

CITY OF PEMBROKE PINES CHARTER SCHOOLS

SPECIAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2003

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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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, 2003, 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, 2003, 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 27, 2003 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.

The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information on pages 3-11 and pages 26-29, 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.

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

Fort Lauderdale, Florida
August 27, 2003

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, 2003. We encourage readers to consider the information presented here in conjunction with the Charter Schools' financial statements, which follow this section.

Financial Highlights

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$7,264,267 (net assets). Of this amount, \$4,420,330 (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 \$4,530,094, or 17.1% of total expenditures. This represents an increase of \$350,208 or 8.4% over the prior year. Approximately 86% of this total amount or \$300,830, is available for spending (unreserved fund balance), but has been designated for rent payments.

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 consist of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the special purpose 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 12-13 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 14-16 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 17-25 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the budgetary comparison schedules 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 Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Schools, assets exceeded liabilities by \$7,264,267 as of June 30, 2003 as compared to \$7,308,229 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amount to \$2,843,937. 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 61%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Current assets	\$5,260,097	\$4,597,550
Capital assets	<u>2,843,937</u>	<u>3,269,584</u>
Total assets	<u>8,104,034</u>	<u>7,867,134</u>
Current liabilities	503,908	341,659
Noncurrent liabilities	<u>335,859</u>	<u>217,246</u>
Total liabilities	<u>839,767</u>	<u>558,905</u>
Net assets:		
Invested in capital assets	2,843,937	3,269,584
Unrestricted	<u>4,420,330</u>	<u>4,038,645</u>
Total net assets	<u>\$7,264,267</u>	<u>\$7,308,229</u>

Current assets increased by \$662,547 (14%) during the year. The Elementary Schools' current assets increase of \$458,077, the Middle Schools' increase of \$100,109, and the High School's increase of \$104,361 all related to the net cash position maintained with the State Board of Administration (SBA). The decrease in Capital assets of \$425,647 is related to depreciation expense required by GASB Statement No. 34.

Current liabilities increased by \$162,249 (47%) during the year in the Elementary, Middle, and High Schools. This increase related to \$61,570 in accrued payroll, \$52,177 in accounts payables, and \$48,502 in school deposits. Noncurrent liabilities increased by \$118,613 (55%) during the year in the Elementary, Middle, and High Schools. This increase related to compensated absences.

Unrestricted net assets increased by \$381,685 (9%) during the year in the Elementary, Middle, and High Schools. This increase represents the degree to which current assets exceeded liabilities.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,814,658	\$2,939,937
Operating grants and contributions	6,350	74,469
Capital grants and contributions	2,278,244	666,834
General revenues:		
FTE non-specific revenues	19,310,428	11,872,193
Unrestricted investment earnings	36,651	112,201
Rental income	367,362	98,087
Start-up grants	-	110,000
Contributions	4,230	51,000
Total revenues	<u>26,817,923</u>	<u>15,924,721</u>
Expenses:		
Instructional services	12,046,447	7,490,935
Instructional support services	961,744	685,996
Pupil transportation services	1,080,200	565,122
Operation and maintenance of plant	9,198,543	5,555,330
School administration	2,306,990	1,491,301
General administration	898,048	606,320
Other	369,913	315,994
Total expenses	<u>26,861,885</u>	<u>16,710,998</u>
Decrease in net assets before transfers	(43,962)	(786,277)
Transfers	<u>-</u>	<u>142,963</u>
Change in net assets	(43,962)	(643,314)
Net assets - beginning	<u>7,308,229</u>	<u>7,951,543</u>
Net assets - ending	<u>\$ 7,264,267</u>	<u>\$7,308,229</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amount to \$7,264,267, a slight decrease of \$43,962 over the prior year. The total cost of all governmental activities this year was \$26,861,885. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$10,893,202 (68%) during the year due to the opening of the Central campus, which included an Elementary and Middle School with a population of 600 students per school, and increased student population at the High School by 350 students. Charges for services increased by \$1,874,721 (64%) during the year, as a result of this growth in the student population, of this amount, capital outlay funds increased by \$347,446, food sales increased by \$848,332, transportation increased by \$484,035, and other revenues increased by \$194,908.

