

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

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(With Independent Auditors' Reports Thereon)

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2014, and the related notes to the special purpose financial statements which collectively comprise the School's special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these special purpose financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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 and each major fund of the City of Pembroke Pines/Florida State University Charter Elementary School as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of the Matter

As discussed in the note 1.a, the special purpose financial statements of the City of Pembroke Pines/Florida State University Charter Elementary School, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and fund information of the City of Pembroke Pines that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines, Florida, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of the America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 34-35 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Schools' internal control over financial reporting and compliance.

GLSC & Company, PLLC

October 27, 2014
Miami, Florida



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/Florida State University (“FSU”) Charter Elementary School (“the Charter School”), we offer readers of the Charter School’s special purpose financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Charter School’s special purpose financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved. Fiscal year 2013-14 represents our eleventh year in operation.

The City of Pembroke Pines/FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 610 Elementary school students, currently there are 679 students. This partnership between the City of Pembroke Pines and the FSU was the first of its kind in Broward County. The Charter was granted to establish a Developmental Research Laboratory School, with the primary goal being to enhance the educational instruction and research of reading, and other disciplines at the primary and secondary school levels. The City also owns and operates six other Charter Schools within its corporate limits, which are sponsored by the School Board of Broward County. For fiscal year 2013-14, there were 4,955 students enrolled in these Charter Schools.

The government-wide format using the GASB Statement No. 34 financial reporting and the fund-based financial reporting are not viewed as being in conflict with each other; however, they are not comparable.

Financial Highlights

- The assets of the FSU Charter School exceeded its liabilities at the close of the most recent fiscal year by \$378,738 (*net position*).
- As of the close of the current fiscal year, the FSU Charter School’s governmental fund’s financial statements had a net increase in fund balance of \$2,272, as compared to a net decrease of \$211,958 from last year, and an ending fund balance of \$472,112 as compared with \$469,840 from last year.

Overview of the Special Purpose Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Pembroke Pines/FSU Charter Elementary School’s special purpose financial statements. The Charter School’s special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to special purpose financial statements. In addition to these special purpose financial statements, this report contains other supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Pembroke Pines/FSU Charter Elementary School’s finances, in a manner similar to a private-sector business.

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

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

The Charter School's *government-wide financial statements* distinguish the functions of the City of Pembroke Pines/FSU Charter Elementary School as being principally supported by local revenues (FTE dollars through the Florida State University) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The City of Pembroke Pines/FSU Charter Elementary School has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 10-11 of this report.

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

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

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City of Pembroke Pines/FSU Charter Elementary School maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance. The City of Pembroke Pines/FSU Charter Elementary School adopts an annual appropriated budget. A budgetary comparison schedule has been provided to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 12-14 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 15-33 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 4-9, and the budgetary comparison schedule and notes which can be found on pages 34-35 of this report.

Supplementary Auditors' Reports. This section includes the following:

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which can be found on pages 36-37.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 38-39.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Pembroke Pines/FSU Charter Elementary School, net position as of June 30, 2014 was less than the net position as of June 30, 2013 by \$10,943.

As at June 30, 2014, investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amounted to \$32,677. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET POSITION

	Governmental		Increase (Decrease)
	Activities		
	2014	2013	
Current assets	\$ 520,082	\$ 514,469	\$ 5,613
Capital assets, net of depreciation	32,677	44,066	(11,389)
Total assets	552,759	558,535	(5,776)
Current liabilities	47,970	44,629	3,341
Noncurrent liabilities	126,051	124,225	1,826
Total liabilities	174,021	168,854	5,167
Net Position:			
Net investment in capital assets	32,677	44,066	(11,389)
Unrestricted	346,061	345,615	446
Total net position	\$ 378,738	\$ 389,681	\$ (10,943)

Total assets decreased by \$5,776 (1.0%) as a result of an \$11,389 decrease in capital assets, net of depreciation, which was offset by a \$5,613 increase in current assets. The \$11,389 (-25.8%) decrease in capital assets, net of depreciation, was a result of a change in the capitalization threshold for computers which resulted in a disposal from the fixed asset system of computers that no longer met the threshold.

