

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

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2008, which collectively comprise the Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1.a., the financial statements of the City of Pembroke Pines Charter Schools (Special Revenue Funds of the City) are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and each major fund of the Schools as chartered by the Broward County District School Board that is attributable to the transactions of the Schools as chartered by the Broward County District School Board. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines as a whole and does not include the City's school as chartered by the Florida State University as of June 30, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of the Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 31 through 34, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fort Lauderdale, Florida
October 30, 2008

TCBA Water Rice LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Schools, we offer readers of the Charter Schools' financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2008. 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 \$6,987,457 (*net assets*), compared with \$3,549,759 for the previous fiscal year. Of this amount, \$4,138,196 (*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 \$4,866,577, or 13% of total expenditures. This represents an increase of \$3,763,587 over the prior year. Approximately 99% of this total amount or \$4,815,216, 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 \$6,987,457 as of June 30, 2008 as compared to \$3,549,759 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 \$2,849,261. 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 \$4,138,196 (approximately 59%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Increase (Decrease)
	<u>2008</u>	<u>2007</u>	
Current assets	\$ 5,423,571	\$ 2,064,138	\$ 3,359,433
Capital assets, net of depreciation	<u>2,849,261</u>	<u>3,073,143</u>	<u>(223,882)</u>
Total assets	<u>8,272,832</u>	<u>5,137,281</u>	<u>3,135,551</u>
Current liabilities	556,994	961,148	(404,154)
Noncurrent liabilities	<u>728,381</u>	<u>626,374</u>	<u>102,007</u>
Total liabilities	<u>1,285,375</u>	<u>1,587,522</u>	<u>(302,147)</u>
Net assets:			
Invested in capital assets	2,849,261	3,073,143	(223,882)
Unrestricted	<u>4,138,196</u>	<u>476,616</u>	<u>3,661,580</u>
Total net assets	<u>\$ 6,987,457</u>	<u>\$ 3,549,759</u>	<u>\$ 3,437,698</u>

Current assets increased by \$3,359,433 (162.8%) during the year. The Elementary Schools' current assets increase of \$2,354,527, the Middle Schools' increase of \$939,039, and the High School's increase of \$65,867 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The net decrease in capital assets of \$223,882 is mainly attributable to the disposals of assets as a result of a physical inventory.

Current liabilities decreased by \$404,154 (-42.0%) during the year in the Elementary, Middle, and High Schools. This decrease is related to a decrease of \$9,215 in deposits, a decrease of \$399,231 in accrued liabilities, and an increase of \$4,292 in deferred revenue. Noncurrent liabilities increased by \$102,007 (16.3%) during the year. This increase is related to compensated absences. Invested in capital assets decreased by \$223,882 (-7.3%) 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 increased by \$3,661,580 (768.2%) during the year in the Elementary, Middle, and High Schools. This increase represents the degree to which assets exceeded liabilities.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities		Increase
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 5,849,923	\$ 6,230,822	(\$ 380,899)
Operating grants and contributions	723,207	682,995	40,212
Capital contributions	20,000	-	20,000
General revenues:			
FTE non-specific revenues	32,414,805	28,668,150	3,746,655
Unrestricted investment earnings	174,290	170,705	3,585
Rental income	1,577,981	1,500,006	77,975
Miscellaneous	-	6,248	(6,248)
Total revenues	<u>40,760,206</u>	<u>37,258,926</u>	<u>3,501,280</u>
Expenses:			
Instructional services	17,281,842	16,754,675	527,167
Rent	5,520,315	6,236,116	(715,801)
Instructional support services	1,558,125	1,427,452	130,673
Student transportation services	1,465,725	1,445,816	19,909
Operation and maintenance of school	6,486,440	6,434,659	51,781
School administration	4,434,906	4,226,299	208,607
Other	<u>575,155</u>	<u>512,680</u>	<u>62,475</u>
Total expenses	<u>37,322,508</u>	<u>37,037,697</u>	<u>284,811</u>
Change in net assets	3,437,698	221,229	3,216,469
Net assets, beginning	<u>3,549,759</u>	<u>3,328,530</u>	<u>221,229</u>
Net assets - ending	<u>\$ 6,987,457</u>	<u>\$ 3,549,759</u>	<u>\$ 3,437,698</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amounted to \$6,987,457, an increase of \$3,437,698 over the previous fiscal year. The total cost of all governmental activities this year was \$37,322,508. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$3,501,280 (9.4%) during the year. Program revenues which include charges for services, operating grants and contributions and capital contributions decreased by \$320,687 (-4.6%). General revenues which include FTE non-specific revenues increased by \$3,821,967 (12.6%).

