

CITY OF PEMBROKE PINES CHARTER SCHOOLS

SPECIAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2002

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools

We have audited the accompanying special purpose financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pembroke Pines Charter Schools (the Schools) as of and for the year ended June 30, 2002, which collectively comprises 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 opinions on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose 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.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Pembroke Pines Charter Schools as of June 30, 2002, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2002 on our consideration of the Schools' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schools' basic financial statements. The accompanying supplementary information, such as the capital asset schedules 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.

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Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools
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The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-8 and pages 23-26, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Rachelle Cohen & Holtz LLP

Fort Lauderdale, Florida
August 26, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2002. We encourage readers to consider the information presented here in conjunction with the Charter Schools' financial statements, which follow this section.

This is the first year that the Schools have reported its financial statements in a government-wide format using the GASB Statement No. 34 reporting model. Thus, comparative information from prior years in the GASB Statement No. 34 format is not available. Fund-based financial reporting and government-wide financial reporting is not viewed as being in conflict; however, it is not comparable.

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 \$7,308,229 (net assets). Of this amount, \$4,038,645 (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 \$4,179,886, or 25.6% of total expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter Schools' special purpose financial statements. The Charter Schools' basic financial statements are comprised of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the 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 only result in cash flows in future fiscal periods.

The Charter Schools' government-wide financial statements distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School District) (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 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 Charter Schools, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds used by the Charter Schools are considered governmental fund types.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide

financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Charter Schools maintain three funds (governmental funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The Charter Schools adopt an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The governmental fund financial statements can be found on pages 13-14 of this report.

Notes to special purpose 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 special purpose financial statements can be found on pages 14-22 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 and the Management's Discussion and Analysis (MD&A).

Supplementary Auditors' Reports. This section includes the following:

- Report of Independent Certified Public Accountants on Compliance and on Internal Control over Financial Reporting.
- 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 \$7,308,229 as of June 30, 2002. Comparative Analysis with prior year was not included in the MD&A since this is the first year of implementing GASB Statement No. 34. A comparative analysis of government-wide data will be presented in future years when the information is comparable and available.

Investments in capital assets (e.g., land, buildings, furniture, and equipment) amount to \$3,269,584. 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 (approximately 55%) represents unrestricted resources that are available to meet the financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>
Current assets	\$ 4,597,550
Capital assets	3,269,584
Total assets	<u>7,867,134</u>
Current liabilities	341,659
Noncurrent liabilities	217,246
Total liabilities	<u>558,905</u>
Net assets:	
Invested in capital assets	3,269,584
Unrestricted	4,038,645
Total net assets	<u>\$ 7,308,229</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amount to \$7,308,229, a decrease of \$643,314 over the prior year. The total cost of all governmental activities this year was \$16,710,998.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 2,939,937
Operating grants and contributions	74,469
Capital grants and contributions	666,834
General revenues:	
FTE non-specific revenues	11,872,193
Unrestricted investment earnings	112,201
Rental income	98,087
Start up grants	110,000
Contributions	51,000
Total revenues	<u>15,924,721</u>
Expenses:	
Instructional services	7,490,935
Rent	2,953,885
Instructional support services	685,996
Pupil transportation services	565,122
Operation and maintenance of plant	2,601,445
School administration	1,491,301
General administration	606,320
Other	315,994
Total expenses	<u>16,710,998</u>
Decrease in net assets before transfers	(786,277)
Transfers	<u>142,963</u>
Change in net assets	(643,314)
Net assets - beginning	<u>7,951,543</u>
Net assets - ending	<u><u>\$ 7,308,229</u></u>

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 a fiscal year.

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$4,179,886, a decrease of \$245,790 over the previous fiscal year. The fund balance consists of a reserve for subsequent years' expenditures of \$9,606. The remaining \$4,170,280 is unreserved, but has been primarily designated for future rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2002, the Charter Schools had estimated revenues and appropriations of \$18,521,566 and \$19,480,938, respectively.

