

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

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(With Independent Auditors' Reports Thereon)



GLSC & COMPANY, PLLC
certified public accountants

CITY OF PEMBROKE PINES, FLORIDA
CHARTER SCHOOLS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Pembroke Pines, Florida Charter Schools

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board (special revenue funds of the City of Pembroke Pines, Florida), as of and for the year ended June 30, 2020, and the related notes to the special purpose financial statements, which collectively comprise the Schools' special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special Purpose 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 special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 special purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose 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 special purpose 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 special purpose financial statements.

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

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 Charter Schools as of June 30, 2020, 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.

Honorable Mayor and Members of the City Commission
City of Pembroke Pines, Florida Charter Schools

Emphasis of Matter

As discussed in note 1.a, the special purpose financial statements of the City of Pembroke Pines, Florida Charter Schools, 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, Florida that is attributable to the transactions of the Schools. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines, Florida, as of June 30, 2020, 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, budgetary comparison information, pension schedules and OPEB Schedules on pages 3-10, 54-57, 58-60 and 61-63 be presented to supplement the basic special purpose financial statements. Such information, although not a part of the basic 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 basic 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 basic special purpose financial statements, and other knowledge we obtained during our audit of the basic special purpose 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Schools' 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 the Schools' internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
December 15, 2020



GLSC & COMPANY, PLLC
certified public accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines, Florida Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board, we offer readers of the Schools' special purpose financial statements this narrative overview and analysis of the financial activities of the Schools for the twelve-month period ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the Schools' special purpose financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of the Schools as reported in the government-wide financial statements exceeded their assets and deferred outflows of resources at the close of the current fiscal year by (\$9,401,798) (*net position*) which decreased by \$1,274,282 from prior year.
- As of the close of the current fiscal year, the Schools' governmental funds' financial statements reported combined ending fund balances of \$2,367,230 or 5.1% of total expenditures. This represents an increase of \$20,272 from prior year. The entire fund balance is assigned for rent payments.

Overview of the Special Purpose Financial Statements

This discussion and analysis is intended to serve as an introduction to the Schools' special purpose financial statements. The Schools' special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to special purpose financial statements. In addition to these special purpose financial statements, this report contains required supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Schools' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Schools' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these 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 Schools is improving or deteriorating.

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

The Schools' *government-wide financial statements* distinguish the functions of the Schools as being principally supported by local revenues (FTE dollars through the Broward County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 Schools are considered governmental fund types, and are special revenues funds of the City of Pembroke Pines, Florida.

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* in the government-wide financial statements. The Schools maintain three funds (governmental funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Schools adopt an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 13-15 of this report.

Notes to 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 16-53 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 3 through 10, the budgetary comparison schedules, the note to budgetary comparison schedules, pension schedules, schedule of pension contributions, schedule of changes in net OPEB liability and related ratios and schedule of employer contributions which can be found on pages 54 through 63 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 64-65.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 66-67.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2020, the Schools' total net position decreased by \$1,274,282 when compared to prior year.

As of June 30, 2020, net investment in capital assets (e.g., improvements other than buildings and equipment) amounted to \$2,318,216. The Schools do 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

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2020</u>	<u>2019</u>	
Current assets	\$ 3,672,225	\$ 3,407,317	\$ 264,908
Capital assets, net of depreciation	<u>2,318,216</u>	<u>2,235,697</u>	<u>82,519</u>
Total assets	<u>5,990,441</u>	<u>5,643,014</u>	<u>347,427</u>
 Total deferred outflows of resources	 <u>6,651,290</u>	 <u>7,023,115</u>	 <u>(371,825)</u>
 Current liabilities	 1,304,995	 1,060,359	 244,636
Noncurrent liabilities	<u>18,570,766</u>	<u>17,399,548</u>	<u>1,171,218</u>
Total liabilities	<u>19,875,761</u>	<u>18,459,907</u>	<u>1,415,854</u>
 Total deferred inflows of resources	 <u>2,167,768</u>	 <u>2,333,738</u>	 <u>(165,970)</u>
 Net position:			
Net investment in capital assets	2,318,216	2,235,697	82,519
Unrestricted	<u>(11,720,014)</u>	<u>(10,363,213)</u>	<u>(1,356,801)</u>
Total net position	<u>\$ (9,401,798)</u>	<u>\$ (8,127,516)</u>	<u>\$ (1,274,282)</u>

Total assets increased by \$347,427 (6.2 %) mainly as a result of \$264,908 increase in current assets. The \$264,908 (7.8 %) increase in current assets is mainly attributed to the increase of \$262,540 in pooled cash and cash equivalents due to increased receipts from deposits.

Total liabilities increased by \$1,415,854 (7.7 %) mainly as a result of \$226,254 increase in deposits, \$13,103 increase in unearned revenue, \$156,563 increase in accrued compensated absences, and \$1,014,655 increase in net pension liability. Net investment in capital assets increased by \$82,519 (3.7 %) and unrestricted net position decreased by \$1,356,801 (-13.1 %) from prior year.

Governmental activities. The Schools' total net position at the end of the year amounted to (\$9,401,798), a decrease of \$1,274,282 (-15.7 %) from the previous fiscal year. The total cost of all governmental activities this year was \$48,227,637. Key elements of these changes in net position are as follows:

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Increase/ (Decrease)
	<u>2020</u>	<u>2019</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 4,678,143	\$ 5,228,745	\$ (550,602)
Operating grants and contributions	1,416,816	2,217,813	(800,997)
General revenues:			
FTE non-specific revenues	39,327,231	38,413,563	913,668
Unrestricted investment earnings	70,059	78,711	(8,652)
Rental income	1,428,930	1,120,093	308,837
E-rate program	21,064	14,569	6,495
ICMA forfeiture revenue	<u>11,112</u>	<u>18,802</u>	<u>(7,690)</u>
Total revenues	<u>46,953,355</u>	<u>47,092,296</u>	<u>(138,941)</u>
Expenses:			
Instructional services	26,483,120	25,386,533	1,096,587
Rent	5,044,025	4,963,159	80,866
Instructional support services	1,938,401	1,919,002	19,399
Food services	1,716,764	2,242,482	(525,718)
Student transportation services	1,903,237	2,018,981	(115,744)
Operation and maintenance of school	5,429,237	5,603,087	(173,850)
School administration	4,929,178	4,379,761	549,417
Other	<u>783,675</u>	<u>738,739</u>	<u>44,936</u>
Total expenses	<u>48,227,637</u>	<u>47,251,744</u>	<u>975,893</u>
Change in net position	(1,274,282)	(159,448)	(1,114,834)
Net position, beginning	<u>(8,127,516)</u>	<u>(7,968,068)</u>	<u>(159,448)</u>
Net position - ending	<u>\$ (9,401,798)</u>	<u>\$ (8,127,516)</u>	<u>\$ (1,274,282)</u>

The Schools' total revenues decreased by \$138,941 (-0.30 %) during the year. This decrease is mainly due to a \$550,602 (-10.5 %) decrease in charges for services and \$800,977 (-36.1%) in operating grants and contributions, which is offset by increase of \$913,668 (2.4 %) in FTE non-specific revenues and \$308,837 (27.6 %) in rental income.

The \$550,602 decrease in charges for services is mainly due to \$312,499 decrease in food services and \$227,354 decrease in before and after school education and \$121,666 decrease in student transportation revenue attributed to the school closure beginning in March 2020 through the end of the fiscal year due to the COVID-19 pandemic.

The \$800,997 decrease in operating grants and contributions was mainly due to reduced federal grants from school breakfast and lunch subsidies due to school closures. In the prior year, the City's General Fund contributed approximately \$636,000 to the Charter Middle School; no similar contributions occurred in the fiscal year 2020.

The \$913,668 increase in FTE non-specific revenues is mainly due to a \$425,679 increase in Florida education finance program, \$321,777 increase in district school taxes, \$195,136 increase in best and brightest scholarship, and \$109,775 increase in ESE guaranteed allocation, which is offset by a decrease of \$67,098 in class reduction and \$68,683 in digital class allocations.

Total expenses increased by \$975,893 (2.1 %) from prior year. This increase was mainly due to an increase in personnel costs including benefits of \$1,420,904 (4.9 %) and a decrease in operating expenses of \$443,754 (-2.4 %)

The \$1,420,904 increase in personnel costs including benefits is mainly attributed to the increase of \$467,215 (2.2 %) in salaries, and an increase of \$953,689 (11.9 %) in employee benefits approximately \$809,000 of which is an increase in pension expense. The \$443,754 decrease in operating expenses is mainly due to a decrease of \$279,465 (-34.9 %) in telecommunication services and \$212,455 (-29.9 %) in textbooks.

Financial analysis of the Schools' funds. As noted earlier, the 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 Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Schools' financing requirements.

Budgetary Highlights

For the fiscal year ended June 30, 2020, the Schools had final estimated revenues and appropriations of \$48,440,500 and \$49,279,508, respectively, excluding other financing sources and uses.

Over the course of the year, the Schools 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 Charter Elementary Schools, East, West and Central Campuses, made the following amendments to budget:

Several amendments were made to increase budgeted revenues totaling \$447,200. This was mainly due to an increase of \$189,362 in revenues provided by the State for Governor's A+ funds and an increase of \$191,813 in revenues provided by Best & Brightest awards from the state.