Charges for services decreased by \$380,899 (-6.1%). Operating grants and contributions increased by \$40,212 (5.9%) during the year. The FTE non-specific revenues increased by \$3,746,655 (13.1%). This increase was related to the FTE annual increases as well as two retroactive payments received from the Broward County School Board. 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 increased slightly by \$3,585 (2.1%) as a result of more

cash and cash equivalents being invested that in the prior year. Rental income increased by \$77,975 (5.2%) and miscellaneous revenues decreased by \$6,248 (100%).

Total expenditures increased by \$284,811 (0.8%) during the year. This increase was mainly attributable to an increase in personnel costs, including salaries and benefits, of approximately \$923,000, which was offset by a decrease in operating costs of approximately \$797,000. Increases in personnel costs were mainly driven by increases in pension contributions to the Florida Retirement System which increased by approximately \$340,000, while health, life and workers' compensation benefits increased by approximately \$646,000. The City's contribution to the ICMA Retirement Corporation (ICMA-RC) declined by approximately \$112,000 as more employees joined the FRS.

Operating cost decreases were mainly attributable to a \$716,000 decline in amounts paid for rent. This is directly related to the refinancing of the City's bonds, which has resulted in savings for the Charter Schools. Additionally, risk management has been successful in renegotiating insurance premiums for the Charter Schools and this has helped to reduce insurance costs by approximately \$192,000.

Instructional services increased by \$527,167 (3.1%) over last year. Instructional support services increased by \$130,673 (9.2%). School administration expenses increased by \$208,607 (4.9%). Operation and maintenance of school expenses increased by \$51,781 (0.8%), and these increases were offset by a decrease in rent of \$715,801 (-11.5). Rent decreased as a result of the restructuring of the debt service related to the bonds which were issued by the City, which in turn lowered the amount of the rent paid by the Charter Schools.

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 \$4,866,577, an increase of \$3,763,587 over the previous fiscal year. The fund balance consists of a reserve for commodities inventory of \$51,361. The remaining \$4,815,216 is unreserved, of which \$4,345,470 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, 2008, the Charter Schools had estimated revenues and appropriations of \$38,969,051 and \$39,497,358, respectively. Over the course of the year, the Charter Schools recommended several revisions to budgeted revenues and appropriations.

These amendments fall into the following categories:

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

The Charter Elementary Schools, East, West and Central Campuses, made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$209,773 as follows: An amendment was made to budget for Governor's A+ funds in the amount of \$179,850. An amendment was made to IDEA grant funds in the amount of \$21,801, and amendments were made to contributions totaling \$8,122.

Amendments to budgeted expenditures totaled \$209,773 as follows:

The Charter Elementary Schools, East, West and Central Campuses made the following amendments: Amendments were made to K-3 Basic in the amount of \$44,827. Amendments were made to 4-8 Basic in the amount of \$23,033. Amendments were made to Exceptional Student (ESE) Program in the amount of \$25,067. Amendments were made to substitute teachers in the amount of \$16,600. Amendments were made to guidance services in the amount of \$4,014. Amendments were made to instructional media services in the amount of \$2,579. Amendments were made to instructional staff training services in the amount of (\$1,568). Amendments were made to school administration in the amount of \$97,966. An amendment was made to facilities acquisition and construction in the amount of (\$122,130). Amendments were made to operation and maintenance of school in the amount of \$244,042. Amendments were made to child care supervision in the amount of (\$32,859), and amendments were made to capital outlay expenditures in the amount of (\$71,798).

Overall, the Charter Elementary Schools had a positive budget expenditure variance of \$728,146 before transfers. After appropriations were amended, as described above, actual revenues were \$737,815 above final budgeted amounts.

The Charter Middle Schools, West and Central Campuses, made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$132,629 as follows: An amendment was made to the budget for Governor's A+ funds in the amount of \$119,700, and an amendment was made to the budget for IDEA grant funds in the amount of \$12,929.