Over the course of the year, the Charter Schools recommended several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

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

The Charter Elementary School made the following significant amendments to budget:

Several amendments were made to the budgeted revenues totaling \$509,846 as follows: An amendment was made increasing state shared revenues in the amount of \$143,995 for teacher retention bonuses, governors A+ funds, the Emergency Immigration Education Program; an amendment was also made increasing contributions from private sources in the amount of \$57,914 for donations from Cambridge Academies and the Family Literacy Initiative Grant; and an amendment was made increasing revenues by \$290,723 for a Swim Central Grant. The negative budgetary variance totaled \$345,099. This variance was attributed primarily to a decrease in estimated Florida Education Finance Program funds in the amount of \$292,722 and a decrease in estimated interest earnings in the amount of \$110,533.

Amendments to budgeted expenditures totaled \$219,123 as follows: An amendment was made to K-3 basic decreasing teacher salaries and textbooks in the amount of \$96,133. This decrease related to teachers being coded to function 4-8 basic. The positive budgetary variance in the amount of \$75,308 was mainly related to the timing in filling vacant teacher positions. An amendment was also made to 4-8 basic increasing personnel services by \$75,424 and decreasing operating expenditures by \$16,439. The increase in personnel services related to teachers being coded to this function originally budgeted in function K-3 basic. The positive budgetary variance in operation of school in the amount of \$145,432 was related to an increase to transfer funds to Charter High School Flanagan Stadium. An amendment was made to school administration increasing personnel services by \$56,720 and increasing operating expenditures by \$57,554. The increase in personnel services related to accrued vacation, accrued sick leave, sick leave-retire/term, and new supplements. The increase in operating expenditures related to professional services-outside legal, postage, and computer software. The positive budgetary variance in general administration in the amount of \$73,416 is mainly related to a decrease in the number of days paid for part-time teacher assistants. An amendment was made to student transportation services increasing the budget by \$120,320 related to a new shuttle service. This service provides transportation to students from one campus to another.

An amendment was made to the exceptional student program decreasing the budget by \$57,407 related to personnel services. This decrease was related to part time teachers not needed. The positive budgetary variance in the amount of \$55,557 was related to a decrease in using contract services with Easter Seals. An amendment was made to instruction and curriculum development in the amount of \$75,129 that related to a new grant obtained by the school. This was a new program funded through a grant.

The Charter Elementary School transfers were amended by \$150,000 due to a transfer to the Charter High School for the Flanagan High School Stadium. The positive budgetary variance in the amount of \$333,786 was related to positive budget variances in the High School, therefore, the Middle School did not need to transfer the entire amount budgeted as an operating transfer out to the High School.

After appropriations were amended, as described above, actual revenues were \$345,099 below final budgeted amounts due to reductions in funding; actual expenditures were \$531,804 below final budget amounts.

The Charter Middle School made the following significant amendments to budget:

Several amendments were made to the budgeted revenues totaling \$480,030 as follows: An amendment was made increasing state shared revenues in the amount of \$89,019 for teacher retention bonuses, governors A+ funds, and the Emergency Immigration Education Program; and an amendment was made to revenues in the amount of \$370,011 related to the Swim Central Grant. The negative budgetary variance totaled \$89,101. This variance related to a decrease in estimated Florida Education Finance Program funds and interest earnings.

Amendments to budgeted expenditures totaled \$110,019 as follows: An amendment was made to operation of school increasing insurance and bond premium in the amount of \$47,820 and other adjustments totaling \$12,262; an amendment was made to student transportation services in the amount of \$65,107 related to a new shuttle service. This service provides transportation to students from one campus to another; and an amendment was also made to exceptional student program decreasing the budget by \$76,596 related to contract services with Easter Seals.

The Charter Middle School transfers positive budgetary variance in the amount of \$179,171 was related to favorable budget variances in the High School.

After appropriations were amended as described above, actual revenues were \$89,101 below final budgeted amounts due to reductions in funding; actual expenditures were \$103,019 below final budget amounts.

The Charter High School made the following significant amendments to budget:

One amendment was made to the budgeted revenues totaling \$90,971. This amendment related to teacher retention bonuses, the Emergency Immigration Education Program, and School Food Program. The negative budgetary variance totaled \$246,153. This variance related to a decrease in estimated Florida Education Finance Program funds, interest earnings, and rental of city facilities.