Amendments were made decreasing the expenditure budget in the amount of \$477,949. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$552,816, which was offset by an increase of \$191,813 in Governor's A+ expenditures and an increase of \$189,362 in Best & Brightest expenditures.

After appropriations were amended, as described above, actual revenues were under the budgeted revenues by \$679,693, and overall actual expenditures were below final budgeted amounts by \$882,809 before transfers.

The Charter Middle Schools, West and Central Campuses, made the following amendments to budget:

Several amendments were made to increase the budgeted revenues totaling \$330,895. This was mainly due to an increase of \$132,623 in revenues provided by the State for Governor's A+ funds, and an increase of \$132,855 in Best and Brightest awards.

Amendments were made decreasing the expenditure budget in the amount of \$65,718. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$396,613, which was offset by an increase of \$132,623 in Governor's A+ expenditures and an increase of \$132,855 in Best & Brightest expenditures.

After appropriations were amended, as described above, actual revenues were under the budgeted revenues by \$357,622, and actual expenditures were below final budgeted amounts by \$537,387 before transfers.

The Charter High School made the following amendments to budget:

Several amendments were made to increase the budgeted revenues totaling \$511,946. This was mainly due to an increase of \$206,898 in revenues provided by the State for Governor's A+ funds, and an increase of \$208,091 in Best and Brightest awards.

Amendments were made decreasing the expenditure budget in the amount of \$59,136. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$571,082, which was offset by an increase of \$206,898 in Governor's A+ expenditures and an increase of \$208,091 in Best & Brightest expenditures.

After appropriations were amended, as described above, actual revenues were under the budgeted revenues by \$562,093, and actual expenditures were below final budgeted amounts by \$1,038,493 before transfers.

Capital Assets

The Schools' investment in capital assets for its governmental activities as of June 30, 2020 amounted to \$2,318,216, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings and equipment.

CAPITAL ASSETS (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>2020</u>	<u>2019</u>	
Improvements other than buildings	\$1,646,059	\$ 1,718,394	\$ (72,336)
Equipment	<u>672,157</u>	<u>517,303</u>	<u>154,855</u>
Total capital assets	<u>\$2,318,216</u>	<u>\$ 2,235,697</u>	<u>\$ 82,519</u>

In fiscal year 2020, total capital purchases amounted to approximately \$176,000. Of this amount, approximately \$66,778 was spent on purchasing equipment to support the schools. Also, during the fiscal year 2020, the Schools received equipment donations aggregating to approximately \$112,000.

Additional information on the Schools' capital assets can be found in Note 4 of the notes to the special purpose financial statements (page 31).

Economic Factors and Next Year's Budgets and Rates

- Capital outlay funding from the State is expected to increase by 7.2% for FY 2020-21. The State is funding this revenue at an estimated 55% of the total maximum allocation.
- For fiscal year 2020-21, the Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased by approximately 40.00 to \$4,319.49 in fiscal year 2020-21 as per Florida State Legislature HB 5001 FEFP Conference Report dated March 15, 2020.
- The State determined annual employer contribution to the Florida Retirement System will increase to 10.00% for fiscal year 2020-21 from 8.47% for fiscal year 2020-21.
- The Schools' student attendance rate remains stable at 96.64%.
- The Schools' enrollment is at 100% capacity.
- Broward County residents voted to approve the Secure the Next Generation voter referendum on August 20, 2018. Revenues from this will help fund the salaries of our School Resource Officers assigned to our Broward County Sponsored Charter Schools for the next four years.
- The Schools have estimated revenues and appropriations in the fiscal year 2020-21 budgets of \$53,316,531.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Schools' finances, as well as demonstrate accountability for funds the 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 City Manager, 601 City Center Way, Pembroke Pines, Florida 33025.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 3,446,642
Due from Broward County	225,583
Capital assets being depreciated, net	<u>2,318,216</u>
Total assets	<u>5,990,441</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pension	6,101,536
Deferred outflows related to OPEB	<u>549,754</u>
Total deferred outflows of resources	<u>6,651,290</u>
<u>LIABILITIES</u>	
Accrued liabilities	68,224
Unearned revenue	252,629
Deposits	984,142
Noncurrent liabilities:	
Due within one year	828,482
Due in more than one year	<u>17,742,284</u>
Total liabilities	<u>19,875,761</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pension	1,896,357
Deferred inflows related to OPEB	<u>271,411</u>
Total deferred inflows of resources	<u>2,167,768</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,318,216
Unrestricted	<u>(11,720,014)</u>
Total net position	<u>\$ (9,401,798)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Net (Expense) Revenue and Changes in <u>Net Position</u> Total Governmental <u>Activities</u>
Governmental activities:				
Instructional services	\$ 26,483,120	\$ -	\$ 19,524	\$ (26,463,596)
Rent	5,044,025	2,691,024	-	(2,353,001)
Instructional support services	1,938,401	-	-	(1,938,401)
Food services	1,716,764	1,062,131	820,925	166,292
Student transportation services	1,903,237	217,931	-	(1,685,306)
Operation and maintenance of school	5,429,237	-	576,367	(4,852,870)
School administration	4,929,178	160	-	(4,929,018)
Other	<u>783,675</u>	<u>706,897</u>	<u>-</u>	<u>(76,778)</u>
Total Charter Schools	<u>\$ 48,227,637</u>	<u>\$ 4,678,143</u>	<u>\$ 1,416,816</u>	<u>\$ (42,132,678)</u>
General revenues:				
FTE non-specific revenues				39,327,231
Unrestricted investment earnings				70,059
Rental income				1,428,930
E-rate program				21,064
Other revenues				<u>11,112</u>
Total general revenues				<u>40,858,396</u>
Change in net position				(1,274,282)
Net position, beginning				<u>(8,127,516)</u>
Net position, ending				<u>\$ (9,401,798)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2020

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 2,179,464	\$ 221,599	\$ 1,045,579	\$ 3,446,642
Due from Broward County	76,740	54,813	94,030	225,583
Total assets	<u>\$ 2,256,204</u>	<u>\$ 276,412</u>	<u>\$ 1,139,609</u>	<u>\$ 3,672,225</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accrued liabilities	\$ 27,903	\$ 22,467	\$ 17,854	\$ 68,224
Unearned revenue	91,198	62,430	99,001	252,629
Deposits	194,595	184,579	604,968	984,142
Total liabilities	<u>313,696</u>	<u>269,476</u>	<u>721,823</u>	<u>1,304,995</u>
Fund balances:				
Assigned for rent payments	1,942,508	6,936	417,786	2,367,230
Total fund balances	<u>1,942,508</u>	<u>6,936</u>	<u>417,786</u>	<u>2,367,230</u>
Total liabilities and fund balances	<u>\$ 2,256,204</u>	<u>\$ 276,412</u>	<u>\$ 1,139,609</u>	
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.				2,318,216
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds.				(1,021,608)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to applicable to future periods and, therefore, are not reported in the funds:				
Deferred outflows of resources				6,651,290
Deferred inflows of resources				(2,167,768)
Long-term liabilities, such as net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.				(17,549,158)
Net position of governmental activities (page 11)				<u>\$ (9,401,798)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2020

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 16,751,428	\$ 10,709,398	\$ 18,539,818	\$ 46,000,644
Federal and State grants	<u>332,020</u>	<u>221,307</u>	<u>287,121</u>	<u>840,448</u>
Total revenues	<u>17,083,448</u>	<u>10,930,705</u>	<u>18,826,939</u>	<u>46,841,092</u>
Expenditures:				
Current:				
K-3 Basic	5,841,624	-	-	5,841,624
4-8 Basic	2,778,703	6,132,515	1,240,444	10,151,662
9-12 Basic	-	-	7,136,923	7,136,923
Intensive English/ESOL	-	456	-	456
Exceptional student program	702,907	703,120	478,708	1,884,735
Vocational 6-12	-	-	189,850	189,850
Substitute teachers	81,701	50,849	72,327	204,877
School/other	23,627	37,352	18,322	79,301
Guidance services	272,237	230,855	613,445	1,116,537
Instructional media services	270,070	227,476	119,238	616,784
ESE specialist	-	-	92,308	92,308
Instructional staff training service	14,019	13,606	10,015	37,640
Board	13,149	8,766	4,383	26,298
General Administration	13,165	9,266	9,649	32,080
School administration	1,863,954	1,242,606	1,492,351	4,598,911
Food services	614,875	464,681	637,208	1,716,764
Student transportation services	666,049	468,915	768,273	1,903,237
Operation of school	2,768,502	2,257,378	5,239,928	10,265,808
Child care supervision	411,826	-	1,275	413,101
Athletics	-	29,018	306,652	335,670
Capital outlay	<u>38,379</u>	<u>37,490</u>	<u>100,385</u>	<u>176,254</u>
Total expenditures	<u>16,374,787</u>	<u>11,914,349</u>	<u>18,531,684</u>	<u>46,820,820</u>
Excess (Deficit) of revenues over (under) expenditures	<u>708,661</u>	<u>(983,644)</u>	<u>295,255</u>	<u>20,272</u>
Other financing sources (uses):				
Transfers in	-	990,000	-	990,000
Transfers out	<u>(990,000)</u>	<u>-</u>	<u>-</u>	<u>(990,000)</u>
Total other financing sources (uses)	<u>(990,000)</u>	<u>990,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(281,339)	6,356	295,255	20,272
Fund balances, beginning	<u>2,223,847</u>	<u>580</u>	<u>122,531</u>	<u>2,346,958</u>
Fund balances, ending	<u>\$ 1,942,508</u>	<u>\$ 6,936</u>	<u>\$ 417,786</u>	<u>\$ 2,367,230</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA 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, 2020