The increase in capital grants and contributions was related to a Safe Parks & Land Preservation

Program, Broward County, Florida in the amount of \$2,100,000. These funds were used to construct a River of Grass Cultural Arts Center at the Academic Village Charter High School Campus. The FTE non-specific revenues increased by \$7,438,235. This increase was related to the additional 1,550 students. Rental income increased by \$269,275 during the year. This increase is a product of rent received from Florida International University for the university building at the Academic Village. The Charter School system did not have any start-up or continuation grants this year.

Total expenditures increased by \$10,150,887 (61%) during the year. This increase was mainly attributable to the opening of the Central campus, which included an Elementary and a Middle School with a population of 600 students per school and increased student population at the High School by 350 students. Instructional services increased by \$4,555,512 over last year. The majority of this increase was related to salaries and benefits for new teachers and non-instructional staff who will support the 1,550 new students. Instructional support services increased by \$275,748. This increase was related to support services for the new Elementary and Middle Schools. Pupil transportation services increased by \$515,078 and is mainly attributable to the Charter School system expansion. Operation and maintenance of plant increased by \$3,643,213, of this amount, \$1,258,354 relates to the increase in rent expenditures, as a result of the new Elementary and Middle Schools, and \$2,384,859 relates to the operation and maintenance of three new buildings (Charter Elementary and Charter Middle Schools at the Central campus, and the University building at the Academic Village). School administration expenses increased by \$815,689, and general administration expenses increased by \$291,728. These increases relate to the additional support needed for the 1,550 new students.

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 \$4,530,094, an increase of \$350,208 over the previous fiscal year. The fund balance consists of a reserve for subsequent years' expenditures of \$58,984. The remaining \$4,471,110 is unreserved, but has been primarily designated for future rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2003, the Charter Schools had estimated revenues and appropriations of \$27,523,900 and \$28,108,870, respectively. Over the course of the year, the Charter Schools recommended several revisions to budgeted revenues and appropriations. These amendments fall into the following categories:

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

The Charter Elementary School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$575,907 as follows: An amendment was made increasing school breakfast reimbursement – non-severe need and lunch reimbursement – free/reduced in the amount of \$108,000. An amendment was also made to the state shared revenues in the amount of \$109,000 for teacher retention bonuses, Governor’s A+ funds; and an amendment was made increasing revenues by \$96,907 for a Swim Central Grant. An amendment was also made to budget for food sales in the amount of \$262,000. The negative budgetary variance totaled \$210,213. These variances were primarily attributed to a decrease in estimated District Discretionary Lottery funds in the amount of \$40,708, Exceptional Student Education (ESE) Guaranteed Allocation in the amount of \$82,962, Public Education Capital Outlay funds in the amount of \$64,914, interest earnings in the amount of \$80,752, after school education funds in the amount of \$63,320, and in-house transportation in the amount of \$41,113. An offset to this was revenues received for Supplemental Academic Instruction, actual amounts exceeded budget by \$110,184.

Amendments to budgeted expenditures totaled \$691,888 as follows: An amendment was made to operation of school in the amount of \$670,992 relating to food service cost. An amendment was also made to insurance & bond premiums in the amount of \$85,242. An amendment was made to student transportation services in the amount of \$107,344 relating to contractual services. Overall, the Charter Elementary School had a positive budget variance of \$345,490. This positive budgetary variance was mainly attributable to the operation of school in the amount of \$121,614 for the re-bidding of new building maintenance contracts, as well as \$164,282 for capital outlay expenditures. Capital outlay had a positive budgetary variance in the amount of \$164,282 and relates to items that were purchased using school assessment funds budgeted in the City of Pembroke Pines’ Municipal Construction fund.

The Charter Elementary School transfers were amended by \$310,444 due to a transfer to the Charter High School in the amount of \$160,444 for buses needed to support the additional 350 new students, and for the funding of the Flanagan High School Stadium in the amount of \$150,000. The budgetary variance for transfers-out in the amount of \$1,411,381, related to positive budget variances in the High School, therefore, the Elementary School did not need to transfer the entire amount budgeted.