Total liabilities increased by \$5,167 (3.0%) as a result of a \$4,942 (14.1%) increase in deposits. Net investment in capital assets decreased by \$11,389 (-25.8%) and unrestricted net position increased slightly by \$446.

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's reported total net position of \$378,738 at the end of the current fiscal year versus \$389,681 for fiscal year 2012-13. The total cost of all governmental activities this year was \$6,213,166. Key elements of these changes in net position are as follows:

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	Governmental		
	Activities		Increase
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 864,519	\$ 827,032	\$ 37,487
Operating grants and contributions	313,211	246,983	66,228
General revenues:			
FTE non-specific revenues	4,978,271	4,909,896	68,375
Unrestricted investment earnings	2,240	4,314	(2,074)
Rental income	<u>43,982</u>	<u>40,880</u>	<u>3,102</u>
Total revenues	<u>6,202,223</u>	<u>6,029,105</u>	<u>173,118</u>
Expenses:			
Instructional services	3,238,417	3,217,883	20,534
Instructional support services	147,797	150,101	(2,304)
School administration	654,348	621,187	33,161
Rent	681,815	840,862	(159,047)
Food Services	241,484	246,920	(5,436)
Student transportation services	283,963	281,425	2,538
Operation and maintenance of school	864,849	798,152	66,697
Child care supervision	<u>100,493</u>	<u>103,011</u>	<u>(2,518)</u>
Total expenses	<u>6,213,166</u>	<u>6,259,541</u>	<u>(46,375)</u>
Change in net position	(10,943)	(230,436)	219,493
Net position, beginning	<u>389,681</u>	<u>620,117</u>	<u>(230,436)</u>
Net position, ending	<u>\$ 378,738</u>	<u>\$ 389,681</u>	<u>\$ (10,943)</u>

The Charter School's total revenues increased by \$173,118 (2.9%) due mainly to an increase in FTE non-specific revenues of \$68,375 (1.4%), an increase in operating grants and contributions of \$66,228 (26.8%), and an increase in charges for services of \$37,487 (4.5%). The increase in FTE non-specific revenues of \$68,375 was attributable to an increase in the Base Student Allocation (BSA) from the State of Florida. The rate was increased from \$3,583 per student in fiscal year 2012-13 to \$3,752 per student in fiscal year 2013-14, which resulted in a \$147,129 increase in revenues. There was also an increase of \$123,312 in teacher salary allocations from the State. These increases were offset by a \$213,572 decline in district school taxes from the State.

Operating grants and contributions increased by \$66,228. Contributions were mainly from the Pembroke Pines Charter School Foundation Inc. from their fund-raising efforts.

Total expenses decreased by \$46,375 (-0.7%) during the year, as a result of a decrease in operating costs of \$57,216 (-2.3%). This decline in operating costs was mainly attributable to a decrease in rent expense. The overall decline in operating costs was offset by an increase in personnel costs, including benefits, of \$10,841 (0.3%).

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

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

As of the end of the current fiscal year, the City of Pembroke Pines/FSU Charter Elementary School's governmental fund reported an ending fund balance of \$472,112, a slight increase of \$2,272 over last year.

Budgetary Highlights

For the fiscal year ended June 30, 2014, the City of Pembroke Pines/FSU Charter Elementary School had final estimated revenues and appropriations of \$6,406,569 and \$6,414,974, respectively. The budget deficit of \$8,405 was balanced with the use of the School's fund balance reserves. Over the course of the year, the Charter School made several revisions to budgeted revenues and appropriations. These amendments may fall into one or more of the following categories:

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

The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget: Several amendments were made to increase budgeted revenues in the amount of \$198,286, mainly due to an increase in State funding for Teacher Salary Allocation, District Discretionary Lottery Funds and the Governor's A+ funds.

Amendments were made to decrease the expenditure budget in the amount of \$91,379. These adjustments were mainly attributable to workers compensation and health insurance which had a "true-up" budget adjustment in September 2013 of \$88,307.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$204,346, and actual expenditures were below final budgeted amounts by \$215,023.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$32,677 (net of accumulated depreciation). This investment in capital assets consists mainly of playground equipment.