The Charter High School transfers increased by \$150,000 due to the Flanagan Stadium funding. The negative budgetary variance in the amount of \$519,994 was related to positive budget variances, therefore, the High School did not need the entire budgeted operating transfer in to fund operations.

Amendments to budgeted expenditures totaled \$240,971. An amendment was made to 9-12 basic decreasing personnel services by \$241,831 and increasing operating expenditures by \$101,184. The decrease in personnel services related to teacher salaries/benefits. The school had anticipated higher student population. The increase in operating expenditures related to professional and technical services, additional operating supplies, and additional textbooks that were needed. The positive budgetary variance in the amount of \$183,317 is mainly related to not filling vacant teacher positions. An amendment was made to Vocational 6-12 increasing the budget by \$58,937. This increase related to one additional teacher position that would cover the increase in student participation for this function. The positive budgetary variance in the operation of school totaled \$157,938. This variance related to savings in contract building maintenance, electricity, and communications. The positive budgetary variance in school administration totaled \$57,134. This variance was mainly related to a decrease in hours for the school clerical specialist and the behavior specialist. An amendment was made to student transportation services in the amount of \$95,620 related to a new shuttle service. An amendment was made to guidance services in the amount of \$69,233 that was mainly related to a new guidance counselor position needed to assist the current counselor. The positive budgetary variance in athletics totaled \$83,315. This related to sports supplements not being used. An amendment was made to community services in the amount of \$150,000 related to the Flanagan Stadium. The positive budgetary variance in the amount of \$150,000 was related to the Flanagan Stadium project not beginning.

After appropriations were amended as described above, actual revenues were \$246,153 below final budgeted amounts due to reductions in funding; actual expenditures were \$766,147 below final budget amounts.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2002 amounts to \$3,269,584 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, machinery, and equipment.

CAPITAL ASSETS (Net of Depreciation)

	<u>Governmental</u>
Improvements other than buildings	\$ 2,369,922
Machinery and equipment	899,662
Total capital assets	<u>\$ 3,269,584</u>

Additional information on the Charter Schools' capital assets can be found on pages 27-29 of this report.

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital Outlay funding from the State will be reduced to 48% from 67% last year.
- ◆ Broward School District continues to retain 5% administrative costs on revenues.
- ◆ The Charter Schools' student attendance rate remains stable at 98%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter High School's enrollment will increase by 200 students.
- ◆ A new Charter Elementary and Middle School opened on July 1, 2002 with a total student population of 1,200
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2002-03 budget of \$28,114,001 and \$28,114,001, respectively. Appropriations include an additional \$432,000 for salary/wage increases, an additional \$749,236 for employee health coverage, and an additional \$2,844,000 for salaries for new teachers due to expansion, over prior year. These increases are funded through the expansion of the Charter School system.

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.

SPECIAL PURPOSE FINANCIAL STATEMENTS

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2002

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 3,898,468
Due from Broward County	665,542
Other miscellaneous receivables	33,540
Capital assets:	
Improvements other than buildings	2,472,962
Machinery and equipment	1,837,827
Less accumulated depreciation	<u>(1,041,205)</u>
Total capital assets, net of accumulated depreciation	<u>3,269,584</u>
Total assets	<u>7,867,134</u>
<u>LIABILITIES</u>	
Accounts payable and other current liabilities	153,352
Deposits	188,307
Noncurrent liabilities:	
Due within one year	76,005
Due in more than one year	<u>141,241</u>
Total liabilities	<u>558,905</u>
<u>NET ASSETS</u>	
Invested in capital assets	3,269,584
Unrestricted	<u>4,038,645</u>
Total net assets	<u>\$ 7,308,229</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total</u>
Governmental activities:						
Instructional services	\$ 7,490,935	\$ -	\$ -	\$ -	\$ (7,490,935)	\$(7,490,935)
Rent	2,953,885	2,262,626	-	666,834	(24,425)	(24,425)
Instructional support services	685,996	-	74,469	-	(611,527)	(611,527)
Pupil transportation services	565,122	375,537	-	-	(189,585)	(189,585)
Operation and maintenance of plant	2,601,445	-	-	-	(2,601,445)	(2,601,445)
School administration	1,491,301	-	-	-	(1,491,301)	(1,491,301)
General administration	606,320	-	-	-	(606,320)	(606,320)
Other	315,994	301,774	-	-	(14,220)	(14,220)
Total charter schools	<u>\$ 16,710,998</u>	<u>\$ 2,939,937</u>	<u>\$ 74,469</u>	<u>\$ 666,834</u>	<u>(13,029,758)</u>	<u>(13,029,758)</u>
General revenues:						
FTE non-specific revenues					11,872,193	11,872,193
Unrestricted investment earnings					112,201	112,201
Rental income					98,087	98,087
Start-up grants					110,000	110,000
Contributions					51,000	51,000
Transfers from general fund					142,963	142,963
Total general revenues					<u>12,386,444</u>	<u>12,386,444</u>
Change in net assets					(643,314)	(643,314)
Net assets - beginning					7,951,543	7,951,543
Net assets - ending					<u>\$ 7,308,229</u>	<u>\$ 7,308,229</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2002