Amendments to budgeted expenditures totaled \$132,629 as follows:

The Charter Middle Schools, West and Central Campuses, made the following amendments: Amendments were made to 4-8 Basic in the amount of \$29,431. Amendments were made to Intensive English/ESOL Basic in the amount of (\$3,000). Amendments were made to ESE program in the amount of \$24,986. Amendments were made to substitute teachers in the amount of \$33,200. Amendments were made to guidance services in the amount of \$2,311. Amendments were made to instructional media services in the amount of (\$3,561). Amendments were made to instructional staff training services in the amount of (\$59). Amendments were made to school administration in the amount of \$18,464. Amendments were made to facilities acquisition and construction in the amount of (\$121,447). Amendments were made to student transportation services in the amount of \$9,050. Amendments were made to

operation and maintenance of school in the amount of \$190,104. Amendments were made to athletics in the amount of \$4,800, and amendments were made to capital outlay expenditures amounting to (\$51,650).

Overall, the Charter Middle Schools had a positive budget expenditure variance in the amount of \$484,726, before transfers. After appropriations were amended as described above, actual revenues were \$482,540 above final budgeted amounts.

The Charter High School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$182,011 as follows: An amendment was made to the budget for advance placement funding in the amount of \$170,489. An amendment was made to the budget for IDEA grant funds in the amount of \$4,478, and an amendment was made to budgeted revenues in contributions in the amount of \$7,044.

Amendments to budgeted expenditures totaled \$177,533. Amendments were made to 9-12 Basic in the amount of (\$20,026). Amendments were made to Vocational 6-12 in the amount of (\$21,300). Amendments were made to substitute teachers in the amount of \$18,100. Amendments were made to school/other in the amount of \$7,700. Amendments were made to instructional media services in the amount of (\$1,000). Amendments were made to ESE specialist in the amount of \$620. Amendments were made to instructional staff training services in the amount of \$20,265. Amendments were made to school administration in the amount of (\$30,550). An amendment was made to facilities acquisition and construction in the amount of (\$281,975). Amendments were made to student transportation services in the amount of \$33,020. Amendments were made to operation and maintenance of school in the amount of \$427,550. Amendments were made to the athletics program in the amount of (\$26,658) and amendments were made to capital outlay expenditures in the amount of \$51,787.

After appropriations were amended as described above, the Charter High School had a positive budget expenditure variance of \$1,287,867 before transfers. After appropriations were amended, as described above, actual revenues were \$318,870 above final budgeted amounts.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$2,849,261, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u>
Improvements other than buildings	\$ 2,081,017	\$ 2,130,965	(\$49,948)
Machinery and equipment	<u>768,244</u>	<u>942,178</u>	<u>(173,934)</u>
Total capital assets	<u>\$ 2,849,261</u>	<u>\$ 3,073,143</u>	<u>(223,882)</u>

Additional information on the Charter Schools' capital assets can be found on pages 35-37 of this report, and in Note 4 in the notes to the basic financial statements (page 25).

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital outlay funding from the State has increased to an estimated 74%.
- ◆ Broward County School Board has reduced administrative costs to 5% only on the first 500 students for the entire system.
- ◆ The Charter Schools' student attendance rate remains stable at 98%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2008-09 budgets of \$40,961,572 and \$40,961,572 respectively.
- ◆ The Adopted budget for fiscal year 2008-09 will include step increases for teachers; 2% for clerical personnel; and 2% to 3.5% for principals.
- ◆ The Elementary School population will increase by 76 students. The total number of students will be 1,876 for the 2008-09 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, 2008

