

CITY OF PEMBROKE PINES, FLORIDA
CHARTER SCHOOLS

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

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

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INDEPENDENT AUDITORS' REPORT

Honorable Major and Members of the City Commission
City of Pembroke Pines Charter Schools

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools operating under the charter sponsor by the Broward County School Board ("the Schools") (special revenue funds of the City of Pembroke Pines), as of and for the year ended June 30, 2014, and the related notes to the special purpose financial statements which collectively comprise the Schools' special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these special purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

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

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

Honorable Major and Members of the City Commission
City of Pembroke Pines Charter Schools

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 Charter Schools as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of the Matter

As discussed in the note 1.a, the special purpose financial statements of the City of Pembroke Pines 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 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, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of the America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-11 and 39-42 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Honorable Major and Members of the City Commission
City of Pembroke Pines Charter Schools

Other Reporting Required by *Government Auditing Standards*

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

GLSC & Company, PLLC

Miami, Florida
October 27, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Schools, we offer readers of the Charter Schools' special purpose financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Charter Schools' special purpose financial statements, which follow this section.

Financial Highlights

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$4,262,031 (*net position*), compared with \$4,803,563 for the previous fiscal year. Of this amount, \$1,793,957 (*unrestricted net position*) may be used to meet the ongoing obligations of the Charter Schools.
- As of the close of the current fiscal year, the Charter Schools' governmental funds' financial statements reported combined ending fund balances of \$2,623,023 or 6.4% of total expenditures. This represents a decrease of \$422,831 (-13.9%) over the 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 City of Pembroke Pines Charter Schools' special purpose financial statements. The Charter Schools' special purpose financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to special purpose statements.

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

The *statement of net position* presents information on all of the Charter Schools' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter Schools is improving or deteriorating.

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

The Charter Schools' *government-wide financial statements* distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School 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 Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

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

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*. The Charter 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 Charter Schools adopt an annual appropriated budget. Budgetary comparison schedules and notes has been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 14-16 of this report.

Notes to special purpose financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and funds financial statements. The notes to special purpose financial statements can be found on pages 17-38 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A) comprising pages 4-11, and the budgetary comparison schedules and notes which can be found on pages 39-42.

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 43-44.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 45-46.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter Schools, assets exceeded liabilities by \$4,262,031 as of June 30, 2014 as compared to \$4,803,563 for the previous fiscal year.

As at June 30, 2014, net investment in capital assets (e.g., improvements other than buildings and machinery and equipment) amounted to \$2,468,074. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending. The remaining portion of the Charter Schools' net position amounting to \$1,793,957 (approximately 42%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Increase
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current assets	\$3,255,154	\$ 3,606,078	\$ (350,924)
Capital assets, net of depreciation	<u>2,468,074</u>	<u>2,642,271</u>	<u>(174,197)</u>
Total assets	<u>5,723,228</u>	<u>6,248,349</u>	<u>(525,121)</u>
Current liabilities	632,131	560,224	71,907
Noncurrent liabilities	<u>829,066</u>	<u>884,562</u>	<u>(55,496)</u>
Total liabilities	<u>1,461,197</u>	<u>1,444,786</u>	<u>16,411</u>
Net position:			
Net investment in capital assets	2,468,074	2,642,271	(174,197)
Unrestricted	<u>1,793,957</u>	<u>2,161,292</u>	<u>(367,335)</u>
Total net position	<u><u>\$4,262,031</u></u>	<u><u>\$ 4,803,563</u></u>	<u><u>\$ (541,532)</u></u>

Current assets decreased by \$350,924 (-9.7%) during the year. The Elementary Schools' current assets decreased by \$362,899 (-18.2%), the Middle Schools' current assets increased by \$113,583 (76.1%), and the High School's current assets decreased by \$101,608 (-6.9%), all primarily related to changes in the pooled cash and cash equivalents. This decrease in pooled cash and cash equivalents was mainly due to financing the deficiency of revenues over the expenditures during the year of the Elementary and Middle Schools. The net decrease in capital assets of \$174,197 is attributable to the net effect of an increase in capital outlay of \$195,823, depreciation expense of \$278,771, and the net effect of miscellaneous transactions involving capital of \$91,249.