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

Net change in fund balances - total governmental funds (Page 14)	\$ 20,272
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The detail of the difference is as follows:

Capital outlay	176,254	
Depreciation expense	<u>(206,001)</u>	
Net adjustment		(29,747)

The net effect of various miscellaneous transactions involving capital assets	112,266
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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 details of the difference are as follows:

Compensated absences	(156,563)
Pension contributions	1,418,280
OPEB contributions	181,487
Cost of benefits earned, net of employee contributions	<u>(2,820,277)</u>

Change in net position of governmental activities (page 12)	<u>\$ (1,274,282)</u>
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CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 2, 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. 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 1002.33 of the Florida Statutes. The City of Pembroke Pines Charter Elementary School's first school year commenced in August 1998; the City of Pembroke Pines Charter Middle School's first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

The Schools operate under a charter of the sponsoring school district, the Broward County School Board (the "District"). The Elementary Schools' charter agreement was approved by the District on August 18, 1998 and was effective until June 30, 2014. The Middle School's charter agreement was approved by the District on June 15, 1999 and was effective until June 30, 2014. The High School's charter was approved by the City Commission on April 04, 2000 and was effective until June 30, 2015. The Elementary, Middle and High Schools' charter agreements were renewed from July 1, 2014 to June 30, 2029. All three charters may be renewed pursuant to Section 1002.33(7)(b)(1), Florida Statutes, for such duration as may be established by mutual written agreement of the parties. 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 1002.33, Florida Statutes, the charter school contract provides that in the event the Schools are dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County School Board. During the term of the charter, the District may also terminate the charter if good cause is shown.

The Schools are accounted for as special revenue funds of the City. The special purpose financial statements contained herein present only the operations of the Schools, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2020, 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.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

On February 1, 2003, the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 700 students for the 2019-20 school year. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own special purpose financial statements.

b. Government-Wide and Fund Financial Statements

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' 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 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.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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 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 1,896 student stations for the 2019-20 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,329 student stations for the 2019-20 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 2,101 student stations for the 2019-20 school year.

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

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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 deposits held with the State Board of Administration (SBA) Investment Pool.

2. Receivables

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

3. Inventories

Inventories consist of expendable food commodities and are valued on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the Schools' food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used rather than purchased. The Schools have no inventories at June 30, 2020.

4. Capital Assets

Capital assets, which include improvements other than buildings 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 \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the acquisition date.

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

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

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-50
Equipment	3-10

In accordance with Florida Statutes, all property and improvements, furnishings and equipment purchased with public funds will automatically revert to full ownership by the Broward County School Board upon the non-renewal or termination of the charter agreement.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

5. Compensated Absences

The Schools' full-time teachers are given three sick leave days at the beginning of the school year and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once teachers reach 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 September of each year at their current rate of pay. Part-time teachers are not entitled to sick leave. Non-Instructional full-time 12 and 10-month employees earn one sick day per month. Sick time not used is forfeited. Non-Instructional employees that work year-round (12 months) are entitled to vacation based on their continuous years of service earning from 1 day per month up to 12 days to 2 days per month up to 24 days. Non-Instructional employees may carryover unused vacation time. For current employees hired prior to February 1, 2010, annual leave accumulated above 320 hours will be paid out at time of termination at a rate of: (1) 75% of the employee's ending base salary for hours above 320 and up to 640; (2) 50% of the employee's ending base salary for any hours above 640; and (3) any leave accumulated prior to February 1, 2010 will be paid out at 100% of the employee's ending base salary. For employees hired on or after February 1, 2010, annual leave accumulated above 320 hours will be paid out at time of termination at a rate of: (1) 50% of the employee's ending base salary for hours above 320 and up to 640; and (2) 25% of the employee's ending base salary for any hours above 640.

The liability for these compensated absences is recorded as noncurrent liabilities in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, the Schools report only the compensated absence liability due and payable at June 30th and paid from expendable available financial resources.

6. Long-Term Obligations

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

6. Long-Term Obligations (Continued)

The City borrowed \$10,000,000 from a bank in December 1997 of which approximately \$8,000,000 was used to finance the acquisition of land and construction of the Elementary Schools. In 1998, the City issued Public Improvement Revenue Bonds, Series 1998 for \$24,055,000 of which approximately \$12,500,000 was used to finance the construction of the Middle School, and the purchase and development of the site for the City's Charter High 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.

On December 1, 2006, \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998, and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 were advance refunded by the City's \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. On December 1, 2006, \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999 was advance refunded by a portion of the City's \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006. In October 2016, \$29,720,000 of the Public Improvement Revenue Bonds, Series 2006 was refunded by \$17,386,400 Public Improvement Revenue Refunding Bonds, Series 2016, which resulted in rent savings of approximately \$295,000 annually for all the Charter Schools. In May 2017, \$30,505,000 of the Capital Improvement Revenue Refunding Bonds, Series 2006 was refunded by a portion of the City's \$45,960,000 Capital Improvement Revenue Refunding Bonds, Series 2017, which resulted in rent savings of approximately \$151,000 annually for all the Charter Schools.

On March 25, 2008, the City advance refunded the Charter School Revenue Bonds, Series 2001A and 2001B, and constructed thirty-eight (38) additional classrooms for the City of Pembroke Pines Charter Schools and twelve (12) new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School by issuing the Charter School Revenue Bonds, Series 2008 for \$64,095,000. This was done to comply with the State's Class Size Amendment. The Amendment allows for no more than 18 students in Kindergarten through Third grade classrooms and 22 students in each Fourth through Fifth grade classroom. 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 Bank, National Association 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, including the FSU Charter School. The remarket was extended to November 7, 2019.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

6. Long-Term Obligations (Continued)

On November 7, 2019, \$62,195,000 of the Charter School Revenue Bonds, Series 2008 was refunded by \$58,985,000 Capital Improvement Revenue Bonds, Series 2019A and \$3,635,000 Taxable Capital Improvement Revenue Bonds, Series 2019B. The Series 2019A bears an interest rate ranging from 3% to 5% payable semi-annually beginning on January 1, 2020. The Series 2019B bears an interest rate of 2.4% and 2.5% payable semi-annually for bonds maturing in 2026 and 2027, respectively. The 2019 Bonds are payable from the Pledged Funds, which consist primarily of non-ad valorem budgeted and appropriated by the City, the bondholders will not have a lien on or a pledge of the non-ad valorem revenues until such funds are budgeted, appropriated, and deposited into the Debt Service Funds pursuant to the bond resolution.

The Schools remit a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 7 – Operating Leases).

7. Net Position/Fund Balance

Government-wide Financial Statements

Net position is classified in three components:

- a. Net investment 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 Schools have no restricted assets as of June 30, 2020.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

7. Net Position/Fund Balance (Continued)

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Schools are 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.

8. Fund Financial Statements

Fund balances of the Schools are considered to be assigned for rent payments, as they are special revenue funds 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, Schools consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Schools consider amounts to have been spent, first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Schools have provided otherwise in its commitment or assignment actions.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

9. Revenue Sources

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Schools' Charters. In accordance with the funding provisions of the charters and Section 1002.33, Florida Statutes, the Schools report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1002.33, 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.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement Systems (FRS) and additions to/deductions from FRS' fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities, Deferred Outflows/ (Inflows) of Resources, and Net Position/Fund Balance (Continued)

12. Post-employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Pembroke Pines Post-Employment Benefit Trust Fund (Trust) and additions to/deductions from the Trust's fiduciary net position have been determined on the same basis as they are reported by the Trust. For this purpose, the Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

13. Deferred Outflows/(Inflows) of Resources

In addition to assets, the statement of net position will periodically report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Schools' deferred outflows of resources relate to the FRS pension and OPEB, as discussed in Note 11 and Note 12, respectively.

In addition to liabilities, the statement of net position will periodically report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Schools' deferred inflows of resources relate to the FRS pension and OPEB, as discussed in Note 11 and Note 12, respectively.

NOTE 2. DEPOSITS AND INVESTMENTS

The Schools pool their cash, cash equivalents, and investments in accordance with legal restrictions.

As of June 30, 2020, the Schools' pooled cash and cash equivalents are summarized as follows:

<u>Description</u>	<u>Carrying Amount</u>
State Board of Administration	\$3,444,767
Cash on hand	<u>1,875</u>
Total pooled cash and cash equivalents	<u>\$3,446,642</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The Schools' investment objective order of priority is safety of capital, liquidity of funds, and investment income. Authorized investments of the Schools are subject to limitations prescribed in the City of Pembroke Pines' Investment Policy as adopted per Ordinance 1493, dated September 1, 2004 and amended per Ordinance 1793, and dated October 1, 2014. 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.

(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.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

(g) State or local government taxable and tax-exempt debt, general obligation and/or revenue bonds rated at least "A3" by Moody's or "A-" 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.