	<u>CAPITAL ASSETS (Net of Depreciation)</u>		
	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Machinery and equipment	\$ 32,677	\$ 44,066	\$ (11,389)
Total capital assets	<u>\$ 32,677</u>	<u>\$ 44,066</u>	<u>\$ (11,389)</u>

Additional information on the Charter School's capital assets can be found on Note 4 of the notes to the special purpose financial statements (page 28).

Economic Factors and Next Year's Budget and Rates

- ◆ Capital outlay funding from the State is estimated to decline by 9% from fiscal year 2013-14. The State is funding this revenue at an estimated 41% of the total maximum allocation. The Charter School will enroll 679 Elementary Students for the 2015 school year, the same as last year.
- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased slightly from \$3,752 per student in fiscal year 2013-14 to \$4,032 in fiscal year 2014-15. This increased the fiscal year 2014-15 revenue budget by approximately \$542,000 as compared to the actual for fiscal year 2013-14.
- ◆ The FSU Charter School charges a School Activity Fee of \$280 per student. This fee is estimated to generate approximately \$139,000 in fiscal year 2014-15.
- ◆ The State determined annual employer contribution to the Florida Retirement System will increase from 6.95% for fiscal year 2013-14 to 7.37% for fiscal year 2014-15.
- ◆ The FSU Charter School estimates budget savings of approximately \$103,882 during fiscal year 2014-15.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Charter School's finances, as well as demonstrate accountability for funds the Charter School receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the City Manager, Pembroke Pines/FSU Charter School, 10100 Pines Boulevard, Pembroke Pines, Florida 33026.

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

STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 163,115
Due from FSU	306,030
Due from Federal Government	1,638
Other miscellaneous receivables	49,299
Capital assets being depreciated, net	<u>32,677</u>
Total assets	<u>552,759</u>
<u>LIABILITIES</u>	
Accrued liabilities	2,599
Unearned revenue	5,270
Deposits	40,101
Noncurrent liabilities:	
Due within one year	101,904
Due in more than one year	<u>24,147</u>
Total liabilities	<u>174,021</u>
<u>NET POSITION</u>	
Net investment in capital assets	32,677
Unrestricted	<u>346,061</u>
Total net position	<u><u>\$ 378,738</u></u>

See notes to special purpose financial statements.

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

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 3,238,417	\$ -	\$ 69,054	\$ (3,169,363)
Instructional support services	147,797	-	-	(147,797)
School administration	654,348	-	-	(654,348)
Rent	681,815	279,915	-	(401,900)
Food services	241,484	149,558	94,066	2,140
Student transportation services	283,963	67,938	-	(216,025)
Operation and maintenance of school	864,849	147,269	150,091	(567,489)
Child care supervision	100,493	219,839	-	119,346
Total Charter School	<u>\$ 6,213,166</u>	<u>\$ 864,519</u>	<u>\$ 313,211</u>	<u>(5,035,436)</u>
General revenues:				
FTE non-specific revenues				4,978,271
Unrestricted investment earnings				2,240
Rental income				<u>43,982</u>
Total general revenues				<u>5,024,493</u>
Change in net position				(10,943)
Net position, beginning				<u>389,681</u>
Net position, ending				<u>\$ 378,738</u>

See notes to special purpose financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2014

ASSETS

Pooled cash and cash equivalents	\$ 163,115
Due from FSU	306,030
Due from Federal Government	1,638
Other miscellaneous receivables	<u>49,299</u>
Total assets	<u><u>\$ 520,082</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accrued liabilities	\$ 2,599
Unearned revenue	5,270
Deposits	<u>40,101</u>
Total liabilities	<u>47,970</u>

Fund balance:	
Assigned for rent payments	<u>472,112</u>
Total fund balance	472,112

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,677
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Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.	(126,051)
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Net position of governmental activities (page 10)	<u><u>\$ 378,738</u></u>
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See notes to special purpose financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2014