	<u>Charter Elementary Schools</u>	<u>Charter Middle School</u>	<u>Charter High School</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 1,795,887	\$ 1,913,078	\$ 189,503	\$ 3,898,468
Due from Broward County	290,723	370,011	4,808	665,542
Other Miscellaneous Receivables	30,682	648	2,210	33,540
Total assets	<u>\$2,117,292</u>	<u>\$2,283,737</u>	<u>\$ 196,521</u>	<u>\$ 4,597,550</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable	\$ -	\$ 2,923	\$ -	\$ 2,923
Accrued liabilities	100,331	49,269	76,834	226,434
Deposits	44,537	24,083	119,687	188,307
Total liabilities	<u>144,868</u>	<u>76,275</u>	<u>196,521</u>	<u>417,664</u>
Fund balances:				
Reserved for subsequent years' expenditures	5,356	4,250	-	9,606
Unreserved:				
Designated for rent payments	<u>1,967,068</u>	<u>2,203,212</u>	-	<u>4,170,280</u>
Total fund balances	<u>1,972,424</u>	<u>2,207,462</u>	-	<u>4,179,886</u>
Total liabilities and fund balances	<u>\$2,117,292</u>	<u>\$2,283,737</u>	<u>\$ 196,521</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	3,269,584
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(141,241)</u>
Net assets of governmental activities	<u>\$ 7,308,229</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2002

	Charter Elementary Schools	Charter Middle School	Charter High School	Total
Revenues:				
Local	\$ 6,127,877	\$ 3,920,386	\$ 5,766,458	\$ 15,814,721
Federal grants	-	20,000	90,000	110,000
Total revenues	<u>6,127,877</u>	<u>3,940,386</u>	<u>5,856,458</u>	<u>15,924,721</u>
Expenditures:				
Current:				
K-3 basic	1,635,911	-	-	1,635,911
4-8 basic	696,448	1,589,726	-	2,286,174
9-12 basic	-	-	2,875,652	2,875,652
Vocational 6-12	-	-	132,797	132,797
Substitute teachers	56,969	40,079	25,305	122,353
Operation of school	1,476,666	892,153	2,817,896	5,186,715
School administration	358,161	448,644	543,616	1,350,421
Child care supervision	159,955	-	-	159,955
General administration	606,320	-	-	606,320
Student transportation services	250,165	119,821	195,136	565,122
Instructional media service	3,650	99,732	95,243	198,625
Guidance services	80,566	54,197	274,396	409,159
Intensive English/ESOL	-	80	2,212	2,292
Exceptional student program	231,388	140,188	55,155	426,731
Instructional staff training service	-	3,593	649	4,242
Instruction and Curriculum Development	73,969	-	-	73,969
School/other	-	-	9,026	9,026
Athletics	-	-	156,039	156,039
Capital outlay	20,236	21,901	69,834	111,971
Total expenditures	<u>5,650,404</u>	<u>3,410,114</u>	<u>7,252,956</u>	<u>16,313,474</u>
Excess (deficiency) of revenues over expenditures	<u>477,473</u>	<u>530,272</u>	<u>(1,396,498)</u>	<u>(388,753)</u>
Other financing sources (uses):				
Operating transfers in	-	-	1,396,498	1,396,498
Operating transfers out	(624,460)	(629,075)	-	(1,253,535)
Total other financing sources (uses)	<u>(624,460)</u>	<u>(629,075)</u>	<u>1,396,498</u>	<u>142,963</u>
Net change in fund balances	(146,987)	(98,803)	-	(245,790)
Fund balances, beginning	<u>2,119,411</u>	<u>2,306,265</u>	<u>-</u>	<u>4,425,676</u>
Fund balances, ending	<u>\$ 1,972,424</u>	<u>\$ 2,207,462</u>	<u>\$ -</u>	<u>\$ 4,179,886</u>