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 5,235,498
Due from Broward County	13,590
Due from Broward County School Board	20,920
Due from Federal Government	76,127
Other miscellaneous receivables	26,075
Commodities inventory	51,361
Capital assets being depreciated, net	<u>2,849,261</u>
Total assets	<u>8,272,832</u>
 <u>LIABILITIES</u>	
Accrued liabilities	73,621
Deferred revenue	16,298
Deposits	467,075
Noncurrent liabilities:	
Due within one year	575,333
Due in more than one year	<u>153,048</u>
Total liabilities	<u>1,285,375</u>
 <u>NET ASSETS</u>	
Invested in capital assets	2,849,261
Unrestricted	<u>4,138,196</u>
Total net assets	<u>\$ 6,987,457</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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>	Net (Expense) Revenue and Changes in <u>Net Assets</u> Total Governmental <u>Activities</u>
Governmental activities:					
Instructional services	\$ 17,281,842	\$ -	\$ 64,858	\$ 20,000	\$ (17,196,984)
Rent	5,520,315	-	-	-	(5,520,315)
Instructional support services	1,558,125	-	-	-	(1,558,125)
Student transportation services	1,465,725	555,839	-	-	(909,886)
Operation and maintenance of school	6,486,440	4,749,148	406,419	-	(1,330,873)
School administration	4,434,906	2,830	-	-	(4,432,076)
Other	<u>575,155</u>	<u>542,106</u>	<u>251,930</u>	-	<u>218,881</u>
Total Charter Schools	<u>\$ 37,322,508</u>	<u>\$ 5,849,923</u>	<u>\$ 723,207</u>	<u>\$ 20,000</u>	<u>(30,729,378)</u>
General revenues:					
FTE non-specific revenues					32,414,805
Unrestricted investment earnings					174,290
Rental income					<u>1,577,981</u>
Total general revenues					<u>34,167,076</u>
Change in net assets					3,437,698
Net assets, beginning					<u>3,549,759</u>
Net assets, ending					<u>\$ 6,987,457</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 3,504,146	\$ 1,271,669	\$ 459,683	\$ 5,235,498
Due from Broward County	-	-	13,590	13,590
Due from Broward County School Board	20,144	274	502	20,920
Due from Federal Government	38,342	18,857	18,928	76,127
Other miscellaneous receivables	12,735	9,096	4,244	26,075
Commodities inventory	15,347	12,196	23,818	51,361
Total assets	<u>\$ 3,590,714</u>	<u>\$ 1,312,092</u>	<u>\$ 520,765</u>	<u>\$ 5,423,571</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ -	\$ 198	\$ 73,423	\$ 73,621
Deferred revenue	9,281	3,610	3,407	16,298
Deposits	121,480	60,650	284,945	467,075
Total liabilities	<u>130,761</u>	<u>64,458</u>	<u>361,775</u>	<u>556,994</u>
Fund balances:				
Reserved for commodities inventory	15,347	12,196	23,818	51,361
Unreserved:				
Designated for rent payments	3,220,084	1,125,386	-	4,345,470
Designated for capital replacement	224,522	110,052	135,172	469,746
Total unreserved fund balance	<u>3,444,606</u>	<u>1,235,438</u>	<u>135,172</u>	<u>4,815,216</u>
Total fund balances	<u>3,459,953</u>	<u>1,247,634</u>	<u>158,990</u>	<u>4,866,577</u>
Total liabilities and fund balances	<u>\$ 3,590,714</u>	<u>\$ 1,312,092</u>	<u>\$ 520,765</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. 2,849,261

Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (728,381)

Net assets of governmental activities (page 12) \$ 6,987,457

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2008

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 14,760,236	\$ 9,706,988	\$ 15,591,075	\$ 40,058,299
Federal grants	<u>207,352</u>	<u>113,582</u>	<u>129,043</u>	<u>449,977</u>
Total revenues	<u>14,967,588</u>	<u>9,820,570</u>	<u>15,720,118</u>	<u>40,508,276</u>
Expenditures:				
Current:				
K-3 Basic	3,906,988	-	-	3,906,988
4-8 Basic	1,902,434	4,480,118	-	6,382,552
9-12 Basic	-	-	5,284,711	5,284,711
Intensive English/ESOL	-	-	6,235	6,235
Exceptional student program	624,319	409,130	124,347	1,157,796
Vocational 6-12	-	-	275,533	275,533
Substitute teachers	104,564	95,467	51,093	251,124
School/other	-	-	16,900	16,900
Guidance services	188,072	156,585	507,821	852,478
Instructional media services	277,130	243,005	92,023	612,158
ESE specialist	-	-	65,583	65,583
Instructional staff training service	9,235	13,760	4,911	27,906
School administration	2,241,961	1,063,996	1,026,942	4,332,899
Facilities acquisition and construction	1,131,080	1,205,505	3,183,730	5,520,315
Student transportation services	709,572	485,102	271,051	1,465,725
Operation of school	2,020,798	1,440,569	2,705,973	6,167,340
Child care supervision	376,050	-	-	376,050
Athletics	-	31,521	167,584	199,105
Capital outlay	<u>4,282</u>	<u>14,248</u>	<u>76,691</u>	<u>95,221</u>
Total expenditures	<u>13,496,485</u>	<u>9,639,006</u>	<u>13,861,128</u>	<u>36,996,619</u>
Excess of revenues over expenditures	<u>1,471,103</u>	<u>181,564</u>	<u>1,858,990</u>	<u>3,511,657</u>
Other financing sources (uses):				
Transfers in	1,076,424	875,506	-	1,951,930
Transfers out	<u>-</u>	<u>-</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>
Total other financing sources (uses)	<u>1,076,424</u>	<u>875,506</u>	<u>(1,700,000)</u>	<u>251,930</u>
Net change in fund balances	2,547,527	1,057,070	158,990	3,763,587
Fund balances, beginning	<u>912,426</u>	<u>190,564</u>	<u>-</u>	<u>1,102,990</u>
Fund balances, ending	<u>\$ 3,459,953</u>	<u>\$ 1,247,634</u>	<u>\$ 158,990</u>	<u>\$ 4,866,577</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, 2008