(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: BBB, Baa2, or BBB, 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 A-, A3, or A- by Standard & Poor's, or Moody's or Fitch.

(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). The securities may be structured or unstructured pass-through securities.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

The Schools invest in the State Board of Administration (SBA). SBA was created by the Florida Constitution and is governed by a three-member Board of Trustees, comprised of the Governor as Chair, the Chief Financial Officer and the Attorney General. The SBA's Local Government Surplus Funds Trust Fund currently known as the Florida PRIME is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of the Florida PRIME. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the SBA. The SBA is required to invest assets and discharge its duties in accordance with Florida law and in compliance with Fiduciary standards of care.

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 Schools limit their exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio.

The Schools' operating fund in the State Board of Administration and the sensitivity of the fair values of the Schools' investments to market interest rate fluctuations as of June 30, 2020 are provided below.

	<u>Fair Value</u>	<u>Weighted Average Life</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating S&P</u>
SBA (the Florida PRIME)	\$3,444,767	76 days	53 days	AAAm

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 Schools utilize portfolio diversification and credit quality rating in order to control this risk. The Florida PRIME is rated by Standard and Poor's.

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.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement: The Schools categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

Level 1 – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets.

Level 3 – Inputs are significant unobservable inputs for an asset or liability.

The overall valuation process and information sources for the investment classification is as follows:

As of June 30, 2020, the Schools had \$3,444,767 invested in the Florida PRIME. The investment of the Florida PRIME are not restricted as to deposits or withdrawals. Florida PRIME currently meets all the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures, and the account balance should also be considered the fair value of the investment.

The Schools have the following recurring fair value measurements as of June 30, 2020:

<u>Investment Type</u>	
<u>Investments Measured at the Net Asset Value (NAV)</u>	
State Board of Administration – Florida PRIME	\$3,444,767

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 3. REVENUE SOURCES

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High School</u>	<u>Total</u>
Broward County School Board:				
Florida education finance program	\$ 8,954,686	\$ 5,810,911	\$ 10,263,159	\$ 25,028,756
Class size reduction	2,459,674	1,211,640	1,922,772	5,594,086
Public education capital outlay (PECO)	958,879	672,182	1,059,963	2,691,024
District school taxes	1,141,670	759,976	1,300,553	3,202,199
Supplemental academic instruction	420,598	294,823	464,876	1,180,297
Digital classroom allocation	3,057	2,142	3,378	8,577
Transportation revenue	171,517	265,460	469,237	906,214
ESE guaranteed allocation	401,781	367,877	463,539	1,233,197
Governor's A+ funds	191,813	132,623	210,147	534,583
Instructional materials	132,049	92,541	158,288	382,878
Safe schools program	113,956	79,879	125,953	319,788
Mental health allocation	46,320	32,468	51,196	129,984
Discretionary lottery funds	1,972	1,279	2,259	5,510
Best & brightest scholarship	189,362	132,856	208,092	530,310
Summer reading program	81,919	53,155	93,891	228,965
Library media materials	8,058	5,659	8,923	22,640
School lunch supplement	3,189	2,240	3,524	8,953
Science lab materials	2,203	1,547	2,439	6,189
School breakfast supplement	<u>1,462</u>	<u>1,027</u>	<u>1,616</u>	<u>4,105</u>
Total Broward County School Board	<u>15,284,165</u>	<u>9,920,285</u>	<u>16,813,805</u>	<u>42,018,255</u>
Other:				
Rental revenue	146,037	325,690	957,203	1,428,930
Food sales	329,428	283,546	449,158	1,062,132
Contributions	155,700	112,195	196,207	464,102
Before and after school education program	695,242	-	11,655	706,897
In-house transportation	77,618	54,542	85,771	217,931
Interest	52,294	515	17,250	70,059
ICMA forfeiture revenue	1,728	6,387	-	8,115
E-rate program	7,557	5,238	8,269	21,064
Healthier U.S. School Challenge Award	1,500	1,000	500	3,000
Other miscellaneous revenue	<u>159</u>	<u>-</u>	<u>-</u>	<u>159</u>
Total other	<u>1,467,264</u>	<u>789,113</u>	<u>1,726,013</u>	<u>3,982,389</u>
Total local	<u>16,751,428</u>	<u>10,709,398</u>	<u>18,539,818</u>	<u>46,000,644</u>
Federal and State grants:				
National school lunch program	232,221	165,606	192,755	590,582
NSLP non-cash assistance (commodities)	49,556	34,820	59,143	143,519
School breakfast program	46,648	18,545	21,632	86,825
Carl D. Perkins (FLDOE)	-	-	6,717	6,717
Individuals with disabilities education act (IDEA)	<u>3,595</u>	<u>2,336</u>	<u>6,874</u>	<u>12,805</u>
Total Federal and State grants	<u>332,020</u>	<u>221,307</u>	<u>287,121</u>	<u>840,448</u>
Total Revenues Sources	<u>\$ 17,083,448</u>	<u>\$ 10,930,705</u>	<u>\$ 18,826,939</u>	<u>\$ 46,841,092</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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	\$ 2,812,948	\$ -	\$ -	\$ 2,812,948
Equipment	<u>2,920,751</u>	<u>288,520</u>	<u>(6,741)</u>	<u>3,202,530</u>
Total capital assets being depreciated	<u>5,733,699</u>	<u>288,520</u>	<u>(6,741)</u>	<u>6,015,478</u>
Less accumulated depreciation for:				
Improvements other than buildings	(1,094,554)	(72,335)	-	(1,166,889)
Equipment	<u>(2,403,448)</u>	<u>(133,666)</u>	<u>6,741</u>	<u>(2,530,373)</u>
Total accumulated depreciation	<u>(3,498,002)</u>	<u>(206,001)</u>	<u>6,741</u>	<u>(3,697,262)</u>
Total capital assets being depreciated, net	<u>\$ 2,235,697</u>	<u>\$ 82,519</u>	<u>\$ -</u>	<u>\$ 2,318,216</u>

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

Governmental activities:	
Operation of school	\$ 206,001

NOTE 5. RECEIVABLES

<u>Receivables</u>	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Due from Broward County	<u>\$ 76,740</u>	<u>\$ 54,813</u>	<u>\$ 94,030</u>	<u>\$ 225,583</u>
Total receivables	<u>\$ 76,740</u>	<u>\$ 54,813</u>	<u>\$ 94,030</u>	<u>\$ 225,583</u>

NOTE 6. INTERFUND TRANSFERS

<u>Transfers in:</u>	<u>Charter Elementary Schools</u>	<u>Total</u>	<u>Purpose</u>
Charter Middle Schools	\$ 990,000	\$ 990,000	Supplement current year operations and transfer gain of Early Development Centers

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES

Communications Facility Lease

In December 1997, the City leased two parcels of real property located on the Schools' ground to a private company, which was used to construct, maintain and operate communications facilities. The two lease agreements each have a term of fifteen (15) years with two five-year renewal periods upon mutual consent and written agreement by the parties. Rental payments of \$60,000 are due annually on October 1, and increase at a rate of three percent compounded annually.

In August 2015, the City leased an additional parcel for the use of communications facilities. The agreement has a term of ten (10) years with one five-year renewal period upon mutual consent and written agreement by the parties. Rental payments of \$35,000 are due annually on August 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.

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

Fiscal year ending June 30:

2021	\$ 299,000
2022	304,000
2023	43,000
2024	44,000
2025	<u>46,000</u>
Total approximate future minimum rentals	<u>\$ 736,000</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES (Continued)

Schools' Facility Leases

The Schools lease their elementary, middle and high school campuses from the City for varying annual rental fees based on the total debt service requirements of the debt issued by the City to purchase the land and construct the Schools (see Note 1.d.6).

For the fiscal year ended June 30, 2020, rent expense was approximately \$1,133,000, \$1,107,000 and \$2,804,000 for the Elementary, Middle and High Schools, respectively.

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

Fiscal year ending June 30:

2021	\$ 5,355,000
2022	5,345,000
2023	5,338,000
2024	5,549,000
2025	5,566,000
2026-2030	28,864,000
2031-2035	30,945,000
2036-2039	<u>24,042,000</u>
Total approximate minimum future rentals	<u>\$ 111,004,000</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 8. CHANGES IN NONCURRENT LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net pension liability	\$ 16,148,713	\$ 1,282,673	\$ -	\$ 17,431,386	\$ -
Net OPEB liability	385,790	217,716	(485,734)	117,772	-
Compensated absences	<u>865,045</u>	<u>797,917</u>	<u>(641,354)</u>	<u>1,021,608</u>	<u>828,482</u>
Total	<u>\$ 17,399,548</u>	<u>\$ 1,235,233</u>	<u>\$ (1,172,156)</u>	<u>\$ 18,570,766</u>	<u>\$ 828,482</u>

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CONTINGENCY

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

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic and state and local governments instituted school closures, which prompted the School to transition to a virtual learning environment. The Schools have taken numerous measures to respond to the outbreak, including sanitizing all areas of the Schools in accordance with guidelines provided by various authorities including the State of Florida, Broward County and the Centers for Disease Control (CDC). The ongoing spread of COVID-19 has become a threat to the global economy and financial markets. The Schools are evaluating the potential effect this will have on their financial position, operations and cash flows, which is not yet determinable.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

The Schools' 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.

