

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

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1.a., the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City), are intended to present the financial position and the changes in its financial position of only the transactions of the School as chartered by Florida State University. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines as a whole and does not include the City's Schools as chartered by the Broward County District School Board as of June 30, 2007, and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2007 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 25 through 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Fort Lauderdale, Florida
September 21, 2007

Watson Rice LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/Florida State University ("FSU") Charter Elementary School ("the Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the Charter School's financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved in our fourth year of operation.

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

This is the fourth year that the Charter School will be reporting on their financial statements, thus comparative information is available. The government-wide format using the GASB Statement No. 34 financial reporting and the fund-based financial reporting are not viewed as being in conflict with each other; however, they are not comparable.

Financial Highlights

- The assets of the FSU Charter School exceeded its liabilities at the close of the most recent fiscal year by \$119,198 (net assets).
- As of the close of the current fiscal year, the FSU Charter School's governmental funds financial statements had an excess of revenues over expenses of \$114,313, as compared to \$241,534 from last year, and an ending fund balance of \$137,653 as compared with \$23,340 from last year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School's basic financial statements. The Charter School's basic financial statements consist of 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 City of Pembroke Pines/FSU Charter Elementary School's finances, in a manner similar to a private-sector business.

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

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

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

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

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

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

Notes to basic financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14-24 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 25-26 of this report, and the Management's Discussion and Analysis (MD&A) comprising pages 3-8.

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 City of Pembroke Pines/FSU Charter Elementary School, net assets as of June 30, 2007 exceeded net assets as of June 30, 2006 by \$119,198.

Investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amount to \$68,665. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities		Increase (Decrease)
	<u>2007</u>	<u>2006</u>	
Current assets	\$ 328,579	\$ 261,263	\$ 67,316
Capital assets, net of depreciation	<u>68,665</u>	<u>45,024</u>	<u>23,641</u>
Total assets	<u>397,244</u>	<u>306,287</u>	<u>90,957</u>
Current liabilities	190,926	237,923	(46,997)
Noncurrent liabilities	<u>87,120</u>	<u>68,364</u>	<u>18,756</u>
Total liabilities	<u>278,046</u>	<u>306,287</u>	<u>(28,241)</u>
Net assets:			
Invested in capital assets	68,665	45,024	23,641
Unrestricted (deficit)	<u>50,533</u>	<u>(45,024)</u>	<u>95,557</u>
Total net assets	<u>\$ 119,198</u>	<u>\$ -</u>	<u>\$ 119,198</u>

Current assets increased by \$67,316 (25.8%) during the year. This was attributable to an increase of \$63,997 in amounts due from FSU, an increase of \$2,123 in other miscellaneous receivables, an increase of \$1,296 in commodities inventory, and a \$100 decrease in petty cash. The net increase in capital assets of \$23,641 (52.5%) is related to depreciation expense of \$21,426 required by GASB Statement No. 34 and the purchase of computer equipment, a copier machine and educational software amounting to \$45,067.

Current liabilities decreased by \$46,997 (-19.8%) during the year. This decrease was related to an increase of \$5,052 in deposits, an increase of \$3,729 in deferred revenue, a decrease of \$55,199 in due to other funds, and a decrease of \$579 in accrued liabilities. Noncurrent liabilities increased by \$18,756 (27.4%) during the year, which is related to compensated absences. Invested capital assets increased by \$23,641 (52.5%) and unrestricted net assets increased by \$95,557 (212%).

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities		Increase (Decrease)
	<u>2007</u>	<u>2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 789,276	\$ 550,631	\$ 238,645
Operating grants and contributions	116,284	152,883	(36,599)
General revenues:			
FTE non-specific revenues	4,308,994	4,168,586	140,408
Rental income	<u>47,412</u>	<u>48,680</u>	<u>(1,268)</u>
Total revenues	<u>5,261,966</u>	<u>4,920,780</u>	<u>341,186</u>
Expenses:			
Instructional services	2,254,903	2,141,711	113,192
Instructional support services	147,553	90,370	57,183
Student transportation services	239,559	206,565	32,994
School administration	842,948	670,144	172,804
Operation of school	973,471	864,545	108,926
Rent	537,010	550,030	(13,020)
Child care supervision	143,618	118,233	25,385
Interest expense	<u>3,706</u>	<u>10,663</u>	<u>(6,957)</u>
Total expenses	<u>5,142,768</u>	<u>4,652,261</u>	<u>490,507</u>
Change in net assets	119,198	268,519	(149,321)
Net assets (deficit), beginning	<u>-</u>	<u>(268,519)</u>	<u>268,519</u>
Net assets, ending	<u>\$ 119,198</u>	<u>\$ -</u>	<u>\$ 119,198</u>