After appropriations were amended, as described above, actual revenues were \$210,213 below final budgeted amounts due to reductions in funding; and actual expenditures were \$345,490 below final budget amounts.

The Charter Middle School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$443,935 as follows: An amendment was made increasing school breakfast reimbursement – non-severe need and lunch reimbursement – free/reduced in the amount of \$59,500. An amendment was also made to increase state shared revenues in the amount of \$67,098 for teacher retention bonuses, Governor’s A+ funds; and an amendment was made increasing revenues by \$123,337 for a Swim Central Grant. An amendment was also made increasing the budget for food sales in the amount of \$194,000. The negative budgetary variance totaled \$128,780. These variances were primarily attributed to decreases in estimated District Discretionary Lottery funds in the amount of \$27,342, Exceptional Student Education (ESE) Guaranteed Allocation in the amount of \$43,038, Public Education Capital Outlay funds in the amount of \$52,008, interest earnings in the amount of \$53,062. Additional revenues received for Supplemental Academic Instruction had a positive impact on the budgetary variance in the amount of \$72,537.

Amendments to budgeted expenditures totaled \$581,986 as follows: An amendment was made

decreasing the budget for 4-8 basic in the amount of \$102,817. This decrease related to savings in teacher salaries. This function had a positive budgetary variance in the amount of \$221,295 attributable to teacher salaries. An amendment was made to operation of school in the amount of \$439,488. Adjustments were primarily attributed to an amendment to the food service cost in the amount of \$392,000, and to insurance & bond premiums in the amount of \$83,217. The positive budgetary variance in the amount of \$125,748 was mainly related to the re-bidding of new building maintenance contracts and repairs and maintenance to the buildings. An amendment was made to student transportation services in the amount of \$108,832 relating to contractual services. The positive variance in exceptional student program in the amount of \$120,976 mainly related to two additional teacher positions that were not hired. Amendments were made to capital outlay in the amount of \$191,790. These amendments were for the purchase of additional school buses, computer equipment, video equipment, and other equipment. The positive budgetary variance in the amount of \$336,505 was due to the fact that these items were purchased using school assessment funds budgeted in the City of Pembroke Pines' Municipal Construction fund.

The Charter Middle School net transfers had a positive budgetary variance in the amount of \$278,302, due to favorable budget variances in the High School requiring less transfers to be made.

After appropriations were amended as described above, actual revenues were \$128,780 below final budgeted amounts due to reductions in funding; and actual expenditures were \$918,998 below final budget amounts.

The Charter High School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$2,438,443 as follows: An amendment was made increasing Grant-Department of Education in the amount of \$6,350 for the Florida Learn & Serve grant. An amendment was made increasing Florida Education Finance Program in the amount of \$49,093 for the Advance Placement Funding. An amendment was made increasing Broward County Safe Parks Program Grant in the amount of \$2,058,000. An amendment was also made increasing food sales in the amount of \$325,000. The budgetary variance for transfers in totaled \$366,985. This variance related to a decrease in estimated state shared revenues, in-house transportation, rental-city facilities, contributions, and food sales.

Amendments to budgeted expenditures totaled \$1,029,331. An amendment was made to 9-12 basic in the amount of \$503,588. This decrease was related to teacher salaries and benefits in the amount of \$501,905. This adjustment was made reflecting teachers taking leave and being replaced by interim subs; also the difference in the amount of years of experience vacancies were budgeted at, and reclassifying teachers to the correct school function. Amendments were made to vocational 6-12 in the amount of \$107,875. This increase was related to teacher salaries and benefits needed for the program. Amendments were made to operation of schools in the amount of \$1,055,988. This increase was related to food cost in the amount of \$538,000, rent in the amount of \$167,941, electricity in the amount of \$132,509, insurance & bond premiums in the amount of \$86,442, contract building maintenance in the amount of \$79,700, and repairs and maintenance in the amount of \$25,500. An amendment was made to school administration in the amount of \$108,102. This increase related to teacher salaries and benefits and operational needs. An amendment was made to community services in the amount of \$130,698. This adjustment related to the Flanagan Stadium Lighting Grant. The budgetary variance in the amount of \$130,698 related to expenses not incurred on the Flanagan Stadium Lighting Grant program. The budgetary variance for capital outlay in the amount of \$155,195 was related to items that were purchased using school assessment funds budgeted in the City of Pembroke Pines' Municipal Construction fund.

