>\$ 138,345</u>	<u>\$ 150,834</u>	<u>\$ 525,783</u>



# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 4. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,482,012	\$ 26,861	\$ -	\$ 2,508,873
Machinery and equipment	<u>2,293,369</u>	<u>251,239</u>	<u>(134,696)</u>	<u>2,409,912</u>
Total capital assets being depreciated	<u>4,775,381</u>	<u>278,100</u>	<u>(134,696)</u>	<u>4,918,785</u>
Less accumulated depreciation for:				
Improvements other than buildings	(400,995)	(49,895)	-	(450,890)
Machinery and equipment	<u>(1,525,125)</u>	<u>(235,787)</u>	<u>123,219</u>	<u>(1,637,693)</u>
Total accumulated depreciation	<u>(1,926,120)</u>	<u>(285,682)</u>	<u>123,219</u>	<u>(2,088,583)</u>
Total capital assets being depreciated, net	<u>\$ 2,849,261</u>	<u>\$ (7,582)</u>	<u>\$ (11,477)</u>	<u>\$ 2,830,202</u>

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

Governmental activities:	
Operation and maintenance of plant	<u>\$ 285,682</u>

For the current fiscal year, decreases in capital assets mainly represent assets that were disposed of as a result of a physical inventory that was conducted for the Charter Schools.

### NOTE 5. RECEIVABLES

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>Receivables</u>				
Due from Broward County	\$ -	\$ -	\$ 13,565	\$ 13,565
Due from Federal Government	3,953	1,980	545	6,478
ICMA forfeitures receivable	133,420	93,071	148,953	375,444
Other miscellaneous receivables	<u>656</u>	<u>468</u>	<u>219</u>	<u>1,343</u>
Gross receivables	138,029	95,519	163,282	396,830
Less allowance for uncollectible accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 138,029</u>	<u>\$ 95,519</u>	<u>\$ 163,282</u>	<u>\$ 396,830</u>

Receivables not expected to be collected in one year consist of the ICMA forfeitures receivable in the amount of \$375,444. This receivable will be used to offset future Charter School employer contributions to the defined contribution plan, as described in Note 11.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 6. INTERFUND TRANSFERS

	<u>Transfers out</u>			
	<u>High</u>	<u>Pines</u>	<u>Total</u>	
	City of Pembroke			
Transfers in:				<u>Purpose</u>
Elementary	\$336,382	\$ -	\$336,382	Repayment of previous years transfers
Middle	-	515,311	\$515,311	Transfer gain of Early Development Centers
Total	\$336,382	\$515,311	\$851,693	

### NOTE 7. OPERATING LEASES

#### *Communications Facility Lease*

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

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

Fiscal year ending June 30:	
2010	\$ 126,000
2011	128,000
2012	131,000
2013	78,000
Total approximate future minimum rentals	\$ 463,000

#### *Other Facility Lease*

On March 13, 2002 the City signed an Interlocal Agreement with Florida International University (FIU) for use of educational facilities located in the City's Academic Village. The Academic Village is a City-owned complex located on the northeast corner of Sheridan Street and Northwest 172<sup>nd</sup> Avenue, and includes the City's Charter High

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 7. OPERATING LEASES (continued)

#### *Other Facility Lease (continued)*

School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward College, as well as the Shared-Use Facility for the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the construction and operating costs incurred by the City, the Agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for ten years through December 31, 2012, with one ten-year renewal period. An additional option may be negotiated if requested in writing to the City. The annual rentals are payable to the Charter High School in quarterly advance payments.

The rental income of \$950,760 received in the Charter Schools' fiscal year ended June 30, 2009 was recorded in the Charter High School financial statements, and future rentals are included in the table below. The City's cost for the Shared-Use Facility amounted to \$13,599,845, and accumulated depreciation and net book value as of June 30, 2009 amounted to \$1,341,162 and \$12,258,683, respectively. These costs plus the annual depreciation expense of \$282,350 are recorded in the City's financial statements and are not included in the Charter Schools' financial data.

The approximate minimum future rentals to be received, excluding cost of living index changes or expected lease renewals on this non-cancelable operating lease as of June 30, 2009 are:

Fiscal year ending June 30:	
2010	\$ 850,000
2011	850,000
2012	<u>425,000</u>
Total approximate future minimum rentals	<u>\$ 2,125,000</u>

#### *Schools' Facility Leases*

The Schools lease their elementary school campuses, middle school campuses and high school campus from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Schools (see Note 1.d.6). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2009, rent expense was approximately \$1,496,000, \$1,121,000 and \$3,017,000 for the Elementary, Middle and High schools, respectively.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 7. OPERATING LEASES (continued)

#### *Schools' Facility Leases (continued)*

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

Fiscal year ending June 30:	
2010	\$ 5,662,000
2011	5,661,000
2012	5,663,000
2013	5,427,000
2014	5,708,000
2015-2019	29,013,000
2020-2024	28,934,000
2025-2029	28,292,000
2030-2034	27,740,000
2035-2038	<u>22,299,000</u>
Total approximate minimum future rentals	<u>\$164,399,000</u>