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

Net change in fund balances - total governmental funds (Page 14) \$ 3,763,587

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	\$ 95,221	
Depreciation expense	<u>(294,786)</u>	
Net adjustment		(199,565)

The net effect of various miscellaneous transactions involving capital assets (24,317)

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>(102,007)</u>
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Change in net assets of governmental activities (page 12) \$ 3,437,698

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 17, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses: the City of Pembroke Pines Charter Middle School, consisting of two campuses: and the City of Pembroke Pines Charter High School, consisting of one campus, respectively. The three schools will be referred to collectively as the Schools in these basic financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 228.056 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle School's first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

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

On February 1, 2003 the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 610 students. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East, West and Central campus, serving 1,800 student stations.

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

Charter High School – The Charter High School, located at the Academic Village site, serving 1,700 student stations.

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

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

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

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)

1. *Pooled Cash and Cash Equivalents* (Continued)

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 Schools' 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:

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

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)

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, 2008.

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:

The City borrowed \$10,000,000 from Bank of America N.A. 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

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)

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.

In 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.

In 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.

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

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.
- 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, 2008.

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* (Continued)

- 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.

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 CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. INVESTMENTS

The Schools invest in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs the LGSF. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The LGSF is not a registrant of the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2a-7 Fund and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares. This balance is entirely invested in "Pool A" shares and there are no withdrawal limitations on these amounts. 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>\$5,235,498</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	\$ 8,295,399	\$5,510,042	\$ 8,194,696	\$22,000,137
Class size reduction	1,831,085	1,129,546	1,716,626	4,677,257
Public education capital outlay (PECO)	1,123,112	837,301	1,560,704	3,521,117
District school taxes	569,561	366,812	561,188	1,497,561
Supplemental academic instruction	422,467	280,985	398,598	1,102,050
Transportation revenue	181,048	263,749	387,456	832,253
ESE guaranteed allocation	274,294	183,511	171,547	629,352
Supplementary discretion millage	169,752	109,177	167,256	446,185
Instructional materials	164,150	109,324	154,873	428,347
Governor's A+ Funds	179,850	119,700	-	299,550
Discretionary lottery funds	86,616	55,783	85,342	227,741
Safe schools program	46,154	30,697	43,545	120,396
Advanced placement funding	-	-	63,933	63,933
Summer reading program	8,840	11,614	29,496	49,950
Library media materials	9,868	6,564	9,311	25,743
Science lab materials	2,697	1,794	2,545	7,036