Revenues:	
Local	\$6,039,103
Federal grants	<u>163,120</u>
Total revenues	<u>6,202,223</u>
Expenditures:	
Current:	
K-3 basic	1,745,670
4-8 basic	887,166
Exceptional student program	558,377
Substitute teachers	47,204
Guidance services	76,648
Instructional media service	70,919
Instructional staff training services	230
School administration	652,522
Facilities acquisition and construction	681,815
Food services	241,484
Student transportation services	283,963
Operation of school	831,511
Child care supervision	100,493
Capital outlay	<u>21,949</u>
Total expenditures	<u>6,199,951</u>
Net change in fund balance	2,272
Fund balance, beginning	<u>469,840</u>
Fund balance, ending	<u>\$ 472,112</u>

See notes to special purpose financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2014

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

Net change in fund balance - total governmental fund (page 13)	\$ 2,272
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The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The detail of the difference is as follows:

Capital outlay	\$ 21,949	
Depreciation expense	<u>(17,155)</u>	
Net adjustment		4,794

The net effect of various miscellaneous transactions involving capital assets	(16,183)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Compensated absences		<u>(1,826)</u>
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Change in net position of governmental activities (page 11)	<u>\$ (10,943)</u>
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See notes to special purpose financial statements.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

The Charter Agreement is constructed pursuant to Florida Statutes 1002.32 and 1002.33. FSU has an existing Charter School in Leon County, Florida, and the Charter Agreement calls for the Pembroke Pines/FSU Charter Elementary School to serve as a model for the FSU Professional Development School program and be a part of FSU Charter Schools’ existing School District. The Pembroke Pines/FSU Charter Elementary School opened for the 2003-04 school year with 600 students in grades K-5 in the new facility plus 10 Exceptional Student Education (“ESE”) students attending the City of Pembroke Pines Charter School Central Campus. The Charter Agreement calls for continued expansion of the program to encompass grades K-12 and expansion of the ESE program to provide for a total of 50 students.

The Governing Body of the School is comprised of six voting members, consisting of the City of Pembroke Pines Mayor, Vice-Mayor and three Commissioners plus the FSU President or his or her designee. The Governing Body shall establish a School Advisory Board or Boards, pursuant to the requirements of Section 1002.32(8) Florida Statutes. The City operates the School as a public employer, and the School’s employees are considered public employees. The City will indemnify FSU from any claims, suits or actions. The School is accounted for as a special revenue fund of the City. The Pembroke Pines City Manager serves as the School Superintendent. The special purpose financial statements contained herein present only the operations of the School, which is a special revenue fund, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Non-renewal of the Charter Agreement requires 365 days notice prior to the expiration date by either the City or FSU to the other party. Any real or personal property paid for by the City will revert to the City in the event of termination of the Charter Agreement. The City also owns and operates six other Charter Schools - three (3) Charter Elementary Schools, two (2) Charter Middle Schools, and one (1) Charter High School, which has been expanded to include a Middle School. All of these Schools are chartered by the School Board of Broward County.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

The financial information of these Charter Schools is not included herein, as they are separately chartered with the School Board of Broward County, and issue their own special purpose financial statements.

b. Government-Wide and Fund Financial Statements

The School's government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. Full-time equivalent ("FTE") dollars and intergovernmental revenues support *governmental activities*.

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

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

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

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School reports the following major fund:

Charter Elementary School – The Elementary School, located at the Pembroke Shores site serves 679 student stations for the 2013-14 school year.

d. Assets, Liabilities and Fund Equity

1. Deposits & Investments

The School considers all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The School maintains its cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investment in the Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities.

2. Receivables

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

3. Capital Assets

Capital assets, which include machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Effective in fiscal year 2013-14, computers are no longer capitalized unless they are \$1,000 or more.