The Charter High School transfers increased by \$470,888. An amendment was made by \$150,000 relating to the Flanagan Stadium. An amendment was made by \$320,888 relating to additional buses needed. The budgetary variance for transfers in totaled \$1,889,683 and related to positive budget variances in the High School, therefore, the High School did not need the entire budgeted operating transfers-in for fund operations.

After appropriations were amended as described above, actual revenues were \$366,985 below final budgeted amounts due to reductions in funding; actual expenditures were \$376,668 below final budget amounts.

Capital Assets

The Charter Schools’ investment in capital assets for its governmental activities as of June 30, 2003 amounts to \$2,843,937 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
Improvements other than buildings	\$2,324,585	\$2,369,922
Machinery and equipment	<u>519,352</u>	<u>899,662</u>
Total capital assets	<u>\$2,843,937</u>	<u>\$3,269,584</u>

Additional information on the Charter Schools’ capital assets can be found on pages 30-32 of this report.

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital outlay funding from the State will be reduced to 52% from 65% in the previous fiscal year ended June 30, 2002.
- ◆ Broward School District has reduced administrative cost to 5% only on the first 500 students per charter.
- ◆ 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 350 students.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2003-04 budgets of \$36,260,947 and \$36,260,947, respectively. Appropriations include funding for a new 620-student station Charter Elementary School in the amount of \$4,543,397. These increases are funded through the expansion of the Charter School system. The new school will be utilized as a Developmental Research Charter Laboratory, in partnership with Florida State University (FSU).

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, 2003

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 5,156,366
Due from Broward County	3,240
Other miscellaneous receivables	100,491
Capital assets:	
Improvements other than buildings	2,472,962
Machinery and equipment	1,842,057
Less accumulated depreciation	<u>(1,471,082)</u>
Total capital assets, net of accumulated depreciation	<u>2,843,937</u>
Total assets	<u>8,104,034</u>
<u>LIABILITIES</u>	
Accounts payable and other current liabilities	267,099
Deposits	236,809
Noncurrent liabilities:	
Due within one year	226,095
Due in more than one year	<u>109,764</u>
Total liabilities	<u>839,767</u>
<u>NET ASSETS</u>	
Invested in capital assets	2,843,937
Unrestricted	<u>4,420,330</u>
Total net assets	<u>\$ 7,264,267</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2003

<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>Net (Expense) Revenue and Changes in Net Assets</u>
					<u>Total Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 12,046,447	\$ -	\$ -	\$ -	\$ (12,046,447)
Instructional support services	961,744	-	6,350	-	(955,394)
Pupil transportation services	1,080,200	859,572	-	-	(220,628)
Operation and maintenance of plant	9,198,543	3,458,404	-	2,278,244	(3,461,895)
School administration	2,306,990	-	-	-	(2,306,990)
General administration	898,048	-	-	-	(898,048)
Other	369,913	496,682	-	-	126,769
Total charter schools	<u>\$ 26,861,885</u>	<u>\$ 4,814,658</u>	<u>\$ 6,350</u>	<u>\$ 2,278,244</u>	<u>(19,762,633)</u>
General revenues:					
FTE non-specific revenues					19,310,428
Unrestricted investment earnings					36,651
Rental income					367,362
Contributions					<u>4,230</u>
Total general revenues					<u>19,718,671</u>
Change in net assets					(43,962)
Net assets - beginning					<u>7,308,229</u>
Net assets - ending					<u>\$ 7,264,267</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2003