Total Broward County School Board	<u>13,364,893</u>	<u>9,016,599</u>	<u>13,547,116</u>	<u>35,928,608</u>
Other:				
Rental revenue	112,095	142,201	1,323,685	1,577,981
Food sales	372,968	321,204	533,859	1,228,031
In-house transportation	271,050	193,855	90,934	555,839
After school education program	527,541	-	-	527,541
Interest	84,947	30,020	59,323	174,290
Contributions	9,491	1,064	30,745	41,300
Summer school fees	14,565	-	-	14,565
School lunch supplement	1,660	1,323	2,069	5,052
Other miscellaneous revenue	283	129	2,418	2,830
School breakfast supplement	743	593	926	2,262
Total other	<u>1,395,343</u>	<u>690,389</u>	<u>2,043,959</u>	<u>4,129,691</u>
Total local	<u>\$14,760,236</u>	<u>\$9,706,988</u>	<u>\$15,591,075</u>	<u>\$40,058,299</u>
Federal grants:				
School lunch reimbursement - Free/Reduced	\$ 140,435	\$ 69,361	\$ 72,505	\$ 282,301
School breakfast reimbursement - Non-Severe Need	24,367	12,439	10,022	46,828
Food commodities program	24,268	18,853	30,038	73,159
IDEA grant	18,282	12,929	16,478	47,689
Total Federal grants	<u>\$ 207,352</u>	<u>\$ 113,582</u>	<u>\$ 129,043</u>	<u>\$ 449,977</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	\$ 2,482,122	\$ -	\$ (110)	\$ 2,482,012
Machinery and equipment	<u>2,799,637</u>	<u>95,221</u>	<u>(601,489)</u>	<u>2,293,369</u>
Total capital assets being depreciated	<u>5,281,759</u>	<u>95,221</u>	<u>(601,599)</u>	<u>4,775,381</u>
Less accumulated depreciation for:				
Improvements other than buildings	(351,157)	(49,854)	16	(400,995)
Machinery and equipment	<u>(1,857,459)</u>	<u>(244,932)</u>	<u>577,266</u>	<u>(1,525,125)</u>
Total accumulated depreciation	<u>(2,208,616)</u>	<u>(294,786)</u>	<u>577,282</u>	<u>(1,926,120)</u>
Total capital assets being depreciated, net	<u>\$ 3,073,143</u>	<u>\$ (199,565)</u>	<u>\$ (24,317)</u>	<u>\$ 2,849,261</u>

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

Governmental activities:

Operation and maintenance of plant	<u><u>\$ 294,786</u></u>
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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. INTERFUND TRANSFERS

	<u>Transfers out</u>			
	<u>High</u>	<u>City of Pembroke Pines</u>	<u>Total</u>	<u>Purpose</u>
Transfers in:				
Middle	\$ 623,576	\$ 251,930	\$875,506	Transfer gain of Early Development Centers
Elementary	<u>1,076,424</u>	-	<u>1,076,424</u>	Repayment of previous years transfers
Total	<u>\$ 1,700,000</u>	<u>\$ 251,930</u>	<u>\$1,951,930</u>	

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. OPERATING LEASES

Communications Facility Lease

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

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

Fiscal year ending June 30:	
2009	\$ 123,000
2010	126,000
2011	128,000
2012	131,000
2013	<u>78,000</u>
Total approximate future minimum rentals	<u>\$ 586,000</u>

Other Facility Lease

On March 13, 2002 the City signed an agreement with the Florida International University (FIU), for use of educational facilities located at the Academic Village. The Academic Village is a shared-use facility located on the northeast corner of Sheridan Street and Northwest 172nd Avenue, and includes the City's Charter High School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward College (formerly Broward Community College) as well as the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the costs incurred by the City, the agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for 10 years with one ten-year renewal period. An additional option may be negotiated if requested in writing to the City. The annual rentals are payable to the Charter High School in quarterly advance payments.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. OPERATING LEASES (Continued)

The approximate minimum future rentals to be received, excluding cost of living increases or expected lease renewals, on non-cancelable operating lease as of June 30, 2008 are:

Fiscal year ending June 30:	
2009	\$ 850,000
2010	850,000
2011	850,000
2012	<u>425,000</u>
Total approximate future minimum rentals	<u>\$ 2,975,000</u>

Schools' Facility Leases

The Schools lease their elementary school campuses, middle school campuses and high school campus from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Schools (see Note 1.d.5.). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2008, rent expense was approximately \$1,356,000, \$1,316,000 and \$3,324,000 for the Elementary, Middle and High schools, respectively.