Type of Benefit

The FRS Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

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 33 years of service, regardless of age.

FRS issues an annual financial report. A copy can be obtained by contacting the Division of Retirement at:

Department of Management Services
Division of Retirement
Research and Education Section
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Funding Policy

The Schools' required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2020, the contribution was 8.47% for Regular Class Members and 14.60% for DROP Members. The Schools are required to contribute both for full-time and part-time members of the Plan, which amounted to \$1,574,740 for FRS and HIS for the year ended June 30, 2020. As of June 30, 2020, there were 500 members in this Plan. The contribution rate includes the post-employment health insurance supplement of 1.66% and the administrative/educational fee of 0.06%.

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 \$546,425 for fiscal year 2020.

Fiscal Year	Annual Required	Total Employer	Percentage Contributed	Contribution Rates	
	<u>Contributions</u>	<u>Contributions</u>		<u>Regular Class</u>	<u>DROP</u>
2020	\$ 1,574,740	\$ 1,574,740	100.0%	8.47%	14.60%
2019	1,476,624	1,476,624	100.0%	8.26%	14.03%
2018	1,413,716	1,413,716	100.0%	7.52%	12.99%
2017	1,311,513	1,311,513	100.0%	7.52%	12.99%
2016	1,191,296	1,191,296	100.0%	7.26%	12.88%
2015	1,202,083	1,202,083	100.0%	7.37%	12.28%
2014	1,157,206	1,157,206	100.0%	6.95%	12.84%
2013	884,548	884,548	100.0%	5.18%	5.44%
2012	812,317	812,317	100.0%	4.91%	4.42%
2011	1,761,326	1,761,326	100.0%	10.77%	12.25%

Net Pension Liabilities

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2019, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 198,012,334	\$ 11,491,044
Plan Fiduciary Net Position	(163,573,726)	(302,045)
Net Pension Liability	\$ 34,438,608	\$ 11,188,999

Plan Fiduciary Net Position as a		
Percentage of the Total Pension Liability	82.61%	2.63%

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations as of July 1, 2019. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The Schools reported a liability of \$17,431,386 for their proportionate share of the net pension liability. The details of the proportionate share are as follow:

FRS Pension Plan

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date ¹	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	391,227	0.013727637%	415,792	0.013409509%	4,134,835	4,618,048
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	261,357	0.009170693%	260,083	0.008387837%	2,762,260	2,888,654
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	329,129	0.011548723%	354,516	0.011433330%	3,478,535	3,937,480

FRS Retiree Health Insurance Subsidy (HIS) Program

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date ¹	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	116,764	0.021531224%	116,922	0.021056019%	2,278,889	2,355,958
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	77,711	0.014329829%	76,906	0.013849723%	1,516,685	1,549,645
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	101,322	0.01868375%	103,054	0.018604000%	1,977,509	2,081,601

¹Reflects restatement of beginning net position due to implementation of GASB 75.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ended June 30, 2013 through June 30, 2019 for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015 through June 30, 2019, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuations is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2019:

1. FRS: The long-term expected rate of return was decreased from 7.00% to 6.90% and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
2. HIS: The municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Because the HIS is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to a long-duration, high-quality, tax-exempt municipal bond rate selected by the plan sponsor. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index.

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before Aug. 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after Aug. 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of Aug. 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Long-Term Expected Rate of Return

The long-term expected rate of return assumption of 6.90% used in GASB discount rate calculations differs from the 7.20% investment rate of return assumption used in the funding calculation. The 6.90% assumption consists of two building block components: 1) a real (in excess of inflation) return of 4.30%, consistent with one capital market outlook model developed during 2019 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.60% as most recently adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.90% return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed income	18.0%	4.1%	4.1%	3.5%
Global equity	54.0%	8.0%	6.8%	16.5%
Real estate	10.0%	6.7%	6.1%	11.7%
Private equity	11.0%	11.2%	8.4%	25.8%
Strategic investments	6.0%	5.9%	5.7%	6.7%
Assumed Inflation – Mean			2.6%	1.7%

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current rate.

FRS Net Pension Liability			
	<u>1% Decrease</u> 5.90%	<u>Current Discount Rate</u> 6.90%	<u>1% Increase</u> 7.90%
Elementary	\$ 7,983,068	\$ 4,618,048	\$ 1,807,688
Middle	4,993,521	2,888,654	1,130,734
High	6,806,591	3,937,480	1,541,286

HIS Net Pension Liability			
	<u>1% Decrease</u> 2.50%	<u>Current Discount Rate</u> 3.50%	<u>1% Increase</u> 4.50%
Elementary	\$ 2,689,447	\$ 2,355,958	\$ 2,078,199
Middle	1,769,000	1,549,645	1,366,948
High	2,376,255	2,081,601	1,836,189

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows/ (Inflows) of Resources

In accordance with GASB 68, paragraph 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

1. Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
2. Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
3. Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pension through the pension plan (active and inactive employees)
4. Differences between expected and actual earnings on pension plan investments – amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2019, was 6.4 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2019, are presented below:

	Collective Pension Expense
Charter Elementary	\$ 1,127,928
Charter Middle	727,787
Charter High	1,118,902
Total	\$ 2,974,617

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The components of deferred outflows and inflows of resources schedules reported as of June 30, 2020, are presented below for each plan.

FRS Pension Plan						
	Elementary		Middle		High	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in:						
Contributions, subsequent to measurement date	\$ 439,313	\$ -	\$ 288,151	\$ -	\$ 383,903	\$ -
Assumptions/inputs	1,186,114	-	741,931	-	1,011,314	-
Projected/Actual earnings	-	(255,495)	-	(159,815)	-	(217,842)
Experience expected/actual	273,910	(2,866)	171,334	(1,793)	233,543	(2,444)
Change in Proportion, NPL	54,628	(169,019)	39,940	(209,426)	65,248	(129,965)
	<u>\$ 1,953,965</u>	<u>\$ (427,380)</u>	<u>\$ 1,241,356</u>	<u>\$ (371,034)</u>	<u>\$ 1,694,008</u>	<u>\$ (350,251)</u>

HIS Program						
	Elementary		Middle		High	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in:						
Contributions, subsequent to measurement date	\$ 118,911	\$ -	\$ 80,948	\$ -	\$ 107,054	\$ -
Assumptions/inputs	272,798	(192,557)	179,434	(126,655)	241,030	(170,133)
Projected/Actual earnings	1,520	-	1,000	-	1,343	-
Experience expected/actual	28,616	(2,885)	18,822	(1,897)	25,283	(2,549)
Change in Proportion, NPL	24,236	(135,727)	41,803	(86,602)	69,409	(28,687)
	<u>\$ 446,081</u>	<u>\$ (331,169)</u>	<u>\$ 322,007</u>	<u>\$ (215,154)</u>	<u>\$ 444,119</u>	<u>\$ (201,369)</u>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year	Elementary		Middle		High	
Ending June 30,	FRS Expense	HIS Expense	FRS Expense	HIS Expense	FRS Expense	HIS Expense
2021	\$ 366,279	\$ (13,968)	\$ 218,600	\$ 11,971	\$ 358,972	\$ 56,155
2022	104,873	4,805	43,601	11,338	92,743	47,002
2023	313,277	13,879	176,191	9,216	259,556	25,974
2024	238,036	(16,928)	129,979	(7,920)	193,097	(5,875)
2025	53,450	(1,027)	14,046	(1,854)	43,840	(308)
Thereafter	11,357	9,240	(246)	3,154	11,646	12,748
Total	<u>\$ 1,087,272</u>	<u>\$ (3,999)</u>	<u>\$ 582,171</u>	<u>\$ 25,905</u>	<u>\$ 959,854</u>	<u>\$ 135,696</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. 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 FRS or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2020, there were 27 Plan members. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' required contribution is 8.47% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2020, the Schools contributed \$104,554 and the employees contributed \$12,627 to the Plan. Provisions of the Schools' Plan may be amended by the City Commission. The Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net position of the Schools' Plan is not included in the Schools' special purpose financial statements.

Beginning in fiscal year 2009, the Schools recorded revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Schools will utilize these forfeitures to offset future employer contributions to the Plan. As of June 30, 2020, there was no receivable for ICMA forfeitures.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB)

The City provides postemployment benefits for eligible participants of the Schools enrolled in the City of Pembroke Pines, Florida Post-Employment Benefit Trust Fund. The benefits are provided in the form of:

- An implicit rate subsidy where retirees pay combined active/retiree rates for health coverage.
- An explicit subsidy where the City contributes towards the retiree health premium equivalents.

Summary of Significant Accounting Policies

Basis of Accounting - The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments - Investments are reported at fair value in the plan financial statements based on the quoted market prices as reported by recognized security exchanges. Securities that have no quoted market price will be presented at estimated fair value as provided by the custodial bank and investment counsel. The Plan considers all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents.

Plan Description

The retiree health and life insurance program is a single-employer defined benefit plan administered by the City which provides medical and life insurance benefits to eligible retirees and their beneficiaries. The health plan is self-insured and administered by United Medical Resources (UMR) on behalf of the City. The life insurance plan is fully insured through Sun Life Financial. The City Commission has authority to establish and amend benefits related to the City's retiree health and life insurance program. On December 7, 2007 the City adopted Ordinance 1598 creating the Other Post-Employment Benefits Trust Fund in accordance with Florida Statutes Chapter 115.