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 2,538,606	\$ 2,351,534	\$ 266,226	\$ 5,156,366
Due from Broward County	-	-	3,240	3,240
Other miscellaneous receivables	<u>36,763</u>	<u>32,312</u>	<u>31,416</u>	<u>100,491</u>
Total assets	<u>\$ 2,575,369</u>	<u>\$ 2,383,846</u>	<u>\$ 300,882</u>	<u>\$ 5,260,097</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 18,782	\$ 20,701	\$ 15,617	\$ 55,100
Accrued liabilities	182,684	99,427	155,983	438,094
Deposits	<u>51,271</u>	<u>56,256</u>	<u>129,282</u>	<u>236,809</u>
Total liabilities	<u>252,737</u>	<u>176,384</u>	<u>300,882</u>	<u>730,003</u>
Fund balances:				
Reserved for subsequent years' expenditures	24,295	28,260	6,429	58,984
Unreserved:				
Designated for rent payments	<u>2,298,337</u>	<u>2,179,202</u>	<u>(6,429)</u>	<u>4,471,110</u>
Total fund balances	<u>2,322,632</u>	<u>2,207,462</u>	<u>-</u>	<u>4,530,094</u>
Total liabilities and fund balances	<u>\$ 2,575,369</u>	<u>\$ 2,383,846</u>	<u>\$ 300,882</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	2,843,937
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(109,764)</u>
Net assets of governmental activities	<u>\$ 7,264,267</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, 2003

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Revenues:				
Local	\$ 10,154,751	\$ 6,801,598	\$ 9,855,223	\$ 26,811,572
State grant	-	-	6,350	6,350
Total revenues	<u>10,154,751</u>	<u>6,801,598</u>	<u>9,861,573</u>	<u>26,817,922</u>
Expenditures:				
Current:				
K-3 basic	2,881,849	-	-	2,881,849
4-8 basic	1,307,219	3,295,075	-	4,602,294
9-12 basic	-	-	3,596,861	3,596,861
Vocational 6-12	-	-	258,982	258,982
Substitute teachers	76,290	50,001	33,663	159,954
Operation of school	2,361,890	2,164,397	4,242,378	8,768,665
School administration	676,509	787,457	874,501	2,338,467
Student transportation services	359,983	359,999	360,218	1,080,200
General administration	898,048	-	-	898,048
Guidance services	175,154	105,565	298,476	579,195
Exceptional student program	325,825	146,250	54,141	526,216
Instructional media service	21,429	198,434	104,755	324,618
Child care supervision	282,973	-	-	282,973
Athletics	-	-	86,940	86,940
ESE specialist	-	-	43,362	43,362
Intensive English/ESOL	-	-	14,650	14,650
Instructional staff training service	-	5,473	2,961	8,434
Parental involvement	-	-	6,135	6,135
School/other	-	-	5,641	5,641
Capital outlay	-	4,230	-	4,230
Total expenditures	<u>9,367,169</u>	<u>7,116,881</u>	<u>9,983,664</u>	<u>26,467,714</u>
Excess (deficiency) of revenues over expenditures	<u>787,582</u>	<u>(315,283)</u>	<u>(122,091)</u>	<u>350,208</u>
Other financing sources (uses):				
Transfers in	-	315,283	122,091	437,374
Transfers out	(437,374)	-	-	(437,374)
Total other financing sources (uses)	<u>(437,374)</u>	<u>315,283</u>	<u>122,091</u>	<u>-</u>
Net change in fund balances	350,208	-	-	350,208
Fund balances, beginning	<u>1,972,424</u>	<u>2,207,462</u>	<u>-</u>	<u>4,179,886</u>
Fund balances, ending	<u>\$ 2,322,632</u>	<u>\$ 2,207,462</u>	<u>\$ -</u>	<u>\$ 4,530,094</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, 2003

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

Net change in fund balances - total governmental funds (Page 15) \$ 350,208

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	\$ 4,230
Depreciation expense	<u>(429,877)</u>
Net adjustment	(425,647)

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>31,477</u>
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Change in net assets of governmental activities \$ (43,962)

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, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 17, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses, the City of Pembroke Pines Charter Middle School, consisting of two campuses, and the City of Pembroke Pines Charter High School, consisting of one campus, respectively. The three schools will be referred to collectively as the Schools in these 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. 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*.