Current liabilities increased by \$71,907 (12.8%) during the year in the Elementary, Middle, and High Schools. This increase is related to an increase of \$83,909 in deposits, and offset by decreases in accrued liabilities and unearned revenues of \$6,684 and \$5,318, respectively. Noncurrent liabilities decreased by \$55,496 (-6.3%) during the year related to compensated absences.

Unrestricted net position decreased by \$367,335 (-17%) during the year in the Elementary, Middle, and High Schools. This decrease represents the difference by which assets exceeded liabilities.

Governmental activities. The Charter Schools' total net position at the end of the year amounted to \$4,262,031, a decrease of \$541,532 (-11.3%) over the previous fiscal year. The total cost of all governmental activities this year was \$41,165,621. Key elements of these changes in net position are as follows:

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Increase
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services	\$ 4,772,753	\$4,532,663	\$ 240,090
Operating grants and contributions	2,636,470	2,377,638	258,832
Capital grants	55,661	-	55,661
General revenues:			
FTE non-specific revenues	31,291,157	29,603,476	1,687,681
Unrestricted investment earnings	35,929	13,078	22,851
Rental income	1,803,265	1,756,523	46,742
ICMA forfeiture revenue	28,854	20,341	8,513
Other Miscellaneous	-	339,840	(339,840)
Total revenues	<u>40,624,089</u>	<u>38,643,559</u>	<u>1,980,530</u>
Expenses:			
Instructional services	21,421,824	20,564,078	857,746
Rent	5,827,098	5,469,622	357,476
Instructional support services	1,532,627	1,536,291	(3,664)
Food services	1,821,609	1,856,657	(35,048)
Student transportation services	1,709,037	1,673,618	35,419
Operation and maintenance of school	4,285,931	4,142,865	143,066
School administration	4,031,786	3,609,973	421,813
Other	535,709	549,366	(13,657)
Total expenses	<u>41,165,621</u>	<u>39,402,470</u>	<u>1,763,151</u>
Change in net position	(541,532)	(758,911)	217,379
Net position, beginning	<u>4,803,563</u>	<u>5,562,474</u>	<u>(758,911)</u>
Net position - ending	<u>\$ 4,262,031</u>	<u>\$4,803,563</u>	<u>\$ (541,532)</u>

The Charter Schools' total revenues increased by \$1,980,530 (5.1%) during the year. Charges for services increased by \$240,090 (5.3%). Operating grants and contributions increased by \$258,832 (10.9%) during the year, and general revenues increased by \$1,425,947 (4.5%).

FTE non-specific revenues increased by \$1,687,681 (5.7%) mainly as a result of an increase in funding provided by the State for teacher salary allocation of \$887,886. This revenue source was not provided last year. There was also an increase in the Base Student Allocation (BSA) from the State of Florida. The rate was raised from \$3,583 per student in fiscal 2012-13 to \$3,752 per student in fiscal year 2013-14. This amounted to approximately \$706,000 in additional revenues.

Other miscellaneous revenues decreased by \$339,840 as a result of a one-time performance incentive rebate from Florida Power and Light (FP&L) due to energy efficiencies achieved in fiscal year 2013.

Total expenses before transfers increased by \$1,763,151 (4.5%) during the year. This increase was attributable to an increase in operating expenses of approximately \$1.0 million (6.6%), and an increase in personnel costs including benefits of approximately \$0.8 million.

The overall increase in operating expenses of \$1.0 million was mainly due to an increase in rent of approximately \$0.4 million; a \$0.3 million increase in computer equipment less than \$1,000, and a \$0.1 million increase in professional and technical services. Rent expense increased as a result of an increase in the principal debt service payment relating to the 2006 bonds. The \$0.3 million increase in professional and technical services is due to the change State Statutes in regard to dual enrollment. In the past, Broward College did not charge the Schools for dual enrollment, but starting fiscal year 2013-14, they now charge the Schools for this service.

Salary costs increased by approximately \$0.8 million (3.1%) mainly due to an increase in health insurance costs for the “true-up” adjustment made in September 2013, which increased expenses by \$1.1 million.