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

Fiscal year ending June 30:	
2009	\$ 5,813,000
2010	5,770,000
2011	5,771,000
2012	5,772,000
2013	5,532,000
2014-2018	29,437,000
2019-2023	29,474,000
2024-2028	29,165,000
2029-2033	28,243,000
2034-2038	<u>28,266,000</u>
Total approximate minimum future rentals	<u>\$ 173,243,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 626,374	\$ 596,264	\$(494,257)	\$ 728,381	\$ 575,333

NOTE 8. RISK MANAGEMENT

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

NOTE 9. CONTINGENCY

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

NOTE 10. PENSION PLANS

Defined Benefit Plan

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLANS (Continued)

Defined Benefit Plan (continued)

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

Plan Description

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

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

Funding Policy

The Charter Schools' required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2008, the contribution rate was 9.85% of covered payroll which amounted to \$1,431,383. As of June 30, 2008 there were 394 members in this Plan. The Charter Schools are required to contribute both for full-time and part-time members of the Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

Defined Contribution Plan

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2008, there were 54 Plan members, versus 55 for the previous fiscal year. Effective January 1, 2002, the Charter Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter Schools' required contribution increased to 9.85% from 5% of the Plan

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLANS (Continued)

Defined Contribution Plan (Continued)

member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2008, the Charter Schools contributed \$245,931 and the employees contributed \$14,156 to the Plan. Provisions of the Charter Schools' Plan may be amended by the City Commission. The Charter Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter Schools' Plan are not included in the Charter Schools' financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 13,845,660	\$ 14,033,632	\$ 14,760,236	\$ 726,604
Federal grants	174,340	196,141	207,352	11,211
Total revenues	14,020,000	14,229,773	14,967,588	737,815
Expenditures:				
Current:				
K-3 Basic	3,898,227	3,943,054	3,906,988	36,066
4-8 Basic	1,895,125	1,918,158	1,902,434	15,724
Exceptional student program	599,273	624,340	624,319	21
Substitute teachers	88,000	104,600	104,564	36
Guidance services	195,684	199,698	188,072	11,626
Instructional media services	277,731	280,310	277,130	3,180
Instructional staff training service	12,600	11,032	9,235	1,797
School administration	2,166,225	2,264,191	2,241,961	22,230
Facilities acquisition and construction	1,477,732	1,355,602	1,131,080	224,522
Student transportation services	714,108	714,108	709,572	4,536
Operation of school	2,163,472	2,387,514	2,020,798	366,716
Child care supervision	449,981	417,122	376,050	41,072
Capital outlay	76,700	4,902	4,282	620
Total expenditures	14,014,858	14,224,631	13,496,485	728,146
Excess of revenues over expenditures	5,142	5,142	1,471,103	1,465,961
Other financing sources (uses):				
Transfers in	-	-	1,076,424	1,076,424
Transfers out	(5,142)	(5,142)	-	5,142
Total other financing sources (uses)	(5,142)	(5,142)	1,076,424	1,081,566
Net change in fund balances	-	-	2,547,527	2,547,527
Fund balances, beginning	912,426	912,426	912,426	-
Fund balances, ending	\$ 912,426	\$ 912,426	\$ 3,459,953	\$ 2,547,527

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 9,116,076	\$ 9,235,776	\$ 9,706,988	\$ 471,212
Federal grants	89,325	102,254	113,582	11,328
Total revenues	9,205,401	9,338,030	9,820,570	482,540
Expenditures:				
Current:				
4-8 Basic	4,521,041	4,550,472	4,480,118	70,354
Intensive English/ESOL	3,000	-	-	-
Exceptional student program	384,178	409,164	409,130	34
Substitute teachers	62,315	95,515	95,467	48
Guidance services	160,167	162,478	156,585	5,893
Instructional media services	260,105	256,544	243,005	13,539
Instructional staff training service	14,330	14,271	13,760	511
School administration	1,049,030	1,067,494	1,063,996	3,498
Facilities acquisition and construction	1,437,004	1,315,557	1,205,505	110,052
Student transportation services	476,072	485,122	485,102	20
Operation of school	1,530,192	1,720,296	1,440,569	279,727
Athletics	26,734	31,534	31,521	13
Capital outlay	66,935	15,285	14,248	1,037
Total expenditures	9,991,103	10,123,732	9,639,006	484,726
Excess (deficiency) of revenues over expenditures	(785,702)	(785,702)	181,564	967,266
Other financing sources:				
Transfers in	785,702	785,702	875,506	89,804
Net change in fund balances	-	-	1,057,070	1,057,070
Fund balances, beginning	190,564	190,564	190,564	-
Fund balances, ending	\$ 190,564	\$ 190,564	\$ 1,247,634	\$ 1,057,070