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

Capital assets of the School consist of mainly playground equipment, and are depreciated using the straight-line method over the following estimated useful lives:

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

4. Compensated Absences

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

Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, the School reports only the compensated absence liability due and payable at June 30th and paid from expendable available financial resources.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

5. Long-Term Obligations

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

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School. Effective October 1, 2013, there is no outstanding balance for the Series 2001 Bonds. In December 2006, \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 was advance refunded by a portion of the \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. In 2008, the City issued the Charter School Revenue Bonds, Series 2008 for \$64,095,000 and used approximately \$3,360,000 to finance the construction of 12 new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School. On May 17, 2011, the City remarketed the Series 2008 Bonds to Wells Fargo and obtained a variable rate of SIFMA rate plus 0.89% for a three year term. On May 29, 2014, the City remarketed the Series 2008 Bonds to PNC Financial Service Group (the "Bank") and obtained a variable rate of SIFMA rate plus 0.59% for a four year term, which resulted in rent savings of approximately \$139,000 annually for all the Charter Schools.

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

6. Equity Classifications

Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The School had no restricted assets as of June 30, 2014.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets”.

Effective July 1, 2012, the Charter School implemented the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources. A deferred outflow of resources is the consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The Charter School does not have any financial statement balances under current GAAP that meet the definition of a deferred outflow or a deferred inflow. As such, other than replacing the term “net assets” with the term “net position” and the change in terminology from “Invested in capital assets net of related debt” to “net investment in capital assets,” the adoption of this standard had no impact on the Charter School’s financial statements.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

6. Equity Classifications (Continued)

Fund Financial Statements

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by management based on Commission direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Fund balance of the FSU Charter Elementary School is considered to be assigned for rent payments, as the School is a special revenue fund of the City. Per GASB 54, all remaining amounts reported in governmental funds that are not classified as nonspendable, and are neither restricted nor committed should be reported as assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the FSU Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the FSU Charter School considers amounts to have been spent, first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the FSU Charter School has provided otherwise in its commitment or assignment actions.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

7. Revenue Sources

Revenues for current operations are received primarily from Florida State University pursuant to the funding provisions included in the School's Charter. In accordance with the funding provisions of the Charter Agreement and Section 1002.33, Florida Statutes, the School reports the full-time equivalent (FTE) students and related data to Florida State University. Under the provisions of Section 1002.33, Florida Statutes, the University reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

8. Use of Estimates

The preparation of the special purpose 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 special purpose financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may differ from actual results.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. DEPOSITS & INVESTMENTS

The School invests in the Florida Municipal Investment Trust (FMIVT) administered by the Florida League of Cities. The Florida Municipal Investment Trust (FMIVT) was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor.

The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The Florida Municipal Investment Trust (FMIVT) is not a registrant with the Securities and Exchange Commission (SEC); however, the funds have adopted operating procedures consistent with the requirements for a 2a-7 Fund. The Charter School invests operating funds in the 1-3 Year High Quality Bond Fund.

The School’s pooled cash and cash equivalents are summarized as follows:

<u>Description:</u>	<u>Carrying Amount</u>
FMIVT 1-3 Year High Quality Bond Fund	\$162,815
Cash on hand	300
Total pooled cash and cash equivalents	<u>\$163,115</u>

The FSU Charter School investment objective order of priority is safety of capital, liquidity of funds, and investment income, in that order. Authorized investments of the FSU Charter School are subject to limitations prescribed in the City of Pembroke Pines’ Investment Policy as adopted per Ordinance 1493, dated September 1, 2004. The average duration of the entire portfolio as a whole may not exceed five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement. This calculation also applies to the expected average life of asset-backed securities and mortgage-backed securities (rather than the stated final maturity). No more than 30% of the total investment portfolio shall be placed in securities with an expected duration of more than five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement. Authorized Investments per the Investment Policy are as follows:

LIST OF AUTHORIZED INVESTMENTS:

(a) The Local Government Surplus Funds Trust Fund and any other investment plan or investment trust developed by the Florida League of Cities, the Florida Association of Counties, the Florida Association of Court Clerks, or similar state or national associations, approved by the City.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

(b) Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government or its agencies, including but not limited to, U.S. Government Treasury Securities, and Government National Mortgage Associations (GNMAs).

(c) Non-negotiable interest-bearing time certificates of deposits or savings accounts in state or federal banks, state or federal savings and loan associations as permitted and/or prescribed by Chapter 280 of the Florida Statutes.

(d) Government Sponsored Enterprises including but not limited to Federal Farm Credit Banks, Federal Home Loan Bank or its district banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association.