Financial analysis of the Charter Schools’ funds. As noted earlier, the Charter Schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental funds. The focus of the Charter Schools’ governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter Schools’ financing requirements.

As of the end of the current fiscal year, the Charter Schools’ governmental funds reported a combined ending fund balance of \$2,623,023, a decrease of \$422,831 over the previous fiscal year. The ending fund balance is assigned to rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2014, the Charter Schools had final estimated revenues and appropriations of \$41,179,369 and \$41,760,605, respectively, excluding other financing sources. The budget deficit was balanced with the use of the Schools’ fund balance reserves.

Over the course of the year, the Charter 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 \$573,100. This was attributable to additional revenues provided by the State for Teacher Salary Allocation, District Discretionary Lottery Funds, and Governor's A+ Funds, which resulted in an adjustment to budgeted revenues in the amount of \$558,270.

Amendments were made decreasing the expenditure budget in the amount of \$787,166. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation in the amount of \$212,166, and to accommodate the transfers out of \$575,000.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$325,905, and actual expenditures were below final budgeted amounts by \$107,069 before transfers.

The Charter Middle Schools, West and Central Campuses, made the following amendments to budget: Several amendments were made to the budgeted revenues totaling \$359,401. This was mainly attributable to an amendment of \$346,148 to increase budget for State revenues for the Teacher Salary Allocation, District Discretionary Lottery Funds, and Governor's A+ Funds.

Amendments were made decreasing the expenditure budget in the amount of \$160,022. These adjustments were made to decrease the budget for the annual true-up adjustment for health, life and workers' compensation.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$239,530 and actual expenditures were below final budgeted amounts by \$286,786 before transfers.

The Charter High School made the following amendments to budget: Amendments were made to increase the budgeted revenues totaling \$488,409. This was mainly attributable to an amendment of \$484,409 to increase the budget for State revenues for the Teacher Salary Allocation, District Discretionary Lottery Funds, and Governor's A+ Funds.

Amendments were made to reduce the expenditure budget in the amount of \$205,263. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation in the amount of \$209,263.

After appropriations were amended, as described above, actual revenues were below budgeted revenues by \$810,759 and actual expenditures were below final budgeted amounts by \$319,830 before transfers.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$2,468,074, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

	<u>CAPITAL ASSETS (Net of Depreciation)</u>		
	Governmental		
	Activities		
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Improvements other than buildings	\$1,894,872	\$ 1,958,374	\$ (63,502)
Machinery and equipment	<u>573,202</u>	<u>683,897</u>	<u>(110,695)</u>
Total capital assets	<u>\$2,468,074</u>	<u>\$ 2,642,271</u>	<u>\$ (174,197)</u>

In fiscal year 2013-14, total capital purchases amounted to approximately \$196,000. Of this amount, approximately \$105,000 was spent to purchase wireless network equipment and support for the schools.

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

Economic Factors and Next Year's Budgets and Rates

- ◆ For the fiscal year 2014-15, school year, the Charter School will be adding a Middle School to the High School Campus, and the name has been changed to the Academic Village Charter School.
- ◆ As a result of the Academic Village Middle School grade expansion, 17 full-time instructional and one full-time non-instructional employees were hired to accommodate the new middle school students. In addition, one part-time teacher position was converted to one full-time teacher position at the West Middle Charter School. This increased the personnel budget by approximately \$983,000.
- ◆ An additional 291 students are being added to our charter school system. This is estimated to increase state shared revenues by approximately \$1.95 million dollars. For the 2014-15 school year the Charter Schools sponsored by the School Board of Broward County will enroll a total of 5,246 students.
- ◆ Capital outlay funding from the State is estimated to decline by 9% over fiscal year 2013-14. The State is funding this revenue at an estimated 41% of the total maximum allocation.
- ◆ Broward County School Board will maintain the administrative costs to 2% only on the first 500 students for the entire system, which includes the FSU Charter School.