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's reported total net assets of \$119,198 at the end of the current fiscal year versus zero for fiscal year 2006. The total cost of all governmental activities this year was \$5,142,768. Key elements of these changes in net assets are as follows:

The Charter School's total revenues increased by \$341,186 (6.9%) due mainly to an increase in Charges for Services. Charges for services increased by \$238,645 (43.3%) as a result of a \$17,415 increase in student transportation services; a \$194,674 increase in charges relating to the operation of school, namely Public Education Capital Outlay Funding which increased by \$185,973; and a \$26,556 increase in child care supervision. Operating grants and contributions decreased by \$36,599 (-23.9%) during the year mainly as a result of a one-time contribution for \$32,952 that was provided to the Charter School last year. FTE non-specific revenues increased by \$140,408 (3.4%); while rental income decreased by \$1,268 (-2.6%).

Total expenditures increased by \$490,507 (10.5%) during the year. This increase was mainly attributable to increases in personnel costs of approximately \$322,000, and an increase in operating costs of \$157,000. Additional staff included an Assistant Principal and a Media Specialist. Also, increases in personnel expenditures were as a result of employees, both full-time and part-time joining the Florida Retirement System (FRS). The City's contribution to the FRS was 9.85% of salaries and amounted to \$141,490 for the current fiscal year. Increase in operating expenditures were driven by a \$64,000 increase in insurance costs, a \$35,000 increase

in professional and technical services, mainly for the Exceptional Student Education program, and an increase of \$48,000 in outside legal and other contractual services.

Instructional services increased by 113,192 (5.3%), instructional support services increased by \$57,183 (63.3%), student transportation services increased by \$32,994 (16.0%), and school administration increased by \$172,804 (25.8%). Rent decreased by \$13,020 (-2.4%), which was attributable to the net effect of scheduled principal and interest payments on the construction funds borrowed by the City, and the investment income earned on sinking fund deposits and required reserves. Operation of school increased by \$108,926 (12.6%), child care supervision increased by \$25,385 (21.5%), and interest expense decreased by \$6,957 (-65.2%).

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

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

As of the end of the current fiscal year, the City of Pembroke Pines/FSU Charter Elementary School's governmental fund reported an ending unreserved fund balance of \$137,653, an increase of \$114,313 over the previous fiscal year.

Budgetary Highlights

For the fiscal year ended June 30, 2007, the City of Pembroke Pines/FSU Charter Elementary School had estimated revenues and appropriations of \$5,294,323 and \$5,159,667, respectively. Over the course of the year, the Charter School recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

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

The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget: Several amendments were made to the budgeted revenues in the amount of \$270,613. An amendment was made to the IDEA grant in the amount of \$71,275. An amendment was made to Florida Education Finance Program in the amount of \$117,090. An amendment was made to Governor's A+ funds in the amount of \$60,525. An amendment was made to Food Sales in the amount of \$12,148, and amendments were made to School Lunch Reimbursement grants in the amount of \$9,575.

Amendments were made to the budgeted expenditures in the amount of \$184,667. Amendments were made to K-3 Basic in the amount of \$26,058. Amendments were made to 4-8 Basic in the amount of \$16,282. Amendments were made to Exceptional Student Education (ESE) program in the amount of \$15,955. Amendments were made to substitute teachers in the amount of \$11,675. Amendments were made to guidance services in the amount of \$1,128.

Amendments were made to instructional media services in the amount of \$2,485. Amendments were made to school administration in the amount of (\$12,133). Amendments were made to facilities acquisition and construction in the amount of (\$18,763). Amendments were made to student transportation services in the amount of \$43,684. Amendments were made to operation of school in the amount of \$58,659. Amendments were made to child care supervision in the amount of \$8,124. Amendments were made to interest expense in the amount of \$3,706. Amendments were made to capital outlay in the amount of \$27,807.

After appropriations were amended, as described above, actual revenues and expenditures were below final budgeted amounts by \$32,357 and \$12,014, respectively.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$68,665 net of accumulated depreciation. This investment in capital assets consists of machinery and equipment. During the year, the additions to capital assets were attributable to the purchase of a copier for \$12,731, and the purchase of Riverdeep educational software in the amount of \$30,000. Other miscellaneous purchases totaled \$2,336.