### NOTE 8. CHANGES IN LONG-TERM LIABILITIES

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One Year
Compensated absences	<u>\$ 728,381</u>	<u>\$ 638,330</u>	<u>\$(569,209)</u>	<u>\$ 797,502</u>	<u>\$ 617,504</u>

### NOTE 9. RISK MANAGEMENT

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

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 10. CONTINGENCY

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

### NOTE 11. PENSION PLANS

#### *Defined Benefit Plan*

On August 16, 2006, the City Commission passed Resolution number 3105 which mandated that all Pembroke Pines Charter Schools' full-time employees hired after August 7, 2006 and all part-time employees regardless of the date of hire will join the Florida Retirement System (FRS) Pension Plan. Individuals who were currently members of the ICMA-RC Defined Contribution Plan were given a one-time irrevocable election whether or not to participate in the FRS Pension Plan. The Charter Schools' employees participate in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS). The FRS is 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, 2009, the contribution rate was 9.85% of covered payroll which amounted to \$1,527,703. As of June 30, 2009, there were 418 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%.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

### NOTE 11. PENSION PLANS (Continued)

#### *Defined Contribution Plan*

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2009, there were 48 Plan members, versus 54 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 member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2009, the Charter Schools contributed \$198,035 and the employees contributed \$11,469 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.

In FY2009 the charter schools recorded a revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Charter School will utilize these forfeitures to offset future employer contributions to the Plan.

### NOTE 12. OTHER INFORMATION

In November 2007, the Charter Schools filed a lawsuit against the School Board of Broward County (the District) in order to recoup its share of the District's "2 Mill" money that it collects from taxpayers for new construction and remodeling projects. The Charter Schools have calculated that the amount of "2 Mill" money that was withheld by the District since 1998 is approximately \$34.9 million. To date, there have been several meetings between the City Administration and the District; however no resolution has been made at this time.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>Revenues:</b>				
Local	\$ 14,931,555	\$ 15,395,011	\$ 14,778,654	\$ (616,357)
Federal grants	221,044	221,044	236,604	15,560
Total revenues	15,152,599	15,616,055	15,015,258	(600,797)
<b>Expenditures:</b>				
<b>Current:</b>				
K-3 Basic	5,247,359	5,321,078	5,260,652	60,426
4-8 Basic	2,432,734	2,461,065	2,404,680	56,385
Exceptional student program	780,970	762,023	729,657	32,366
Substitute teachers	162,169	151,000	115,232	35,768
Guidance services	215,829	215,302	203,723	11,579
Instructional media services	345,442	338,147	297,494	40,653
Instructional staff training service	25,930	16,430	7,197	9,233
School administration	1,617,941	1,621,496	1,567,569	53,927
Facilities acquisition and construction	1,505,524	1,505,524	1,495,705	9,819
Student transportation services	702,828	707,328	707,256	72
Operation of school	2,175,917	2,290,991	2,129,753	161,238
Child care supervision	481,489	467,135	439,091	28,044
Capital outlay	97,044	130,386	112,848	17,538
Total expenditures	15,791,176	15,987,905	15,470,857	517,048
Deficit of revenues over expenditures	(638,577)	(371,850)	(455,599)	(83,749)
<b>Other financing sources (uses):</b>				
Transfers in	78,135	78,135	336,382	258,247
Net change in fund balances	(560,442)	(293,715)	(119,217)	174,498
Fund balances, beginning	3,459,953	3,459,953	3,459,953	-
Fund balances, ending	\$ 2,899,511	\$ 3,166,238	\$ 3,340,736	\$ 174,498

See notes to Budgetary Comparison Schedule

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2009

	<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>
<b>Revenues:</b>				
Local	\$ 9,077,528	\$ 9,381,375	\$9,001,751	\$ (379,624)
Federal grants	<u>111,902</u>	<u>111,902</u>	<u>138,345</u>	<u>26,443</u>
Total revenues	<u>9,189,430</u>	<u>9,493,277</u>	<u>9,140,096</u>	<u>(353,181)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
4-8 Basic	4,789,532	4,859,880	4,847,224	12,656
Intensive English/ESOL	1,900	1,500	-	1,500
Exceptional student program	418,022	428,944	427,106	1,838
Substitute teachers	95,996	99,996	98,323	1,673
Guidance services	167,087	173,709	172,603	1,106
Instructional media services	267,154	250,877	249,284	1,593
Instructional staff training service	23,500	12,500	10,691	1,809
School administration	1,118,265	1,122,041	1,096,732	25,309
Facilities acquisition and construction	1,133,158	1,133,158	1,120,728	12,430
Student transportation services	474,152	475,152	475,064	88
Operation of school	1,494,218	1,514,268	1,422,556	91,712
Athletics	31,412	31,412	25,479	5,933
Capital outlay	<u>80,554</u>	<u>110,808</u>	<u>95,403</u>	<u>15,405</u>
Total expenditures	<u>10,094,950</u>	<u>10,214,245</u>	<u>10,041,193</u>	<u>173,052</u>
Deficit of revenues over expenditures	(905,520)	(720,968)	(901,097)	(180,129)
<b>Other financing sources:</b>				
Transfers in	<u>905,520</u>	<u>905,520</u>	<u>515,311</u>	<u>(390,209)</u>
Net change in fund balances	-	184,552	(385,786)	(570,338)
Fund balances, beginning	<u>1,247,634</u>	<u>1,247,634</u>	<u>1,247,634</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,247,634</u>	<u>\$ 1,432,186</u>	<u>\$ 861,848</u>	<u>\$ (570,338)</u>