- ◆ The Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased slightly from \$3,752 per student in fiscal year 2013-14 to \$4,032 in fiscal year 2014-15. This revenue budget increased by approximately \$3.1 million over actual amount received in fiscal year 2013-14, of which \$1.95 million related to the new middle school.
- ◆ The State determined annual employer contribution to the Florida Retirement System will increase from 6.95% for fiscal year 2013-14 to 7.37% for fiscal year 2014-15.
- ◆ All charter school Information Technology personnel will be eliminated due to the Charter Schools participation in the City of Pembroke Pines Technology Modernization Project which includes IT personnel and technological upgrades. The Charter Schools will be charged an “IT/Telecommunications Services” fee.
- ◆ The Charter Schools’ student attendance rate remains stable at 97%.
- ◆ The Charter Schools’ enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2014-15 budgets of \$43,804,620.
- ◆ The Charter Schools estimate budget savings of approximately \$895,000 during fiscal year 2014-15 as a result of changes in the insurance plan, and a reorganization of teacher aides. If these savings do not materialize, fund balance will have to be utilized to close the expenditure gap.

Requests for Information

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Pooled cash and investments	\$ 2,548,807
Due from Broward County	336,412
Due from Federal Government	9,531
Other miscellaneous receivables	360,404
Capital assets being depreciated, net	<u>2,468,074</u>
Total assets	<u>5,723,228</u>
<u>LIABILITIES</u>	
Accrued liabilities	22,916
Unearned revenue	19,127
Deposits	590,088
Noncurrent liabilities:	
Due within one year	650,412
Due in more than one year	<u>178,654</u>
Total liabilities	<u>1,461,197</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,468,074
Unrestricted	<u>1,793,957</u>
Total net position	<u>\$ 4,262,031</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2014

					Net (Expense) Revenue and Changes in <u>Net Position</u> Total
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 21,421,824	\$ -	\$ 15,202	\$ -	\$ (21,406,622)
Rent	5,827,098	2,447,131	-	-	(3,379,967)
Instructional support services	1,532,627	-	-	-	(1,532,627)
Food services	1,821,609	1,243,410	744,825	-	166,626
Student transportation services	1,709,037	423,720	-	-	(1,285,317)
Operation and maintenance of school	4,285,931	-	1,055,529	-	(3,230,402)
School administration	4,031,786	175	-	55,661	(3,975,950)
Other	535,709	658,317	820,914	-	943,522
Total Charter Schools	<u>\$41,165,621</u>	<u>\$4,772,753</u>	<u>\$ 2,636,470</u>	<u>\$ 55,661</u>	<u>(33,700,737)</u>
General revenues:					
FTE non-specific revenues					31,291,157
Unrestricted investment earnings					35,929
Rental income					1,803,265
ICMA forfeitures revenue					28,854
Total general revenues					<u>33,159,205</u>
Change in net position					(541,532)
Net position, beginning					<u>4,803,563</u>
Net position, ending					<u>\$ 4,262,031</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2014

	Charter Elementary Schools	Charter Middle Schools	Charter High School	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 1,394,629	\$ 99,088	\$ 1,055,090	\$ 2,548,807
Due from Broward County	86,138	65,475	184,799	336,412
Due from Federal Government	5,621	2,996	914	9,531
Other miscellaneous receivables	<u>139,981</u>	<u>95,243</u>	<u>125,180</u>	<u>360,404</u>
Total assets	<u>\$ 1,626,369</u>	<u>\$ 262,802</u>	<u>\$ 1,365,983</u>	<u>\$ 3,255,154</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ 5,988	\$ 4,600	\$ 12,328	\$ 22,916
Unearned revenue	9,274	6,375	3,478	19,127
Deposits	<u>141,407</u>	<u>99,420</u>	<u>349,261</u>	<u>590,088</u>
Total liabilities	<u>156,669</u>	<u>110,395</u>	<u>365,067</u>	<u>632,131</u>
Fund balances:				
Assigned for rent payments	<u>1,469,700</u>	<u>152,407</u>	<u>1,000,916</u>	<u>2,623,023</u>
Total fund balances	<u>1,469,700</u>	<u>152,407</u>	<u>1,000,916</u>	<u>2,623,023</u>
Total liabilities and fund balances	<u>\$ 1,626,369</u>	<u>\$ 262,802</u>	<u>\$ 1,365,983</u>	