See notes to special purpose 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, 2002

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

Net change in fund balances - total governmental funds (Page 5) \$ (245,790)

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 are as follows:

Capital outlay	\$ 110,842	
Depreciation expense	<u>367,125</u>	
Net adjustment		(256,283)

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 differences are as follows:

Compensated absences		<u>(141,241)</u>
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Change in net assets of governmental activities \$ (643,314)

See notes to special purpose financial statements.

NOTES TO SPECIAL PURPOSE
FINANCIAL STATEMENTS

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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, the City of Pembroke Pines Charter Middle School and the City of Pembroke Pines Charter High School, respectively. The three schools will be referred to collectively as the Schools in these special purpose 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.

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

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. *Governmental activities*, are supported by FTE dollars and intergovernmental revenues.

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*.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

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 as prescribed by the Governmental Accounting Standards Board.

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

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

The Schools' fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

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 cash is received by the Schools.

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East and West campus, serving 1,100 student stations.

Charter Middle Schools – The Middle School consists of a campus located in the western section of the City, serving 672 student stations.

Charter High School – The Charter High School, located at the Academic Village site provides 1,200 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, then unrestricted resources as they are needed.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets

1. *Pooled Cash and Cash Equivalents*

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

2. *Receivables*

All intergovernmental receivables are considered to be collectible. No allowance for uncollectibles is recorded.

3. *Capital Assets*

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, 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>
Improvement other than buildings	50
Machinery and equipment	3-10

During the fiscal year ended June 30, 2000, the Schools were awarded approximately \$6 million from the School Board'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 district school board upon the non-renewal or termination of a charter school.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

4. *Compensated Absences*

The City's Charter Schools regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year around employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year around 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, 2002.

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 the obligation of the City is described below:

The City borrowed \$10,000,000 from a bank in December 1997 of which approximately \$6,500,000 was used to finance the acquisition of land and construction of the Elementary Schools. In 1998, the City issued Public Improvement Revenue Bonds, Series 1998 for \$24,055,000 of which approximately \$12,500,000 was used to finance the construction of the Middle School and, the purchase and development of the site for the City's Charter High School. During 1999, the City issued Capital Improvement Revenue Bonds, Series 1999 for \$45,240,000 of which approximately \$31,000,000 was used to finance the construction of the City of Pembroke Pines Charter High School and further expansion of the Schools. During 2001, the City issued Charter School Revenue Bonds, Series 2001A and 2001B for \$31,910,000 and \$20,060,000, respectively, which were used to finance the construction of the City of Pembroke Pines Charter Central Campus and the Pembroke University Center.

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

6. *Fund Equity*

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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. Revenue Sources

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

8. Use of Estimates

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

NOTE 2. INVESTMENTS

The Schools invest in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. The LGSF is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the 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 pool and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares. Under GASB Statement No. 3 reporting, 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>\$3,898,468</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