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 Schools consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

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

The Schools report the following major funds:

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

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

Charter High School – The Charter High School, located at the Academic Village site provides 1,600 student stations.

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

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

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

2. Receivables

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

3. Capital Assets

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

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 round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The City's Charter Schools have recorded the amount of accrued sick and vacation benefits as of June 30, 2003.

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 and which is not included in the School's financial statements, 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 shared-use facility located at the Academic Village Charter High School campus.

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. Ch. 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 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>\$5,153,366</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 3. REVENUE SOURCES

	Charter Elementary Schools	Charter Middle Schools	Charter High School	<u>Total</u>
Broward County District School Board:				
Florida Education Finance Program	\$ 6,389,511	\$4,250,586	\$4,960,291	\$ 15,600,388
Public Education Capital Outlay	930,036	708,576	971,460	2,610,072
Supplemental Academic Instruction	366,028	243,099	251,434	860,561
District school taxes	272,079	181,347	209,263	662,689
ESE Guaranteed Allocation	260,752	227,656	131,360	619,768
Transportation revenue	158,631	208,777	194,192	561,600
Instructional materials	156,462	103,915	107,477	367,854
Discretionary lottery funds	124,275	82,832	95,676	302,783
School Lunch Reimbursement -				
Free/Reduced	118,318	62,882	32,148	213,348
Supplementary Discretion Millage	87,301	57,981	59,881	205,163
Governor's A+ Funds	109,762	67,098	-	176,860
Safe schools program	43,796	29,087	30,085	102,968
Public school technology	42,600	28,293	29,263	100,156
Teacher Training Allocation	24,579	16,325	16,884	57,788
School Breakfast Reimbursement -				
Non-Severe Need	23,585	8,376	8,140	40,101
<u>Total Broward County</u>				
District School Board	<u>9,107,715</u>	<u>6,276,830</u>	<u>7,097,554</u>	<u>22,482,099</u>
Other:				
Grants	96,907	123,337	2,058,000	2,278,244
Food sales	287,180	221,920	339,232	848,332
After school education program	496,682	-	-	496,682
Rental revenue	47,695	58,353	261,314	367,362
In-house transportation	99,324	99,324	99,324	297,972
Interest	19,248	17,604	(201)	36,651
Contributions	-	4,230	-	4,230
<u>Total other</u>	<u>1,047,036</u>	<u>524,768</u>	<u>2,757,669</u>	<u>4,329,473</u>
<u>Total local</u>	<u>\$ 10,154,751</u>	<u>\$ 6,801,598</u>	<u>\$ 9,855,223</u>	<u>\$ 26,811,572</u>
State grant:				
Department of Education	\$ -	\$ -	\$ 6,350	\$ 6,350
<u>Total state grant</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,350</u>	<u>\$ 6,350</u>

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>1,837,827</u>	<u>4,230</u>	<u>-</u>	<u>1,842,057</u>
Total capital assets being depreciated	<u>4,310,789</u>	<u>4,230</u>	<u>-</u>	<u>4,315,019</u>
Less accumulated depreciation for:				
Improvements other than buildings	(103,040)	(45,337)	-	(148,377)
Machinery and equipment	<u>(938,165)</u>	<u>(384,540)</u>	<u>-</u>	<u>(1,322,705)</u>
Total accumulated depreciation	<u>(1,041,205)</u>	<u>(429,877)</u>	<u>-</u>	<u>(1,471,082)</u>
Total capital assets being depreciated, net	<u>\$ 3,269,584</u>	<u>\$ (425,647)</u>	<u>\$ -</u>	<u>\$ 2,843,937</u>

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

Governmental activities:	
Operation and maintenance of plant	<u>\$ 429,877</u>

NOTE 5. INTERFUND TRANSFERS

	<u>Transfers out Elementary</u>	<u>Purpose</u>
Transfers in:		
Middle	\$ 315,283	Supplement other funds
High	<u>122,091</u>	Supplement other funds
Total transfers	<u>\$ 437,374</u>	

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:	
2004	\$ 57,000
2005	59,000
2006	60,000
2007	62,000
2008	64,000
2009-2012	<u>294,000</u>
Total minimum future rentals	<u>\$ 596,000</u>