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 2,468,074

Compensated absences, shown as noncurrent liabilities, are not due and payable
in the current period and, therefore, are not reported in the funds. (829,066)

Net position of governmental activities (page 12) \$ 4,262,031

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2014

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 15,459,065	\$ 9,414,236	\$ 14,114,186	\$ 38,987,487
Federal and State grants	<u>351,805</u>	<u>203,056</u>	<u>260,827</u>	<u>815,688</u>
Total revenues	<u>15,810,870</u>	<u>9,617,292</u>	<u>14,375,013</u>	<u>39,803,175</u>
Expenditures:				
Current:				
K-3 Basic	5,353,393	-	-	5,353,393
4-8 Basic	2,471,493	5,419,059	-	7,890,552
9-12 Basic	-	-	6,306,752	6,306,752
Intensive English/ESOL	-	-	17	17
Exceptional student program	813,662	404,428	196,421	1,414,511
Vocational 6-12	-	-	144,417	144,417
Substitute teachers	99,349	119,121	62,282	280,752
School/other	-	-	31,430	31,430
Guidance services	211,846	191,251	433,446	836,543
Instructional media services	246,357	253,502	111,621	611,480
ESE specialist	-	-	71,316	71,316
Instructional staff training service	142	4,151	8,995	13,288
School administration	1,683,698	1,207,358	1,196,226	4,087,282
Facilities acquisition and construction	1,420,212	1,262,794	3,144,092	5,827,098
Food services	673,462	506,548	641,599	1,821,609
Student transportation services	835,356	543,882	329,799	1,709,037
Operation of school	1,417,896	923,282	1,574,733	3,915,911
Child care supervision	321,914	-	-	321,914
Athletics	-	13,338	200,457	213,795
Capital outlay	<u>76,142</u>	<u>60,611</u>	<u>59,070</u>	<u>195,823</u>
Total expenditures	<u>15,624,922</u>	<u>10,909,325</u>	<u>14,512,673</u>	<u>41,046,920</u>
Excess (Deficit) of revenues over expenditures	<u>185,948</u>	<u>(1,292,033)</u>	<u>(137,660)</u>	<u>(1,243,745)</u>
Other financing sources (uses):				
Transfers in	-	1,395,914	-	1,395,914
Transfers out	<u>(575,000)</u>	<u>-</u>	<u>-</u>	<u>(575,000)</u>
Total other financing sources (uses)	<u>(575,000)</u>	<u>1,395,914</u>	<u>-</u>	<u>820,914</u>
Net change in fund balances	(389,052)	103,881	(137,660)	(422,831)
Fund balances, beginning	<u>1,858,752</u>	<u>48,526</u>	<u>1,138,576</u>	<u>3,045,854</u>
Fund balances, ending	<u>\$ 1,469,700</u>	<u>\$ 152,407</u>	<u>\$ 1,000,916</u>	<u>\$ 2,623,023</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - total governmental funds (Page 15)	\$ (422,831)
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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	\$ 195,823	
Depreciation expense	<u>(278,771)</u>	
Net adjustment		(82,948)

The net effect of various miscellaneous transactions involving capital assets	(91,249)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The detail of the difference is as follows:

Compensated absences	<u>55,496</u>
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Change in net position of governmental activities (page 13)	<u>\$ (541,532)</u>
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See notes to special purpose financial statements.

CITY OF PEMBROKE PINES 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, respectively. The three schools will be referred to collectively as the Schools in these special purpose financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 1002.33 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle Schools' 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 is effective until June 30, 2014. The Middle Schools' charter agreement was approved by the District on June 15, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on April 04, 2000 and is 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 financial statements contained herein present only the operations of the Schools, which are special revenue funds, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2014, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-Wide and Fund Financial Statements

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 679 students for the 2013-14 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.

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. For the most part, the effect of interfund activity has been removed from these statements. Full-time equivalent (FTE) dollars and intergovernmental revenues support *governmental activities*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East, West and Central campus, serving 1,928 student stations for the 2013-14 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,312 student stations for the 2013-14 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 1,715 student stations for the 2013-14 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity

1. Deposits & 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 investment in the Florida Municipal Investment Trust (FMIVT) administered by the Florida League of Cities.