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, 2008

	<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>
Revenues:				
Local	\$ 15,105,912	\$ 15,283,445	\$ 15,591,075	\$ 307,630
Federal grants	113,325	117,803	129,043	11,240
Total revenues	15,219,237	15,401,248	15,720,118	318,870
Expenditures:				
Current:				
9-12 Basic	5,573,110	5,553,084	5,284,711	268,373
Intensive English/ESOL	43,519	43,519	6,235	37,284
Exceptional student program	158,255	158,255	124,347	33,908
Vocational 6-12	307,049	285,749	275,533	10,216
Substitute teachers	33,000	51,100	51,093	7
School/other	9,235	16,935	16,900	35
Guidance services	538,858	538,858	507,821	31,037
Instructional media services	107,498	106,498	92,023	14,475
ESE specialist	64,969	65,589	65,583	6
Instructional staff training service	-	20,265	4,911	15,354
School administration	1,089,257	1,058,707	1,026,942	31,765
Facilities acquisition and construction	3,605,890	3,323,915	3,183,730	140,185
Student transportation services	238,036	271,056	271,051	5
Operation of school	2,901,266	3,328,816	2,705,973	622,843
Athletics	204,320	177,662	167,584	10,078
Capital outlay	97,200	148,987	76,691	72,296
Total expenditures	14,971,462	15,148,995	13,861,128	1,287,867
Excess of revenues over expenditures	247,775	252,253	1,858,990	1,606,737
Other financing uses:				
Transfers out	(247,775)	(1,700,000)	(1,700,000)	-
Net change in fund balances	-	(1,447,747)	158,990	1,606,737
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ (1,447,747)	\$ 158,990	\$ 1,606,737

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations of approximately \$210,000 in the elementary schools, approximately \$133,000 more than the original budget in the middle schools and approximately \$178,000 in the high school during the fiscal year ended June 30, 2008.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2008

Governmental funds capital assets:	
Improvements other than buildings	\$2,482,012
Machinery and equipment	<u>2,293,369</u>
Total governmental capital assets	<u>\$4,775,381</u>
Investments in governmental funds capital assets by source:	
Charter Elementary Schools	\$2,009,391
Charter Middle Schools	2,192,408
Charter High School	<u>573,582</u>
Total governmental funds capital assets	<u>\$4,775,381</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2008

<u>Function and Activity</u>	Improvements		<u>Total</u>
	<u>Other Than Buildings</u>	<u>Machinery and Equipment</u>	
Education:			
Elementary Schools	\$ 1,218,921	\$ 790,470	\$2,009,391
Middle Schools	1,263,091	929,317	2,192,408
High School	-	573,582	573,582
Total governmental funds capital assets	<u>\$ 2,482,012</u>	<u>\$2,293,369</u>	<u>\$4,775,381</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FISCAL YEAR ENDED JUNE 30, 2008

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets June 30, <u>2008</u>
Education:				
Elementary Schools	\$ 2,273,252	\$ 4,282	\$ (268,143)	\$ 2,009,391
Middle Schools	2,476,976	14,248	(298,816)	2,192,408
High School	<u>531,531</u>	<u>76,691</u>	<u>(34,640)</u>	<u>573,582</u>
Total governmental funds capital assets	<u>\$ 5,281,759</u>	<u>\$ 95,221</u>	<u>\$ (601,599)</u>	<u>\$ 4,775,381</u>



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

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

We have audited the financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Broward County School Board's Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2008, which collectively comprise the Schools' 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 of America.

Internal Control Over Financial Reporting

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

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

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

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

Compliance

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

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

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

We have audited the basic financial statements of the City of Pembroke Pines/Broward County School Board's Charter Schools (the "Schools") (Special Revenue Funds of the City) as of and for the 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 Charter Schools are operated by the City. The City's Charter Elementary Schools were created by motion of the City Commission on June 17, 1998. The City's Charter Middle Schools were created under Resolution No. 2668 on June 2, 1999. The City's Charter High School was created by motion of the City Commission on February 16, 2000.
- 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 the Broward County District School Board 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 Water Rice LLP