See notes to Budgetary Comparison Schedule



# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2009

	<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>
<b>Revenues:</b>				
Local	\$ 14,946,663	\$ 15,331,793	\$ 14,706,171	\$ (625,622)
Federal grants	<u>128,783</u>	<u>128,783</u>	<u>150,834</u>	<u>22,051</u>
Total revenues	<u>15,075,446</u>	<u>15,460,576</u>	<u>14,857,005</u>	<u>(603,571)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
9-12 Basic	5,925,626	5,941,102	5,853,236	87,866
Intensive English/ESOL	7,588	7,614	5,199	2,415
Exceptional student program	124,374	147,899	146,493	1,406
Vocational 6-12	284,943	272,881	229,671	43,210
Substitute teachers	47,634	72,134	69,014	3,120
School/other	14,100	20,600	17,621	2,979
Guidance services	566,580	573,277	559,721	13,556
Instructional media services	109,345	110,338	101,479	8,859
ESE specialist	70,603	87,088	83,575	3,513
Instructional staff training service	23,982	23,982	17,511	6,471
School administration	1,118,077	1,113,876	1,090,903	22,973
Facilities acquisition and construction	3,055,286	3,055,286	3,017,210	38,076
Student transportation services	266,476	272,625	272,460	165
Operation of school	2,837,523	2,896,926	2,614,734	282,192
Athletics	203,289	203,289	174,603	28,686
Capital outlay	<u>76,800</u>	<u>80,131</u>	<u>66,895</u>	<u>13,236</u>
Total expenditures	<u>14,732,226</u>	<u>14,879,048</u>	<u>14,320,325</u>	<u>558,723</u>
Excess of revenues over expenditures	343,220	581,528	536,680	(44,848)
<b>Other financing uses:</b>				
Transfers out	<u>(343,220)</u>	<u>(343,220)</u>	<u>(336,382)</u>	<u>6,838</u>
Net change in fund balances	-	238,308	200,298	(38,010)
Fund balances, beginning	<u>158,990</u>	<u>158,990</u>	<u>158,990</u>	<u>-</u>
Fund balances, ending	<u>\$ 158,990</u>	<u>\$ 397,298</u>	<u>\$ 359,288</u>	<u>\$ (38,010)</u>

See notes to Budgetary Comparison Schedule

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

## NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2009

### NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1<sup>st</sup>. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1<sup>st</sup>, 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 \$197,000 in the elementary schools, approximately \$119,000 more than the original budget in the middle schools and approximately \$147,000 in the high school during the fiscal year ended June 30, 2009.

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2009

Governmental funds capital assets:	
Improvements other than buildings	\$2,508,873
Machinery and equipment	<u>2,409,912</u>
Total governmental capital assets	<u>\$4,918,785</u>
Investments in governmental funds capital assets by source:	
Charter Elementary Schools	\$2,055,854
Charter Middle Schools	2,234,949
Charter High School	<u>627,982</u>
Total governmental funds capital assets	<u>\$4,918,785</u>

# CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2009

<u>Function and Activity</u>	Improvements Other Than <u>Buildings</u>	Machinery and <u>Equipment</u>	<u>Total</u>
Education:			
Elementary Schools	\$ 1,245,782	\$ 810,072	\$ 2,055,854
Middle Schools	1,263,091	971,858	2,234,949
High School	-	627,982	627,982
Total governmental funds capital assets	\$ 2,508,873	\$ 2,409,912	\$ 4,918,785

# 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, 2009

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets June 30, <u>2009</u>
Education:				
Elementary Schools	\$ 2,009,391	\$ 112,847	\$ (66,384)	\$ 2,055,854
Middle Schools	2,192,408	95,403	(52,862)	2,234,949
High School	<u>573,582</u>	<u>69,850</u>	<u>(15,450)</u>	<u>627,982</u>
Total governmental funds capital assets	<u>\$ 4,775,381</u>	<u>\$ 278,100</u>	<u>\$ (134,696)</u>	<u>\$ 4,918,785</u>