2. Receivables

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

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 School's 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, 2014.

4. Capital Assets

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, individual cost of \$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 estimated fair market value at the date of donation. Effective in fiscal year 2013-14, computers are no longer capitalized unless they are \$1,000 or more.

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

4. *Capital Assets* (continued)

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	5-50
Machinery and 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.

5. *Compensated Absences*

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

The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, the 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 School's financial statements, and is described below:

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (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. Also 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.

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 Financial Service Group (the "Bank") and obtained a variable rate of SIFMA rate plus 0.59% for a four year term, which resulted in rent savings of approximately \$139,000 annually for all the Charter Schools, including the FSU Charter School.

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).

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

7. Equity Classifications

Government-wide Financial Statements

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

7. *Equity Classifications* (continued)

Fund Financial Statements

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

Fund balance of the Charter 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 CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

8. Revenue Sources

Revenues for current operations are received primarily from the Broward County School Board pursuant to the funding provisions included in the Schools' charter. In accordance with the funding provisions of the charter 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.

9. Use of Estimates

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

The Schools pooled cash and cash equivalents are summarized as follows:

<u>Description</u>	<u>Carrying Amount</u>
FMIVT 1-3 Year High Quality Bond Fund	\$2,546,933
Cash on hand	<u>1,874</u>
Total pooled cash and cash equivalents	<u>\$2,548,807</u>

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

LIST OF AUTHORIZED INVESTMENTS:

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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

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

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

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

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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

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

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

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

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

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

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 Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund is rated AAA/V2 by Fitch.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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	\$ 7,966,376	\$ 4,969,299	\$ 6,795,689	\$ 19,731,364
Class size reduction	2,531,616	1,196,992	1,546,526	5,275,134
Public education capital outlay (PECO)	793,788	615,100	1,038,243	2,447,131
District school taxes	749,054	467,243	638,978	1,855,275
Supplemental academic instruction	381,856	257,961	328,864	968,681
Teacher salary allocation	346,385	216,053	295,448	857,886
Transportation revenue	139,874	260,267	396,279	796,420
ESE guaranteed allocation	310,670	189,458	203,914	704,042
Governor's A+ Funds	192,266	130,095	172,065	494,426
Instructional materials	139,729	94,393	142,146	376,268
Safe schools program	45,267	30,580	38,986	114,833
Discretionary lottery funds	19,619	13,253	16,896	49,768
Summer reading program	7,553	12,123	10,219	29,895
Library media materials	8,367	5,652	7,206	21,225
School lunch supplement	2,591	1,760	2,307	6,658
Science lab materials	2,287	1,545	1,970	5,802
School breakfast supplement	1,354	920	1,206	3,480
Total Broward County School Board	<u>13,638,652</u>	<u>8,462,694</u>	<u>11,636,942</u>	<u>33,738,288</u>
Other:				
Rental revenue	146,217	149,717	1,507,331	1,803,265
Food sales	376,763	370,285	496,362	1,243,410
Contributions	410,722	274,214	370,593	1,055,529
After school education program	658,317	-	-	658,317
In-house transportation	202,929	144,419	76,372	423,720
Interest	17,294	3,695	14,940	35,929
ICMA forfeiture revenue	8,160	9,212	11,482	28,854
Other miscellaneous revenue	11	-	164	175
Total other	<u>1,820,413</u>	<u>951,542</u>	<u>2,477,244</u>	<u>5,249,199</u>
Total local	<u>\$ 15,459,065</u>	<u>\$ 9,414,236</u>	<u>\$ 14,114,186</u>	<u>\$ 38,987,487</u>
Federal and State grants:				
National school lunch program	\$ 239,534	\$ 137,883	\$ 168,309	\$ 545,726
NSLP non-cash assistance (commodities)	38,260	29,722	47,357	115,339
School breakfast program	43,262	17,249	23,249	83,760
District bandwidth support grant	23,114	13,567	18,980	55,661
Individuals with disabilities education act (IDEA)	7,635	4,635	2,932	15,202
Total Federal and State grants	<u>\$ 351,805</u>	<u>\$ 203,056</u>	<u>\$ 260,827</u>	<u>\$ 815,688</u>
Total Revenues Sources	<u>\$ 15,810,870</u>	<u>\$ 9,617,292</u>	<u>\$ 14,375,013</u>	<u>\$ 39,803,175</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$2,640,519	\$ -	\$ -	\$2,640,519
Machinery and equipment	<u>2,603,792</u>	<u>195,823</u>	<u>(485,878)</u>	<u>2,313,737</u>
Total capital assets being depreciated	<u>5,244,311</u>	<u>195,823</u>	<u>(485,878)</u>	<u>4,954,256</u>
Less accumulated depreciation for:				
Improvements other than buildings	(682,145)	(63,502)	-	(745,647)
Machinery and equipment	<u>(1,919,895)</u>	<u>(215,269)</u>	<u>394,629</u>	<u>(1,740,535)</u>
Total accumulated depreciation	<u>(2,602,040)</u>	<u>(278,771)</u>	<u>394,629</u>	<u>(2,486,182)</u>
Total capital assets being depreciated, net	<u><u>\$2,642,271</u></u>	<u><u>\$ (82,948)</u></u>	<u><u>\$ (91,249)</u></u>	<u><u>\$2,468,074</u></u>