Schools' Facility Leases

The Schools lease their elementary school campuses, middle school campuses and high school campus from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Schools (see Note 1d.5.). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2003, rent expense was approximately \$858,000, \$1,091,000 and \$2,263,000 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:	
2004	\$ 6,421,000
2005	6,627,000
2006	6,632,000
2007	6,630,000
2008	6,631,000
2009-2013	32,928,000
2014-2018	31,957,000
2019-2023	30,879,000
2024-2028	23,710,000
2029-2032	<u>8,482,000</u>
Total minimum future rentals	<u>\$ 160,897,000</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	\$ 430,796	\$ (312,183)	\$ 335,859	\$ 226,095

NOTE 7. RISK MANAGEMENT

Health, hospitalization and workers' compensation coverage are provided through the City of Pembroke Pines and the City, in turn charges the Schools 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.

NOTE 9. SUBSEQUENT EVENT

On February 3, 2003, the City of Pembroke Pines and Florida State University (FSU) signed an agreement for the establishment of a "Developmental Research Charter Laboratory School", to train teachers and to promote learning and research through collaboration. The 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 School 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 School Elementary School. The Pembroke Pines/FSU Charter Elementary School opened for the 2003-2004 school year serving 600 students from kindergarten through grade five and an additional 20 students in the Exceptional Student Education (ESE) program. The agreement with FSU requires the City, as operator of the School, to pay a \$250,000 annual University Oversight and Research Fee to FSU.

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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$9,789,057	\$10,364,964	\$10,154,751	\$ (210,213)
Expenditures:				
Current:				
K-3 basic	2,986,758	2,888,923	2,881,849	7,074
4-8 basic	1,297,016	1,309,900	1,307,219	2,681
Substitute teachers	53,000	76,290	76,290	-
Operation of school	1,812,512	2,483,504	2,361,890	121,614
School administration	629,703	690,007	676,509	13,498
Student transportation services	265,298	372,642	359,983	12,659
General administration	937,032	909,863	898,048	11,815
Guidance services	165,138	175,645	175,154	491
Exceptional student program	350,856	329,423	325,825	3,598
Instructional media service	125,114	25,590	21,429	4,161
Child care supervision	246,297	286,590	282,973	3,617
Capital outlay	152,047	164,282	-	164,282
Total expenditures	<u>9,020,771</u>	<u>9,712,659</u>	<u>9,367,169</u>	<u>345,490</u>
Excess of revenues over expenditures	768,286	652,305	787,582	135,277
Other financing uses:				
Transfers out	(1,538,311)	(1,848,755)	(437,374)	1,411,381
Net change in fund balance	(770,025)	(1,196,450)	350,208	1,546,658
Fund balance, beginning	<u>1,972,424</u>	<u>1,972,424</u>	<u>1,972,424</u>	<u>-</u>
Fund balance, ending	<u>\$1,202,399</u>	<u>\$ 775,974</u>	<u>\$ 2,322,632</u>	<u>\$1,546,658</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 6,486,443	\$ 6,930,378	\$ 6,801,598	\$ (128,780)
Expenditures:				
Current:				
4-8 basic	3,619,187	3,516,370	3,295,075	221,295
Substitute teachers	35,000	52,000	50,001	1,999
Operation of school	1,850,657	2,290,145	2,164,397	125,748
School administration	831,029	838,156	787,457	50,699
Student transportation services	265,298	374,130	359,999	14,131
Guidance services	113,194	121,842	105,565	16,277
Exceptional student program	362,979	267,226	146,250	120,976
Instructional media service	199,484	217,155	198,434	18,721
Intensive English/ESOL	10,120	10,120	-	10,120
Instructional staff training service	18,000	8,000	5,473	2,527
Capital outlay	148,945	340,735	4,230	336,505
Total expenditures	7,453,893	8,035,879	7,116,881	918,998
Deficiency of revenues over expenditures	(967,450)	(1,105,501)	(315,283)	790,218
Other financing sources (uses):				
Transfers in	967,450	967,450	315,283	(652,167)
Transfers out	(770,025)	(930,469)	-	930,469
Total other financing sources (uses)	197,425	36,981	315,283	278,302
Net change in fund balance	(770,025)	(1,068,520)	-	1,068,520
Fund balance, beginning	2,207,462	2,207,462	2,207,462	-
Fund balance, ending	\$ 1,437,437	\$ 1,138,942	\$ 2,207,462	\$ 1,068,520