(e) Prime commercial paper. Commercial Paper having a maturity of 90 days or less shall require one of the following three minimum ratings: A-1, P-1 or F-1, or better as rated by Standard & Poors, Moody's, and/or Fitch Investors Service rating services. Prime commercial paper of U.S. Corporations having a maturity in excess of 90 days shall require two of the three above-mentioned ratings.

(f) Repurchase agreements comprised of only those investment instruments as otherwise authorized herein.

(g) State or local government taxable and tax exempt debt, general obligation and/or revenue bonds rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt or rated at least MIG-2 by Moody's or SP-2 Standard & Poor's for short-term debt.

(h) Securities or, other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided the portfolio meets the City's investment policy.

(i) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. The funds must be in compliance with Title 17, Part 270, Section 2a-7 of the Federal Code of Regulations (Appendix B).

(j) U.S dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets having two of the following three minimum ratings: A-, A3, or A-, as rated by Standard and Poor's, and/or Moody's, and/or Fitch Investors Service rating services. However, if such obligations are rated by only one rating service, then such rating shall be at least AA-, Aa3, or AA- by Standard & Poor's, or Moody's or Fitch.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

(k) Real estate, so long as the acquisition and sale complies with applicable federal and state laws and regulations in addition to applicable City Charter provisions, if any, and the City Code of Ordinances.

(l) Real Estate Investment Trusts (“REIT”) which are properly registered pursuant to applicable Federal and State laws, provided the (“REIT”) portfolio meets the City's Investment Policy.

(m) Land Trusts or Title Trusts as described in Sections 689.07 or 689.071, Florida Statutes, so long as the Land Trust complies with any applicable Federal and State laws and regulations, applicable City Charter provisions, if any, and the City's Code of Ordinances.

(n) Mortgage-Backed Securities. Securities collateralized by mortgages on residential property or commercial (industrial, office, retail, etc.) property (“commercial Mortgage-Backed Securities”). The securities may be issued by a Federal Instrumentality or by a private corporation and may be structured as collateralized mortgage obligations or unstructured pass-through securities.

(o) Asset-Backed Securities. Securities collateralized by pools of assets (credit cards, autos, home equity loans, etc.) The securities may be structured or unstructured pass-through securities.

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair market value of an investment. The School limits its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio. Information about the sensitivity of the fair values of the School’s investments to market interest rate fluctuations as of June 30, 2014 is provided below.

<u>Interest Rate Risk Information in Years</u>	<u>Duration</u>	<u>Weighted Average Maturity</u>
FMIvT 1-3 Year High Quality Bond Fund	1.49	1.51

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The School utilizes portfolio diversification and credit quality rating in order to control this risk. The Florida Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund is rated AAA/V2 by Fitch.

Concentration of Credit Risk: Concentration risk exists when investments are concentrated in one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investment are excluded from the concentration of credit risk disclosure requirements.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 3. REVENUE SOURCES

Florida State University:	
Florida education finance program	\$ 3,039,803
Class size reduction	883,409
District school taxes	291,543
Public education capital outlay (PECO)	279,915
ESE guaranteed allocation	156,485
Summer reading program	146,156
Supplemental academic instruction	141,578
Teacher salary allocation	123,312
Governor's A+ funds	67,900
Safe schools	67,714
Instructional materials	48,423
District discretionary lottery fund	6,937
Library media materials	2,842
School lunch supplement	914
Science lab materials	777
School breakfast supplement	478
Total Florida State University	<u>5,258,186</u>
Other:	
After school education program	219,839
Contributions	150,091
Food sales	149,558
Activity fee	147,161
In-house transportation	67,938
Rental revenue	43,982
Interest	2,240
Other miscellaneous revenue	108
Total other	<u>780,917</u>
Total local	<u>\$ 6,039,103</u>
Federal grants:	
National School Lunch Program	70,430
Individuals with Disabilities Education Act (IDEA)	69,054
NSLP Non-Cash Assistance (Commodities)	11,897
School Breakfast Program	11,739
Total Federal grants	<u>\$ 163,120</u>
Total Revenue Sources	<u>\$ 6,202,223</u>