	<u>Elementary Schools</u>	<u>Middle School</u>	<u>High School</u>	<u>Total</u>
Broward County District School Board:				
Florida Education Finance Program	\$3,619,730	\$2,219,640	\$3,715,751	\$ 9,555,121
Discretionary lottery funds	97,063	59,526	99,568	256,157
School Breakfast Reimbursement - Non-Severe Need	-	-	18,922	18,922
School Lunch Reimbursement - Free/Reduced	-	-	44,151	44,151
Instructional materials	93,982	57,451	86,673	238,106
Public school technology	26,507	16,203	24,445	67,155
Supplementary Discretion Millage	49,582	30,408	50,861	130,851
Emergency Immigrant Education Program	3,062	1,990	3,368	8,420
Transportation revenue	89,803	109,811	175,923	375,537
Safe schools program	28,498	17,421	26,282	72,201
District school taxes	153,255	93,986	157,209	404,450
Governor's A+ Funds	100,000	66,797	-	166,797
ESE guaranteed allocation	181,174	133,829	84,524	399,527
Teacher training allocation	15,286	9,345	14,098	38,729
Public education capital outlay	730,249	510,804	1,021,573	2,262,626
Supplemental academic instruction	134,092	90,384	140,798	365,274
Teacher retention bonus	41,404	23,525	41,404	106,333
Total Broward County District School Board	5,363,687	3,441,120	5,705,550	14,510,357
Other:				
Grants	313,037	371,011	-	684,048
After school education program	301,774	-	-	301,774
Interest	54,949	56,344	908	112,201
Rental revenue	37,175	51,911	9,000	98,086
Contributions	57,255	-	51,000	108,255
Total other	764,190	479,266	60,908	1,304,364
Total local	\$6,127,877	\$3,920,386	\$5,766,458	\$ 15,814,721
Federal grants:				
Start-up grants	\$ -	\$ 20,000	\$ 90,000	\$ 110,000
Total federal grants	\$ -	\$ 20,000	\$ 90,000	\$ 110,000

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE 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	\$ 2,472,962	\$ -	\$ -	\$ 2,472,962
Machinery and equipment	<u>1,726,985</u>	<u>110,842</u>	<u>-</u>	<u>1,837,827</u>
Total capital assets being depreciated	<u>4,199,947</u>	<u>110,842</u>	<u>-</u>	<u>4,310,789</u>
Less accumulated depreciation for:				
Improvements other than buildings	(53,581)	(49,459)	-	(103,040)
Machinery and equipment	<u>(620,499)</u>	<u>(317,666)</u>	<u>-</u>	<u>(938,165)</u>
Total accumulated depreciation	<u>(674,080)</u>	<u>(367,125)</u>	<u>-</u>	<u>(1,041,205)</u>
Total capital assets being depreciated, net	<u>\$ 3,525,867</u>	<u>\$ (256,283)</u>	<u>\$ -</u>	<u>\$ 3,269,584</u>

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

Governmental activities:	
Operation and maintenance of plant	<u>\$ 367,125</u>

NOTE 5. INTERFUND TRANSFERS

	<u>Transfers in High School</u>
Transfers out:	
General Fund	\$ 142,963
Elementary	624,460
Middle	<u>629,075</u>
Total transfers	<u>\$ 1,396,498</u>

The operating transfers in and out on the statement of revenues, expenditures and changes in fund balances do not agree by \$142,963 because the Charter Schools' financial statements do not include the general fund.

NOTE 6. OPERATING LEASES

Communications Facility Lease

In December 1997, the City leased a portion of real property located on the Schools' ground to a private company which was used to construct, maintain and operate a communications facility. The agreement has a term of fifteen (15) years with two five-year renewal periods upon mutual consent and written agreement by the parties. Rental payments of \$48,000 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. OPERATING LEASES (Continued)

Communications Facility Lease (Continued)

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

Fiscal year ending June 30:	
2003	\$ 56,000
2004	57,000
2005	59,000
2006	61,000
2007	63,000
2008-2012	<u>342,000</u>
Total minimum future rentals	<u>\$ 638,000</u>

Schools' Facility Leases

The Schools lease their two elementary school campuses, middle school campus 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. The rental fees are due annually on December 15. For the fiscal year ended June 30, 2002, rent expense was approximately \$854,000, \$432,000 and \$1,668,000 for the Elementary, Middle and High schools, respectively.