The City created a retiree health and life insurance program as adopted and amended by City Commission by the following ordinances:

OPEB			
Ordinance Number	Dated	Ordinance Number	Dated
990	April 15, 1992	1480	March 17, 2004
1015	November 4, 1992	1554	August 16, 2006
1024	February 17, 1993	1598	December 3, 2007
1144	December 6, 1995	1670	August 4, 2010
1371	April 4, 2001	1702	September 20, 2011
1443	June 18, 2003	1779	November 5, 2014

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

Benefits Provided

The City provides postemployment benefits such as health insurance for eligible School's participants enrolled in City-sponsored plans. Coverage of health insurance is provided to all regular full-time permanent general employees, if hired before October 1, 1991, who have reached normal retirement age and completed service as prescribed by the City Pension Plan which covers the employee.

Coverage for employees hired after October 1, 1991 is limited to employee (single) coverage only. Effective July 1, 2010, general employees, who are members of the collective bargaining unit, that retire after July 1, 2010 may continue to participate in the City's health insurance plan but will be required to pay the active/blended rate. Additionally, effective July 1, 2010, members hired prior to May 1, 2005 will receive a health insurance subsidy of five dollars per month for each year of service, as long as they have completed at least 10 years of eligible service and retire from the City at age 55 or above.

Primary insurance coverage is extended until the employee qualifies for Medicare benefits (at 65 years of age). At that time, Medicare becomes the primary coverage.

In addition, extended health insurance coverage is offered to terminated employees for a period of 18 months, divorced or widowed spouses of current employees for a period of 36 months, and disabled employees meeting the requirements of Social Security for a period of 29 months. These extended benefits are offered in order to comply with COBRA's requirements. The cost of this extended insurance coverage is paid by the covered individual using a blended/active rate.

At September 30, 2019, the measurement date used for the City's OPEB liability, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>354</u>
	<u>354</u>

Contributions

Contributions are required for both retiree and dependent health insurance coverage. Contribution rates are determined based on the following factors: hire date, retirement date, and employee group. Based on these factors, retirees pay either the full rates, reduced rates or nothing for the medical and prescription drug benefit. The contribution requirements of the plan members are established and may be amended by the City Commission. The percentage contributed is expected to equal the Actuarial Determined Contribution (ADC) as determined by the annual actuarial valuation. Administrative costs are financed through investment earnings where available.

For the year ended June 30, 2020, the City's average contribution rate was 11.62 percent of covered-employee payroll.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

Net OPEB Liability

The City's net OPEB liability was measured as of September 30, 2019. The Schools' proportionate share of the City's net OPEB liability was calculated based on the Schools' OPEB contributions for the reporting period ended June 30, 2020. The components of the Schools' proportionate share of the City's net OPEB liability are as follows:

	Broward Charter
Total OPEB liability	\$ 658,515
Plan fiduciary net position	<u>(540,743)</u>
Net OPEB liability	<u>\$ 117,772</u>
Plan fiduciary net position as a percentage of total OPEB liability	82.12%
Net OPEB liability as a percentage of covered employee payroll	17.75%

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 reporting date was based on an actuarial valuation with measurement date of September 30, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation	3.0% per annum
Salary Increases	3.0% per annum
Investment Rate of Return	7.8% per annum Discount rate is based on expected long-term rate of return on plan investments using building block approach plus inflation (3%)
Healthcare Cost Trend Rates	6.50% initial for Pre-Medicare Medical and Prescription and stop loss fees, 5.50% initial for Medicare benefits, decreasing 0.5% per year until an ultimate rate of 4.5% is reached and 4.5% for administrative fees
Medical CPI Trend	Chained-CPI of 2.0% per annum
Marriage Rate	The assumed number of eligible spouses is based on the current information in the census provided.
Spouse Age	Male spouses are assumed to be three years older than female spouses.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age of 65
Cost Method	Entry Age Normal based on level percentage of projected salary
Amortization Method	<i>Experience/Assumption</i> gains and losses are amortized over a closed period of 5 years, equal to the average remaining service of active and inactive plan members (those without future service remaining count as 0 years in the averaging) <i>Investment gain and losses</i> are amortized over a closed period of 5 years
Mortality Rates	RP-2014 generational table back-projected to 2006 and scaled using MP-18 and applied on a gender-specific basis

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period of September 2016 through August 2019.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized in the following table:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap	37%	5.7%
Mid Cap	7%	8.6%
Small Cap	8%	7.6%
International Equity	8%	5.0%
Real Estate	10%	6.4%
Fixed income	30%	1.6%
Total Real Return	100%	4.8%

Discount Rate

The discount rate used to measure the OPEB liability was updated from 7.6% in the prior valuation to 7.8%. The projection of cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (continued)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Total OPEB Liability (October 1, 2018)	\$ 805,778	\$ 419,988	\$ 385,790
Changes for the year:			
Service cost	21,860	-	21,860
Interest cost	192,224	-	192,224
Differences between expected and actual experience	(129,348)	-	(129,348)
Changes in assumptions	(58,288)	-	(58,288)
Contributions	-	228,604	(228,604)
Net Investment Income	-	69,494	(69,494)
Benefit payments	(173,712)	(173,712)	-
Administration expenses	-	(3,632)	3,632
Net change	(147,264)	120,754	(268,018)
Total OPEB Liability (September 30, 2019)	<u>\$ 658,514</u>	<u>\$ 540,742</u>	<u>\$ 117,772</u>

The following table presents the net OPEB liability of the City using the trend rate and the discount rate, as well as what the City's net OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net OPEB Liability (based on Trend Rate)		
1% Decrease	Current Trend	1% Increase
\$ 82,441	\$ 117,772	\$ 94,217
Net OPEB Liability (based on Discount Rate)		
1% Decrease 6.80%	Current Rate 7.80%	1% Increase 8.80%
\$ 143,683	\$ 117,772	\$ 81,263

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

OPEB Expense and Deferred Outflows/ (Inflows) of Resources Related to OPEB

In accordance with GASB 75, paragraph 86, changes in the collective net OPEB liability are recognized in OPEB expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in OPEB expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

1. Difference between expected and actual experience with regard to economic and demographic factors – amortized over 5.14 years
2. Changes of assumptions or other inputs – amortized over 5.14 years
3. Differences between expected and actual earnings on OPEB plan investments – amortized over five years

The OPEB benefit for the fiscal year ended June 30, 2020 is as follows:

	Collective OPEB Benefit
Charter Elementary	\$ (58,114)
Charter Middle	(40,659)
Charter High	(55,567)
Total	<u><u>\$ (154,340)</u></u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

OPEB Expense and Deferred Outflows/ (Inflows) of Resources (Continued)

Per GASB 75, paragraph 68, employer contributions to the OPEB plan made subsequent to the measurement date of the collective net OPEB liability, September 30, 2019, and before the end of the employer's reporting period, June 30, 2020, should be reported as deferred outflows of resources related to OPEB. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Charter Elementary

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 67,246	\$ -	\$ 67,246
Experience expected/actual	83,762	(37,942)	45,820
Assumptions/inputs	52,691	(56,984)	(4,293)
Projected/Actual earnings	-	(5,640)	(5,640)
	<u><u>\$ 203,699</u></u>	<u><u>\$ (100,566)</u></u>	<u><u>\$ 103,133</u></u>

Charter Middle

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 48,091	\$ -	\$ 48,091
Experience expected/actual	59,902	(27,134)	32,768
Assumptions/inputs	37,682	(40,751)	(3,069)
Projected/Actual earnings	-	(4,033)	4,033)
	<u><u>\$ 145,675</u></u>	<u><u>\$ (71,918)</u></u>	<u><u>\$ 73,757</u></u>

Charter High

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 66,150	\$ -	\$ 66,150
Experience expected/actual	82,397	(37,324)	45,073
Assumptions/inputs	51,833	(56,055)	(4,222)
Projected/Actual earnings	-	(5,548)	(5,548)
	<u><u>\$ 200,380</u></u>	<u><u>\$ (98,927)</u></u>	<u><u>\$ 101,453</u></u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT PLANS (OPEB) (Continued)

OPEB Expense and Deferred Outflows/ (Inflows) of Resources (Continued)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Reporting Period Ending June 30:		
2021	\$	61,278
2022		61,278
2023		(131)
2024		<u>(25,569)</u>
Total	\$	<u>96,856</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 16,847,489	\$ 17,294,689	\$ 16,751,428	\$ (543,261)
Federal and State grants	468,452	468,452	332,020	(136,432)
Total revenues	<u>17,315,941</u>	<u>17,763,141</u>	<u>17,083,448</u>	<u>(679,693)</u>
Expenditures:				
Current:				
K-3 Basic	5,768,050	5,712,282	5,841,624	(129,342)
4-8 Basic	2,859,276	2,788,733	2,778,703	10,030
Exceptional student program	710,378	707,121	702,907	4,214
Substitute teachers	135,224	105,010	81,701	23,309
School/Others	25,027	16,214	23,627	(7,413)
Guidance services	288,318	284,392	272,237	12,155
Instructional media services	269,689	271,790	270,070	1,720
Instructional staff training service	48,908	31,452	14,019	17,433
Board	13,149	13,149	13,149	-
General Administration	12,768	12,768	13,165	(397)
School administration	1,953,968	2,128,230	1,863,954	264,276
Food services	873,061	876,295	614,875	261,420
Student transportation services	742,608	721,592	666,049	55,543
Operation of school	3,491,216	3,117,792	2,768,502	349,290
Child care supervision	423,102	419,920	411,826	8,094
Capital outlay	<u>120,803</u>	<u>50,856</u>	<u>38,379</u>	<u>12,477</u>
Total expenditures	<u>17,735,545</u>	<u>17,257,596</u>	<u>16,374,787</u>	<u>882,809</u>
Excess of revenues over expenditures	(419,604)	505,545	708,661	203,116
Other financing uses:				
Transfers out	<u>(372,333)</u>	<u>(372,333)</u>	<u>(990,000)</u>	<u>(617,667)</u>
Net change in fund balances	(791,937)	133,212	(281,339)	(414,551)
Fund balances, beginning	<u>2,223,847</u>	<u>2,223,847</u>	<u>2,223,847</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,431,910</u>	<u>\$ 2,357,059</u>	<u>\$ 1,942,508</u>	<u>\$ (414,551)</u>