<u>CAPITAL ASSETS (Net of Depreciation)</u>			
	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Increase</u>
Machinery and equipment	<u>\$ 68,665</u>	<u>\$ 45,024</u>	<u>\$ 23,641</u>
Total capital assets	<u>\$ 68,665</u>	<u>\$ 45,024</u>	<u>\$ 23,641</u>

Additional information on the Charter School's capital assets can be found on pages 27-29 of this report, and in Note 4 of the notes to the basic financial statements (page 21).

Economic Factors and Next Year's Budget and Rates

- ◆ Capital outlay funding will continue to be funded at 100%, 75% from State capital outlay funds and 25% from "2 Mil" funding.
- ◆ The Charter School will house 610 Elementary Students for the 2008 school year.
- ◆ The Charter School's contribution to the Florida Retirement System (FRS) will remain unchanged at 9.85%.
- ◆ The 2007-2008 Budget includes a net decrease of 2.5 full-time positions and an increase of 1 part-time position.
- ◆ Salary increases will remain consistent with those granted by the School Board of Broward County.

Requests for Information

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

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

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Petty cash	\$ 300
Due from FSU	312,899
Other miscellaneous receivables	14,084
Commodities inventory	1,296
Capital assets being depreciated, net	<u>68,665</u>
Total assets	<u>397,244</u>
<u>LIABILITIES</u>	
Accrued liabilities	\$ 62,520
Due to other funds	100,101
Deposits	24,576
Deferred revenue	3,729
Noncurrent liabilities:	
Due within one year	70,414
Due in more than one year	<u>16,706</u>
Total liabilities	<u>278,046</u>
<u>NET ASSETS</u>	
Invested in capital assets	68,665
Unrestricted	<u>50,533</u>
Total net assets	<u><u>\$ 119,198</u></u>

See notes to basic financial statements.

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

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 2,254,903	\$ -	\$ -	\$ (2,254,903)
Instructional support services	147,553	-	-	(147,553)
Student transportation services	239,559	79,960	-	(159,599)
School administration	842,948	-	-	(842,948)
Operation of school	973,471	518,075	116,284	(339,112)
Rent	537,010	-	-	(537,010)
Child care supervision	143,618	191,241	-	47,623
Interest expense	3,706	-	-	(3,706)
Total Charter School	<u>\$ 5,142,768</u>	<u>\$ 789,276</u>	<u>\$ 116,284</u>	<u>(4,237,208)</u>
General revenues:				
FTE non-specific revenues				4,308,994
Rental income				47,412
Total general revenues				<u>4,356,406</u>
Change in net assets				119,198
Net assets, beginning				-
Net assets, ending				<u>\$ 119,198</u>

See notes to basic financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2007

ASSETS

Petty cash	\$ 300
Due from FSU	312,899
Other miscellaneous receivables	14,084
Commodities inventory	<u>1,296</u>
Total assets	<u>\$ 328,579</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 62,520
Due to other funds	100,101
Deposits	24,576
Deferred revenue	<u>3,729</u>
Total liabilities	<u>190,926</u>

Fund balances:	
Reserved for commodities inventory	1,296
Unreserved:	
Designated for rent payments	<u>136,357</u>
Total fund balances	137,653

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	68,665
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(87,120)
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Net assets of governmental activities (page 9)	<u><u>\$ 119,198</u></u>
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See notes to basic financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2007

Revenues:	
Local	\$ 5,145,682
Federal grants	<u>116,284</u>
Total revenues	<u>5,261,966</u>
Expenditures:	
Current:	
K-3 basic	1,193,813
4-8 basic	609,563
Guidance services	94,056
Exceptional student program	410,416
Substitute teachers	41,111
School administration	824,192
Student transportation services	239,559
Operation of school	952,044
Facilities acquisition and construction	537,010
Instructional media service	53,498
Child care supervision	143,618
Interest expense	3,706
Capital outlay	<u>45,067</u>
Total expenditures	<u>5,147,653</u>
Excess of revenues over expenditures	<u>114,313</u>
Net change in fund balance	114,313
Fund balance, beginning	<u>23,340</u>
Fund balance, ending	<u>\$ 137,653</u>

See notes to basic financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2007

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

Net change in fund balance - total governmental fund (page 12)	\$ 114,313
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The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The detail of the difference is as follows:

Capital outlay	\$ 45,067	
Depreciation expense	<u>(21,426)</u>	
Net adjustment		23,641

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>(18,756)</u>
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Change in net assets of governmental activities (page 10)	<u>\$ 119,198</u>
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See notes to basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School reports the following major fund:

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

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

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

d. Assets, Liabilities and Net Assets

1. Pooled Cash and Cash Equivalents

The School considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investment in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The Charter Elementary School had no cash equivalents as of June 30, 2007.