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

Fiscal year ending June 30:	
2003	\$ 4,071,261
2004	6,420,806
2005	6,626,999
2006	6,632,128
2007	6,629,475
2008-2012	33,126,362
2013-2017	31,994,960
2018-2022	32,006,336
2023-2027	25,969,975
2028-2032	<u>11,490,119</u>
Total minimum future rentals	<u>\$ 164,968,421</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. OPERATING LEASES (Continued)

Changes in Long-Term Liabilities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One</u> <u>Year</u>
Compensated absences	\$ -	\$ 217,246	\$ -	\$ 217,246	\$ 76,005

NOTE 7. RISK MANAGEMENT

Health, hospitalization and workers' compensation coverage are provided through the City of Pembroke Pines and the Schools are charged by the City for these coverages. The Schools maintain insurance for general liability, automotive liability and property coverages through purchased commercial insurance with minimum deductibles for each line of coverage. There were no reductions in insurance coverages from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

NOTE 8. CONTINGENCY

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION
(Other Than MD&A)

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2002

	<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	\$ 5,963,130	\$ 6,472,976	\$ 6,127,877	\$ (345,099)
Expenditures:				
Current:				
K-3 basic	1,807,352	1,711,219	1,635,911	75,308
4-8 basic	678,694	737,679	696,448	41,231
9-12 basic	-	3,062	-	3,062
Substitute teachers	34,000	60,000	56,969	3,031
Operation of school	1,624,330	1,622,098	1,476,666	145,432
School administration	273,559	387,833	358,161	29,672
Child care supervision	176,318	168,678	159,955	8,723
General administration	708,666	679,736	606,320	73,416
Student transportation services	150,000	270,320	250,165	20,155
Instructional media service	10,500	10,500	3,650	6,850
Guidance services	113,457	106,632	80,566	26,066
Exceptional student program	344,352	286,945	231,388	55,557
Instruction and Curriculum Development	-	75,129	73,969	1,160
Capital outlay	41,857	62,377	20,236	42,141
Total expenditures	<u>5,963,085</u>	<u>6,182,208</u>	<u>5,650,404</u>	<u>531,804</u>
Excess of revenues over expenditures	45	290,768	477,473	186,705
Other financing uses:				
Operating transfers out	(808,246)	(958,246)	(624,460)	333,786
Net change in fund balances	(808,201)	(667,478)	(146,987)	520,491
Fund balances, beginning	2,119,411	2,119,411	2,119,411	-
Fund balances, ending	<u>\$ 1,311,210</u>	<u>\$ 1,451,933</u>	<u>\$ 1,972,424</u>	<u>\$ 520,491</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOL

FISCAL YEAR ENDED JUNE 30, 2002

	<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	\$3,549,457	\$4,009,487	\$3,920,386	\$ (89,101)
Federal grants	-	20,000	20,000	-
Total revenues	3,549,457	4,029,487	3,940,386	(89,101)
Expenditures:				
Current:				
4-8 basic	1,605,504	1,638,837	1,589,726	49,111
Substitute teachers	21,000	41,500	40,079	1,421
Operation of school	841,972	902,054	892,153	9,901
School administration	446,354	467,571	448,644	18,927
Child care supervision	-	-	-	-
Student transportation services	55,700	120,807	119,821	986
Instructional media service	113,524	104,570	99,732	4,838
Guidance services	57,344	58,544	54,197	4,347
Intensive English/ESOL	7,560	2,070	80	1,990
Exceptional student program	222,580	145,984	140,188	5,796
Instructional staff training service	9,610	8,610	3,593	5,017
Capital outlay	21,966	22,586	21,901	685
Total expenditures	3,403,114	3,513,133	3,410,114	103,019
Excess of revenues over expenditures	146,343	516,354	530,272	13,918
Other financing uses:				
Operating transfers out	(808,246)	(808,246)	(629,075)	179,171
Net change in fund balances	(661,903)	(291,892)	(98,803)	193,089
Fund balances, beginning	2,306,265	2,306,265	2,306,265	-
Fund balances, ending	\$ 1,644,362	\$ 2,014,373	\$ 2,207,462	\$ 193,089