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues:				
Local	\$ 7,790,115	\$ 10,222,208	\$ 9,855,223	\$ (366,985)
State grant	-	6,350	6,350	-
Total revenues	7,790,115	10,228,558	9,861,573	(366,985)
Expenditures:				
Current:				
9-12 basic	4,111,958	3,608,370	3,596,861	11,509
Vocational 6-12	148,496	256,371	258,982	(2,611)
Substitute teachers	48,000	33,663	33,663	-
Operation of school	3,243,745	4,299,733	4,242,378	57,355
School administration	778,422	886,524	874,501	12,023
Student transportation services	265,298	364,863	360,218	4,645
Guidance services	310,603	299,677	298,476	1,201
Exceptional student program	86,755	57,050	54,141	2,909
Instructional media service	116,850	107,567	104,755	2,812
Athletics	130,754	88,693	86,940	1,753
ESE specialist	-	42,884	43,362	(478)
Intensive English/ESOL	3,000	14,592	14,650	(58)
Instructional staff training service	22,500	2,961	2,961	-
Parental involvement	-	6,350	6,135	215
School/other	5,000	5,641	5,641	-
Community Services	-	130,698	-	130,698
Capital outlay	59,620	154,695	-	154,695
Total expenditures	9,331,001	10,360,332	9,983,664	376,668
Deficiency of revenues over expenditures	(1,540,886)	(131,774)	(122,091)	9,683
Other financing sources:				
Transfers in	1,540,886	2,011,774	122,091	(1,889,683)
Net change in fund balance	-	1,880,000	-	(1,880,000)
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ -	\$ 1,880,000	\$ -	\$ (1,880,000)

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2003

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 \$692,000 in the elementary schools, \$582,000 in the middle schools and \$1,029,000 in the high school during the fiscal year ended June 30, 2003.

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, 2003

Governmental funds capital assets:	
Improvements other than buildings	\$ 2,472,962
Machinery and equipment	<u>1,842,057</u>
Total governmental capital assets	<u>\$4,315,019</u>
Investments in governmental funds capital assets by source:	
Charter Elementary Schools	\$ 1,863,488
Charter Middle Schools	2,249,938
Charter High School	<u>201,593</u>
Total governmental funds capital assets	<u>\$4,315,019</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

JUNE 30, 2003

<u>Function and Activity</u>	Improvements		<u>Total</u>
	<u>Other Than Buildings</u>	<u>Machinery and Equipment</u>	
Education:			
Elementary Schools	\$ 1,218,921	\$ 644,567	\$1,863,488
Middle Schools	1,254,041	995,897	2,249,938
High School	-	201,593	201,593
Total governmental funds capital assets	<u>\$ 2,472,962</u>	<u>\$1,842,057</u>	<u>\$4,315,019</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2003

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2002</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Funds Capital Assets June 30, <u>2003</u>
Education:				
Elementary Schools	\$ 1,860,706	\$ -	\$ 2,782	\$ 1,863,488
Middle Schools	2,252,006	4,230	(6,298)	2,249,938
High School	198,077	-	3,516	201,593
Total governmental funds capital assets	<u>\$ 4,310,789</u>	<u>\$ 4,230</u>	<u>\$ -</u>	<u>\$ 4,315,019</u>

SUPPLEMENTARY AUDITORS' REPORTS

**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, 2003, and have issued our report dated August 27, 2003. 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
Page Two

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.

Fort Lauderdale, Florida
August 27, 2003

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, 2003, and have issued our report thereon dated August 27, 2003. 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 27, 2003, 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, 2003, 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.
 - e. Had other inaccuracies, shortages, defalcations, and instances of fraud.

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

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.

Fort Lauderdale, Florida
August 27, 2003