See note to Budgetary Comparison Schedule.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 10,654,716	\$ 10,985,611	\$ 10,709,398	\$ (276,213)
Federal and State grants	302,716	302,716	221,307	(81,409)
Total revenues	<u>10,957,432</u>	<u>11,288,327</u>	<u>10,930,705</u>	<u>(357,622)</u>
Expenditures:				
Current:				
4-8 Basic	6,058,760	5,964,441	6,132,515	(168,074)
Intensive English/ESOL	2,350	850	456	394
Exceptional student program	702,653	689,628	703,120	(13,492)
Substitute teachers	71,995	57,549	50,849	6,700
School/other	44,126	44,126	37,352	6,774
Guidance services	230,243	229,282	230,855	(1,573)
Instructional media services	248,806	247,355	227,476	19,879
Instructional staff training service	34,043	32,543	13,606	18,937
Board	8,766	8,766	8,766	-
General Administration	8,972	8,972	9,266	(294)
School administration	1,376,094	1,434,772	1,242,606	192,166
Food services	698,138	701,711	464,681	237,030
Student transportation services	517,569	501,839	468,915	32,924
Operation of school	2,416,099	2,427,003	2,257,378	169,625
Athletics	34,306	34,506	29,018	5,488
Capital outlay	<u>64,533</u>	<u>68,392</u>	<u>37,490</u>	<u>30,902</u>
Total expenditures	<u>12,517,453</u>	<u>12,451,735</u>	<u>11,914,349</u>	<u>537,386</u>
Excess (Deficit) of revenues over (under) expenditures	(1,560,021)	(1,163,408)	(983,644)	179,764
Other financing sources:				
Transfers in	<u>1,086,581</u>	<u>1,086,581</u>	<u>990,000</u>	<u>(96,581)</u>
Net change in fund balances	(473,440)	(76,827)	6,356	83,183
Fund balances, beginning	<u>580</u>	<u>580</u>	<u>580</u>	<u>-</u>
Fund balances, ending	<u>\$ (472,860)</u>	<u>\$ (76,247)</u>	<u>\$ 6,936</u>	<u>\$ 83,183</u>

See note to Budgetary Comparison Schedule.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 18,490,720	\$ 18,995,949	\$ 18,539,818	\$ (456,131)
Federal and State grants	386,366	393,083	287,121	(105,962)
Total revenues	<u>18,877,086</u>	<u>19,389,032</u>	<u>18,826,939</u>	<u>(562,093)</u>
Expenditures:				
Current:				
4-8 Basic	1,223,387	1,207,697	1,240,444	(32,747)
9-12 Basic	7,078,312	7,004,673	7,136,923	(132,250)
Exceptional student program	514,186	506,241	478,708	27,533
Vocational 6-12	204,201	186,536	189,850	(3,314)
Substitute teachers	92,898	92,898	72,327	20,571
School/other	30,193	30,193	18,322	11,871
Guidance services	632,468	608,477	613,445	(4,968)
Instructional media services	122,443	124,500	119,238	5,262
ESE specialist	88,657	85,553	92,308	(6,755)
Instructional staff training service	25,325	19,325	10,015	9,310
Board	4,383	4,383	4,383	-
General Administration	14,112	14,112	9,649	4,463
School administration	1,733,480	1,738,253	1,492,351	245,902
Food services	932,938	936,037	637,208	298,829
Student transportation services	866,520	853,601	768,273	85,328
Operation of school	5,605,064	5,687,314	5,239,928	447,386
Child care supervision	8,739	8,739	1,275	7,464
Athletics	366,107	334,871	306,652	28,219
Capital outlay	85,900	126,774	100,385	26,389
Total expenditures	<u>19,629,313</u>	<u>19,570,177</u>	<u>18,531,684</u>	<u>1,038,493</u>
Excess (Deficit) of revenues over (under) expenditures	<u>(752,227)</u>	<u>(181,145)</u>	<u>295,255</u>	<u>476,400</u>
Net change in fund balances	(752,227)	(181,145)	295,255	476,400
Fund balances, beginning	122,531	122,531	122,531	-
Fund balances, ending	<u>\$ (629,696)</u>	<u>\$ (58,614)</u>	<u>\$ 417,786</u>	<u>\$ 476,400</u>

See note to Budgetary Comparison Schedule.

Required Supplementary Information

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for all Charter School funds which are governmental funds. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, 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, 2020, there were no encumbrances.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund.
4. The legal level of budgetary control is at the fund level. The adopted budgets may be amended as follows:
 - a. The Principals approve line item adjustments within a school site or school function.
 - b. The City Manager or his designee approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations before transfers, which have the effect of adjusting the original adopted budgets. There were supplemental expenditure appropriations before transfers of \$477,949 less than the original budget in the elementary schools, \$65,718 less than the original budget in the middle schools and \$59,136 less than the original budget in the high school during the fiscal year ended June 30, 2020. There were revenues before transfer of \$447,200 more than the original budget in the elementary schools, \$330,895 more than the original budget in the middle schools, and \$511,946 more than the original budget in the high schools.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

Charter Elementary School Required Supplementary Information Pension Schedule

Reporting period as of:	<u>6/30/2020</u>		<u>6/30/2019</u>		<u>6/30/2018</u>		<u>6/30/2017</u>		<u>6/30/2016</u>		<u>6/30/2015</u>	
Measurement date as of:	6/30/2019		6/30/2018		6/30/2017		6/30/2016		6/30/2015		6/30/2014	
Florida Retirement System Plan (in thousands):	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS
Total pension liability	\$ 198,012,334	\$ 11,491,044	\$ 191,317,399	\$ 10,816,576	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(163,573,726)	(302,045)	(161,196,881)	(232,463)	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>	<u>\$ 30,120,518</u>	<u>\$ 10,584,113</u>	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	2.63%	84.26%	2.15%	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter Elementary Schools:												
Share of net pension liability as a percentage	0.013409509%	0.021056019%	0.013727637%	0.021531224%	0.013577866%	0.021325349%	0.013137343%	0.021223884%	0.014180334%	0.021143721%	0.015319533%	0.023009714%
Share of net pension liability as an amount	\$ 4,618,048	\$ 2,355,958	\$ 4,134,835	\$ 2,278,889	\$ 4,016,242	\$ 2,280,205	\$ 3,317,189	\$ 2,473,556	\$ 1,831,580	\$ 2,156,327	\$ 934,718	\$ 2,151,464
Covered-employee payroll	\$ 7,042,033	\$ 7,042,033	\$ 7,957,227	\$ 7,957,227	\$ 7,745,300	\$ 7,745,300	\$ 7,520,707	\$ 7,520,707	\$ 7,546,090	\$ 7,546,090	\$ 7,816,059	\$ 7,816,059
Net pension liability as a percentage of covered-employee payroll	65.58%	33.46%	51.96%	28.64%	51.85%	29.44%	44.11%	32.89%	24.27%	28.58%	11.96%	27.53%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2019, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90%.
5. Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 3.50%

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

Charter Middle School Required Supplementary Information Pension Schedule

Reporting period as of:
Measurement date as of:

	6/30/2020		6/30/2019		6/30/2018		6/30/2017		6/30/2016		6/30/2015	
	6/30/2019		6/30/2018		6/30/2017		6/30/2016		6/30/2015		6/30/2014	
Florida Retirement System Plan (in thousands):	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS
Total pension liability	\$ 198,012,334	\$ 11,491,044	\$ 191,317,399	\$ 10,816,576	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(163,573,726)	(302,045)	(161,196,881)	(232,463)	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>	<u>\$ 30,120,518</u>	<u>\$ 10,584,113</u>	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	2.63%	84.26%	2.15%	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter Middle Schools:												
Share of net pension liability as a percentage	0.008387837%	0.013849723%	0.009170693%	0.014329829%	0.009167388%	0.014203866%	0.008687191%	0.013636514%	0.009774085%	0.013999520%	0.010014704%	0.014743185%
Share of net pension liability as an amount	\$ 2,888,654	\$ 1,549,645	\$ 2,762,260	\$ 1,516,685	\$ 2,711,652	\$ 1,518,743	\$ 2,193,523	\$ 1,589,279	\$ 1,262,454	\$ 1,427,731	\$ 611,044	\$ 1,378,524
Covered-employee payroll	\$ 4,632,343	\$ 4,632,343	\$ 5,606,419	\$ 5,606,419	\$ 5,398,562	\$ 5,398,562	\$ 5,357,386	\$ 5,357,386	\$ 5,273,513	\$ 5,273,513	\$ 5,373,301	\$ 5,373,301
Net pension liability as a percentage of covered-employee payroll	62.36%	33.45%	49.27%	27.05%	50.23%	28.13%	40.94%	29.67%	23.94%	27.07%	11.37%	25.66%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2019, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90%.
5. Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 3.50%