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

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:				
Machinery and equipment	\$ 286,339	\$ 21,949	\$ (72,316)	\$ 235,972
Total capital assets being depreciated	<u>286,339</u>	<u>21,949</u>	<u>(72,316)</u>	<u>235,972</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(242,273)</u>	<u>(17,155)</u>	<u>56,133</u>	<u>(203,295)</u>
Total accumulated depreciation	<u>(242,273)</u>	<u>(17,155)</u>	<u>56,133</u>	<u>(203,295)</u>
Total capital assets being depreciated, net	<u>\$ 44,066</u>	<u>\$ 4,794</u>	<u>\$ (16,183)</u>	<u>\$ 32,677</u>

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

Governmental activities:	
Operation and maintenance of school	<u>\$ 17,155</u>

Effective October 1, 2013, all capitalized computers that initially cost less than \$1,000 were disposed of from the fixed asset system.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 5. OPERATING LEASES

School Facility Lease

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5.). For the fiscal year ended June 30, 2014, rent expense was approximately \$682,000.

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

Fiscal year ending June 30:

2015	\$ 611,000
2016	611,000
2017	612,000
2018	610,000
2019	610,000
2020-2024	2,403,000
2025-2029	1,143,000
2030-2034	1,812,000
2035-2038	<u>1,414,000</u>
Total approximate minimum future rentals	<u>\$ 9,826,000</u>

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

	Beginning			Ending	Due
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	Within
					One
					<u>Year</u>
Compensated absences	<u>\$ 124,225</u>	<u>\$ 114,277</u>	<u>\$(112,451)</u>	<u>\$ 126,051</u>	<u>\$ 101,904</u>

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 7. RISK MANAGEMENT

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

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Commitment

The agreement with FSU requires that as the sponsor of the School, and for its research and evaluation responsibilities, the Charter School will pay FSU the fixed annual amount of \$250,000 as a University Oversight and Research Fee, and is reported as part of the Operation and maintenance of school function.

Contingency

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 9. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

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

Plan Description

Membership in the FRS is required for all full-time and part-time employees working in regularly established positions for state agencies, county governments, district school boards, state universities, and state community colleges; or cities, independent special districts, metropolitan planning districts, and public charter schools that make an irrevocable election to participate. Most Pension Plan members (including renewed members), and State Community College Optional Retirement Program participants may elect to participate in the FRS Investment Plan. Florida Retirement System Pension Plan members who retired and chose to participate in the Deferred Retirement Option Program (DROP) are not eligible to become members of the FRS Investment Plan.

Average Final Compensation (AFC)

For members initially enrolled in the FRS before July 1, 2011, average final compensation (AFC) is the average of the five highest fiscal years of salary earned during covered employment. For members initially enrolled in the FRS on or after July 1, 2011, AFC is the average of the eight highest fiscal years of salary earned during covered employment.

Vesting

Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service.

Service Retirement

Members become eligible for normal retirement or unreduced retirement based on their age and/or service when they first meet one of the minimum requirements below. Early retirement or reduced retirement may be taken after a member is vested and is within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year remaining from a member's retirement age to normal retirement age.

Description: Normal Retirement Requirements for Regular Class members initially enrolled before July 1, 2011.	Service retirement: Vested with six years of service and age 62; or The age after 62 that the member becomes vested; or 30 years of service, regardless of age.
Normal Retirement Requirements for Regular Class members initially enrolled on or after July 1, 2011.	Vested with eight years of service and age 65; or The age after 65 that the member becomes vested; or 33years of service, regardless of age.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 9. PENSION PLANS

Defined Benefit Plan (Continued)

Florida Retirement System (continued)

FRS issues an annual financial report. A copy can be obtained by sending a written request to:
 Division of Retirement
 P.O. Box 9000
 Tallahassee, FL. 32315-9000

Funding Policy

The Charter School's required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2014, the contribution rate increased from 5.18% to 6.95% for Regular Class Members and from 5.44% to 12.84% for DROP Members. The FSU Charter School is required to contribute both for full-time and part-time members of the Plan, which amounted to \$164,502. As of June 30, 2014, there were 77 members in this Plan, which is unchanged from the previous fiscal year. The contribution rate includes the post-employment health insurance supplement of 1.20% and the administrative/educational fee of 0.03%.