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2002

	<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	\$5,921,640	\$6,012,611	\$5,766,458	\$(246,153)
Federal grants	90,000	90,000	90,000	-
Total revenues	6,011,640	6,102,611	5,856,458	(246,153)
Expenditures:				
Current:				
9-12 basic	3,199,616	3,058,969	2,875,652	183,317
Vocational 6-12	99,456	158,393	132,797	25,596
Substitute teachers	33,050	33,409	25,305	8,104
Operation of school	2,996,116	2,975,834	2,817,896	157,938
School administration	565,520	600,750	543,616	57,134
Student transportation services	120,000	215,620	195,136	20,484
Instructional media service	91,637	102,035	95,243	6,792
Guidance services	233,918	303,151	274,396	28,755
Intensive English/ESOL	-	3,369	2,212	1,157
Exceptional student program	101,200	65,266	55,155	10,111
Instructional staff training service	15,000	15,000	649	14,351
School/other	5,000	10,000	9,026	974
Athletics	270,469	239,354	156,039	83,315
Community Services	-	150,000	-	150,000
Capital outlay	47,150	87,953	69,834	18,119
Total expenditures	7,778,132	8,019,103	7,252,956	766,147
Deficiency of revenues over expenditures	(1,766,492)	(1,916,492)	(1,396,498)	519,994
Other financing sources:				
Operating transfers in	1,766,492	1,916,492	1,396,498	(519,994)
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	\$ -	\$ -	\$ -	\$ -

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTE TO BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2002

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The budget is presented on the modified accrual basis of accounting. 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. There were supplemental appropriations of approximately \$219,000 in the elementary schools, \$110,000 in the middle school and \$241,000 in the high school during the year ended June 30, 2002.

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

CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2002

Governmental funds capital assets:

Improvements other than buildings	\$2,472,962
Machinery and equipment	<u>1,837,827</u>
Total governmental capital assets	<u>\$4,310,789</u>

Investments in governmental funds capital assets by source:

Charter Elementary Schools	\$1,860,706
Charter Middle School	2,252,006
Charter High School	<u>198,077</u>
Total governmental funds capital assets	<u>\$4,310,789</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2002

<u>Function and Activity</u>	Improvements Other Than <u>Buildings</u>	Machinery and <u>Equipment</u>	<u>Total</u>
Education:			
Elementary Schools	\$ 1,218,921	\$ 641,785	\$1,860,706
Middle School	1,254,041	997,965	2,252,006
High School	-	198,077	198,077
Total governmental funds capital assets	\$ 2,472,962	\$1,837,827	\$4,310,789

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, 2002

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2001</u>	<u>Additions</u>	Governmental Funds Capital Assets June 30, <u>2002</u>
Education:			
Elementary Schools	\$ 1,840,470	\$ 20,236	\$ 1,860,706
Middle School	2,230,105	21,901	2,252,006
High School	129,372	68,705	198,077
Total governmental funds capital assets	<u>\$ 4,199,947</u>	<u>\$ 110,842</u>	<u>\$ 4,310,789</u>

SUPPLEMENTARY AUDITORS' REPORTS



Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

**Report of Independent Certified Public Accountants on Compliance and on
Internal Control over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools

We have audited the special purpose financial statements of the City of Pembroke Pines Charter Schools (the Schools) as of and for the year ended June 30, 2002, and have issued our report dated August 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Schools' special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools
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This report is intended solely for the information and use of the Mayor, City Commission, management 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. However, this report is a matter of public record and its distribution is not limited.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
August 26, 2002



Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools

We have audited the special purpose financial statements of the City of Pembroke Pines Charter Schools (the Schools) as of and for the year ended June 30, 2002, and have issued our report thereon dated August 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States 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; Disclosure in that report, which is dated August 26, 2002, should be considered in conjunction with this management letter.

In connection with our audit of the special purpose financial statements of the Schools for the year ended June 30, 2002, 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. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. There were no recommendations made in the preceding annual financial audit.
3. There are no recommendations to improve the Schools' 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 Schools:
 - a. Were in violation of any laws, rules, regulations or contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.



Honorable Mayor, City Commission and City Manager
City of Pembroke Pines Charter Schools
Page 2

- e. Had other inaccuracies, shortages, defalcations, and instances of fraud.
- 5. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The Charter Schools are operated by the City. The City's Charter Elementary School was created by motion of the City Commission on June 17, 1998. The City's Charter Middle School was created under Resolution No. 2668 on June 2, 1999. The City's Charter High School was created by motion of the City Commission on February 16, 2000.

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

Rachlin Cohen & Holly LLP

Fort Lauderdale, Florida
August 26, 2002