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

Charter High School Required Supplementary Information Pension Schedule

Reporting period as of:	<u>6/30/2019</u>		<u>6/30/2019</u>		<u>6/30/2018</u>		<u>6/30/2017</u>		<u>6/30/2016</u>		<u>6/30/2015</u>	
Measurement date as of:	6/30/2018		6/30/2018		6/30/2017		6/30/2016		6/30/2015		6/30/2014	
Florida Retirement System Plan (in thousands):	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS
Total pension liability	\$ 198,012,334	\$ 11,491,044	\$ 191,317,399	\$ 10,816,576	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(163,573,726)	(302,045)	(161,196,881)	(232,463)	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>	<u>\$ 30,120,518</u>	<u>\$ 10,584,113</u>	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	2.63%	84.26%	2.15%	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter High School:												
Share of net pension liability as a percentage	0.011433330%	0.018604000%	0.011548723%	0.018683750%	0.012016723%	0.018962929%	0.011451996%	0.018074525%	0.012391542%	0.018101749%	0.011808963%	0.017492768%
Share of net pension liability as an amount	\$ 3,937,480	\$ 2,081,601	\$ 3,478,535	\$ 1,977,509	\$ 3,554,466	\$ 2,027,604	\$ 2,891,638	\$ 2,106,511	\$ 1,600,534	\$ 1,846,094	\$ 720,520	\$ 1,635,616
Covered-employee payroll	\$ 6,221,975	\$ 6,221,975	\$ 7,140,664	\$ 7,140,664	\$ 6,894,012	\$ 6,894,012	\$ 6,648,338	\$ 6,648,338	\$ 6,249,677	\$ 6,249,677	\$ 5,987,830	\$ 5,987,830
Net pension liability as a percentage of covered-employee payroll	63.28%	33.46%	48.71%	27.69%	51.56%	29.41%	43.49%	31.68%	25.61%	29.54%	12.03%	27.32%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2019, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.90%.
5. Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 3.50%

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS
Charter Schools
Required Supplementary Information
Schedule of Pension Contributions

Fiscal year ended June 30:	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,574,740	\$ 1,476,624	\$ 1,413,716	\$ 1,311,513	\$ 1,191,296	\$ 1,202,083	\$ 1,157,206	\$ 884,548	\$ 812,317	\$ 1,761,326
Contributions in relation to the contractually required contribution	(1,574,740)	(1,476,624)	(1,413,716)	(1,311,513)	(1,191,296)	(1,202,083)	(1,157,206)	(884,548)	(812,317)	(1,761,326)
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 18,485,891	\$ 17,896,351	\$ 17,896,351	\$ 20,037,874	\$ 19,526,431	\$ 19,069,280	\$ 19,177,190	\$ 19,842,569	\$ 19,029,259	\$ 19,299,408
Contributions as a percentage of covered-employee payroll	8.52%	8.25%	7.90%	6.55%	6.10%	6.30%	6.03%	4.46%	4.27%	9.13%

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

Required Supplementary Information

Other Post-Employment Benefit Plan (OPEB)

Schedule of Changes in Net OPEB Liability and Related Ratios

Last Ten Fiscal Years (1)

Reporting period as of:	6/30/2020	6/30/2019	6/30/2018
Measurement date as of:	9/30/2019	9/30/2018	9/30/2017
Total OPEB liability:			
Service costs	\$ 21,860	\$ 9,627	\$ 4,617
Interest	192,224	102,097	48,054
Benefit payments	(173,712)	(86,666)	(44,063)
Differences in experience	(129,348)	136,606	21,639
Changes in assumptions	(58,288)	(81,173)	96,897
Net change in total OPEB liability	(147,264)	80,491	127,144
Total OPEB liability - beginning	805,778	725,287	598,143
Total OPEB liability - ending	<u>\$ 658,514</u>	<u>\$ 805,778</u>	<u>\$ 725,287</u>
Plan fiduciary net position:			
Contributions - employer	\$ 212,527	\$ 83,182	\$ 62,377
Contributions - member	16,077	4,066	2,581
Net investment income	69,494	66,989	36,899
Benefit payments	(173,712)	(86,666)	(44,063)
Administrative expense	(3,632)	(2,717)	(800)
Net changes in plan fiduciary net position	120,754	64,854	56,994
Plan fiduciary net position - beginning	419,988	355,134	298,140
Plan fiduciary net position - ending	<u>\$ 540,742</u>	<u>\$ 419,988</u>	<u>\$ 355,134</u>
Net OPEB liability - ending	\$ 117,772	\$ 385,790	\$ 370,153
Plan fiduciary net position as a percentage of the total OPEB liability	82.12%	52.12%	48.96%
Covered-employee payroll (2)	\$ 663,566	\$ 260,156	\$ 315,444
Net OPEB liability as a percentage of covered-employee payroll	17.75%	148.29%	117.34%

Note to Schedule:

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(2) Includes all active members with no adjustments.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

Required Supplementary Information Other Post-Employment Benefit Plan (OPEB) Schedule of Employer Contributions

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution (1)	\$ 156,237	\$ 157,303	\$ 41,981	\$ 26,989	\$ 35,375	\$ 35,577	\$ 41,061	\$ 40,064	\$ 37,821	\$ 37,974
Contributions in relation to the actuarially determined contribution	181,487	54,751	62,377	66,706	43,954	41,061	41,079	40,258	48,313	60,740
Contributions deficiency (excess)	<u>\$ (25,250)</u>	<u>\$ 102,551</u>	<u>\$ (20,396)</u>	<u>\$ (39,717)</u>	<u>\$ (8,579)</u>	<u>\$ (5,484)</u>	<u>\$ (18)</u>	<u>\$ (194)</u>	<u>\$ (10,492)</u>	<u>\$ (22,766)</u>
Covered-employee payroll	\$ 1,561,416	\$ 663,566	\$ 260,156	\$ 315,444	\$ 306,256	\$ 297,336	\$ 288,676	\$ 297,191	\$ 303,525	\$ 320,328
Contributions as a percentage of covered-employee payroll	11.62%	8.25%	23.98%	21.15%	14.35%	13.81%	14.23%	13.55%	15.92%	18.96%

Note to Schedule:

Valuation date:	10/1/2018
Actuarial cost method	Entry Age Normal based on level percentage of projected salary
Amortization method	Experience/Assumption gains and losses are amortized over a closed period of 5 years, equal to the average remaining service of active and inactive plan members (who have no future service) Investment gains and losses are amortized over a closed period of 5 years starting on September 30, 2019.
Remaining amortization period	30 years
Asset valuation method	Fair Market value
Marriage rate	The assumed number of eligible spouses is based on the current information in the census provided.
Spouse age	Male spouses are assumed to be three years older than female spouses.
Mortality rates	RP-2014 generational table back-projected to year 2006 and scaled using MP-18 and applied on a gender specific basis
Actuarial assumptions:	
Inflation rate	3.0%
Health CPI	3.0%
Investment rate of return (2)	7.8%
Projected salary increase rate	3.0%
Healthcare cost trend rate (3)	6.5% initial
	4.5% ultimate
Post-retirement benefits increase	N/A

(1) Prior to 2017, the ADC was represented by the Annual Required Contribution (ARC) in GASB 45

(2) Valuation results are developed assuming a discount rate of 7.8% determined based on the long-term yield on the investments used to finance the payment of benefits.

(3) The healthcare cost trend rate grades down every year by 0.5% until an ultimate rate of 4.5% is reached.



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

Honorable Mayor and Members of the City Commission
City of Pembroke Pines, Florida Charter Schools

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 each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board, as of and for the year ended June 30, 2020, and the related notes to the special purpose financial statements and have issued our report thereon dated December 15, 2020.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' 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 special purpose financial statements. 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*.

Honorable Mayor and Members of the City Commission
City of Pembroke Pines, Florida Charter Schools

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
December 15, 2020



**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 Charter Schools
Pembroke Pines, Florida

Report on the Special Purpose Financial Statements

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines, Florida), as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 15, 2020.

Auditors' 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 and Chapter 10.850, *Rules of the Auditor General*.

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Special Purpose Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated December 15, 2020, 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.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and school code assigned by the Florida Department of Education be disclosed in this management letter. The official title assigned by the Florida Department of Education of the entity is City of Pembroke Pines, Florida Charter Schools, special revenue funds of the City of Pembroke Pines, Florida and the corresponding school codes are 5051, 5081 and 5121.

Financial Condition and Management

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the Schools. It is management's responsibility to monitor the Schools' 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.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the Schools maintain on their Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Schools maintained on their Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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 of the Schools, Broward County District School Board, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Schools and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

GLSC & Company, PLLC

Miami, Florida
December 15, 2020