Starting in fiscal year 2012, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$70,731 for fiscal year 2014.

<u>Fiscal Year</u>	<u>Annual</u>		<u>Total Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Contribution Rates</u>	
	<u>Required Contributions</u>				<u>Regular Class</u>	<u>DROP</u>
2014	\$ 164,502	\$	164,502	100.0%	6.95%	12.84%
2013	128,636		128,636	100.0%	5.18%	5.44%
2012	117,857		117,857	100.0%	4.91%	4.42%
2011	247,079		247,079	100.0%	10.77%	12.25%
2010	226,647		226,647	100.0%	9.85%	10.91%

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
(Continued)

NOTE 9. PENSION PLANS (Continued)

Defined Contribution Plan

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

In Fiscal Year 2007, employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the International City/County Management Association - Retirement Corporation (ICMA-RC). At June 30, 2014, there were 8 FSU Plan members in this Plan. Effective January 1, 2002, the Charter School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter School's required contribution increased to 6.95% from 5.18% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2014, the FSU Charter School's share of contribution to the Plan was \$24,514; there were no employee contributions during the year. Provisions of the Charter School's Plan may be amended by the City Commission. The Charter School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net position of the Charter School's Plan is not included in the School's special purpose financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget Positive (Negative)
Revenues:				
Local	\$6,031,553	\$ 6,229,839	\$6,039,103	\$ (190,736)
Federal grants	<u>176,730</u>	<u>176,730</u>	<u>163,120</u>	<u>(13,610)</u>
Total revenues	<u>6,208,283</u>	<u>6,406,569</u>	<u>6,202,223</u>	<u>(204,346)</u>
Expenditures:				
Current:				
K-3 basic	1,823,917	1,768,846	1,745,670	23,176
4-8 basic	919,113	888,951	887,166	1,785
Exceptional student program	616,084	598,529	558,377	40,152
Substitute teachers	46,414	48,937	47,204	1,733
Guidance services	80,721	78,508	76,648	1,860
Instructional media service	85,104	83,308	70,919	12,389
Instructional staff training services	3,140	2,080	230	1,850
School administration	644,374	673,886	652,522	21,364
Facilities acquisition and construction	677,040	681,816	681,815	1
Food services	249,168	250,718	241,484	9,234
Student transportation services	287,168	291,454	283,963	7,491
Operation of school	894,394	872,479	831,511	40,968
Child care supervision	147,063	147,264	100,493	46,771
Capital outlay	<u>32,653</u>	<u>28,198</u>	<u>21,949</u>	<u>6,249</u>
Total expenditures	<u>6,506,353</u>	<u>6,414,974</u>	<u>6,199,951</u>	<u>215,023</u>
Net change in fund balance	(298,070)	(8,405)	2,272	10,677
Fund balance, beginning	<u>469,840</u>	<u>469,840</u>	<u>469,840</u>	<u>-</u>
Fund balance, ending	<u>\$ 171,770</u>	<u>\$ 461,435</u>	<u>\$ 472,112</u>	<u>\$ 10,677</u>

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2014, there were no encumbrances.

2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of \$91,379 during the fiscal year ended June 30, 2014 that reduced the expenditure budget; and \$198,286 that increased the revenue budget.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of the governmental activities, and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2014, and the related notes to the special purpose financial statements which collectively comprise the School's special purpose financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the special purpose financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of School's internal control. Accordingly, we do not express an opinion on the effectiveness of School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's special purpose financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GLSC & Company, PLLC

Miami, Florida
October 27, 2014





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

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

Report on the Financial Statements

We have audited the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated October 27, 2014.

Auditor's Responsibility

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated October 27, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations in the preceding audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is City of Pembroke Pines/ Florida State University Elementary School, special revenue fund of the City of Pembroke Pines.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies Charter Schools, Florida State University, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

Miami, Florida
October 27, 2014