2. Receivables

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000, except for computer equipment which uses an initial, individual cost of \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

4. Compensated Absences

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

5. Long-Term Obligations

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

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School. In December 2006, \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 was advance refunded by a portion of the \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. This advance refunding generates an approximate future rental benefit of \$414,000 for the City of Pembroke Pines/Florida State University Charter Elementary School, for the remaining life of the bonds.

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

6. Equity Classifications

Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School has no restricted assets as of June 30, 2007.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Revenue Sources

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

8. Use of Estimates

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

NOTE 2. INVESTMENTS

The School invests in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs the LGSF. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The LGSF is not a registrant of the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2a-7 Fund and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares.

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 2. INVESTMENTS (Continued)

As of June 30, 2007, the School had no funds invested with the State Board of Administration.

NOTE 3. REVENUE SOURCES

Florida State University:	
Florida education finance program	\$ 3,344,328
Class size reduction	482,773
Public education capital outlay (PECO)	413,043
District school taxes	325,625
Governor's A+ funds	60,525
Instructional materials	54,754
Discretionary lottery funds	23,925
DCD transition supplement	12,820
Library media materials	3,333
Science lab materials	911
Total Florida State University	<u>4,722,037</u>
Other:	
After school education program	191,241
Food sales	105,032
In-house transportation	79,960
Rental revenue	47,412
Total other	<u>423,645</u>
Total local	<u>\$ 5,145,682</u>
Federal grants:	
IDEA grant	\$ 67,864
School lunch reimbursement - Free/Reduced	34,409
Commodities -Donated Food	8,724
School breakfast reimbursement - Non-Severe Need	5,287
Total Federal grants	<u>\$ 116,284</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 4. CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 66,790	\$ 45,067	\$ -	\$ 111,857
Total capital assets being depreciated	<u>66,790</u>	<u>45,067</u>	<u>-</u>	<u>111,857</u>
Less accumulated depreciation for:				
Machinery and equipment	(21,766)	(21,426)	-	(43,192)
Total accumulated depreciation	<u>(21,766)</u>	<u>(21,426)</u>	<u>-</u>	<u>(43,192)</u>
Total capital assets being depreciated, net	<u>\$ 45,024</u>	<u>\$ 23,641</u>	<u>\$ -</u>	<u>\$ 68,665</u>

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

Governmental activities:
 Operation of school

\$ 21,426

NOTE 5. OPERATING LEASES

Schools' Facility Lease

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5.). For the fiscal year ended June 30, 2007, rent expense was approximately \$537,000.

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

Fiscal year ending June 30:

2008	\$ 542,000
2009	640,000
2010	673,000
2011	674,000
2012	674,000
2013-2017	2,537,000
2018-2022	2,261,000
2023	<u>113,000</u>
Total approximate minimum future rentals	<u>\$ 8,114,000</u>

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

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

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One <u>Year</u>
Compensated absences	<u>\$ 68,364</u>	<u>\$ 92,331</u>	<u>\$ (73,575)</u>	<u>\$ 87,120</u>	<u>\$ 70,414</u>

NOTE 7. RISK MANAGEMENT

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

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Commitment

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

Contingency

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

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

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

NOTE 9. PENSION PLANS

Defined Benefit Plan

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

Plan Description

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

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

Funding Policy

The Charter School's required contribution rate is established, and may be amended, by State statute. For the fiscal year ended June 30, 2007, the contribution rate was 9.85% of covered payroll which amounted to \$141,490. The Charter School is required to contribute both for full-time and part-time members of the Plan. As of June 30, 2007 there were 76 members in this Plan. The contribution rate includes the post-employment health insurance supplement of 1.11% and the administrative/educational fee of 0.05%.

Defined Contribution Plan

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

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

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

NOTE 9. PENSION PLANS (Continued)

Defined Contribution Plan (Continued)

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2007, there were 12 FSU Plan members, versus 39 for the previous fiscal year. Effective January 1, 2002, the Charter School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter School's required contribution increased to 9.85% from 5% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2007, the Charter School contributed \$68,362 and the employees contributed \$1,205 to the Plan. Provisions of the Charter School's Plan may be amended by the City Commission. The Charter School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net assets of the Charter School's Plan are not included in the City's financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CHARTER ELEMENTARY SCHOOL

FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$4,988,710	\$5,178,473	\$5,145,682	\$ (32,791)
Federal grants	<u>35,000</u>	<u>115,850</u>	<u>116,284</u>	<u>434</u>
Total revenues	<u>5,023,710</u>	<u>5,294,323</u>	<u>5,261,966</u>	<u>(32,357)</u>
Expenditures:				
Current:				
K-3 basic	1,167,755	1,193,813	1,193,813	-
4-8 basic	593,281	609,563	609,563	-
Guidance services	95,153	96,281	94,056	2,225
Exceptional student program	394,461	410,416	410,416	-
Substitute teachers	29,436	41,111	41,111	-
School administration	836,325	824,192	824,192	-
Student transportation services	195,875	239,559	239,559	-
Operation of school	893,385	952,044	952,044	-
Facilities acquisition and construction	560,304	541,541	537,010	4,531
Instructional media service	51,013	53,498	53,498	-
Instructional staff training services	4,218	4,218	-	4,218
Child care supervision	135,494	143,618	143,618	-
Interest expense	-	3,706	3,706	-
Capital outlay	<u>18,300</u>	<u>46,107</u>	<u>45,067</u>	<u>1,040</u>
Total expenditures	<u>4,975,000</u>	<u>5,159,667</u>	<u>5,147,653</u>	<u>12,014</u>
Excess of revenues over expenditures	48,710	134,656	114,313	(20,343)
Fund balance, beginning	<u>23,340</u>	<u>23,340</u>	<u>23,340</u>	<u>-</u>
Fund balance, ending	<u>\$ 72,050</u>	<u>\$ 157,996</u>	<u>\$ 137,653</u>	<u>\$ (20,343)</u>

See notes to budgetary comparison schedule

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for the City of Pembroke Pines/Florida State University Charter Elementary School which is a governmental fund. The governmental fund budget is maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States (US GAAP), except for encumbrances, which are purchase orders and contracts issued for goods services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2007, there were no encumbrances.

2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of approximately \$185,000 during the fiscal year ended June 30, 2007.

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

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

JUNE 30, 2007

Governmental fund capital assets:

Machinery and equipment	<u>\$ 111,857</u>
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Investments in governmental fund capital assets by source:

Charter Elementary School	<u>\$ 111,857</u>
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City of Pembroke Pines, Florida
Florida State University
CHARTER ELEMENTARY SCHOOL

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

JUNE 30, 2007

<u>Function and Activity</u>	<u>Machinery and Equipment</u>
Education:	
Charter Elementary School	\$ 111,857
Total governmental fund capital assets	<u>\$ 111,857</u>

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

CAPITAL ASSETS USED IN THE OPERATION OF THE GOVERNMENTAL FUND
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FISCAL YEAR ENDED JUNE 30, 2007

<u>Function and Activity</u>	Governmental Fund Capital Assets June 30, <u>2006</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Fund Capital Assets June 30, <u>2007</u>
Education:				
Charter Elementary School	\$ 66,790	\$ 45,067	\$ -	\$ 111,857



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

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

We have audited the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated September 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance

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

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

Fort Lauderdale, Florida
September 21, 2007

Walter Rice CLP

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

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

We have audited the financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School (the School) (a Special Revenue Fund of the City) as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents and have issued our report thereon dated September 21, 2007.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also issued our Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 21, 2007, should be considered in conjunction with this Management Letter.

In connection with our audit of the financial statements of the School as of and for the year ended June 30, 2007, we report the following in accordance with Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854 (1)(d):

1. There were no recommendations made in the preceding annual financial audit.
2. The School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
3. There are no recommendations to improve the School's present financial management, accounting procedures and internal controls.
4. During the course of our audit, nothing came to our attention that caused us to believe that the School:
 - a. Was in violation of any laws, rules, regulations or contractual provisions or abuse.
 - b. Made any illegal or improper expenditures.
 - c. Had deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations, and instances of fraud

5. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The City of Pembroke Pines/Florida State University Charter Elementary School is operated by the City. The City of Pembroke Pines/Florida State University Charter Elementary School was created by motion of the City Commission on February 3, 2003.

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

Fort Lauderdale, Florida
September 21, 2007

Watson Rice LLP