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

Governmental activities:

Operation of school	\$ <u>278,771</u>
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Effective October 1, 2013, all capitalized computers that initially cost less than \$1,000 were disposed of from the fixed asset system.

NOTE 5. RECEIVABLES

	Charter Elementary <u>Schools</u>	Charter Middle <u>Schools</u>	Charter High <u>School</u>	<u>Total</u>
<u>Receivables</u>				
Due from Broward County	\$ 86,138	\$ 65,475	\$ 184,799	\$ 336,412
Due from Federal Government	5,621	2,996	914	9,531
Other miscellaneous receivables	<u>139,981</u>	<u>95,243</u>	<u>125,180</u>	<u>360,404</u>
Total receivables	<u><u>\$ 231,740</u></u>	<u><u>\$ 163,714</u></u>	<u><u>\$ 310,893</u></u>	<u><u>\$ 706,347</u></u>

Other miscellaneous receivables consist of a contribution from Pembroke Pines Charter Schools Foundation for \$351,793. All receivables are expected to be collected within one year.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND TRANSFERS

		<u>Transfers out:</u>			<u>Purpose</u>
		Charter Elementary School	City of Pembroke Pines	Total	
<u>Transfers in:</u>					
Charter Middle School		\$575,000	\$820,914	\$1,395,914	Supplement current year operations & Transfer gain of Early Development Centers
Total		<u>\$575,000</u>	<u>\$820,914</u>	<u>\$1,395,914</u>	

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 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:	
2015	\$ 162,000
2016	165,000
2017	167,000
2018	<u>169,000</u>
Total approximate future minimum rentals	<u>\$ 663,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 7. OPERATING LEASES (continued)

Other Facility Lease (continued)

On March 13, 2002 the City signed an Interlocal Agreement with Florida International University (FIU) for use of educational facilities located in the City's Academic Village. The Academic Village is a City-owned complex located on the northeast corner of Sheridan Street and Northwest 172nd Avenue, and includes the City's Charter High School, the Broward County Southwest Regional Library and the Southwest Broward County Campus for Broward College, as well as the Shared-Use Facility for the FIU-Broward Pines Center Campus. In order to provide for the operation of an integrated educational program, and to offset the construction and operating costs incurred by the City, the Agreement requires that beginning January 1, 2003, FIU will pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The original lease was for ten years through December 31, 2012, with one ten-year renewal period.

On December 21, 2011, the City Commission approved the First Amendment to the Interlocal Agreement. This amendment calls for an additional term of eighteen (18) months, commencing January 1, 2013 and ending June 30, 2014, rather than a ten year extension. FIU shall have the option to extend the Interlocal Agreement for additional one (1) year terms and may exercise these options by providing written notice to the City Commission no later than one (1) year prior to the termination of the new term and any subsequent renewal term. On June 28, 2013, the City received a written notice from FIU informing the City that it will not exercise its option to extend the Interlocal Agreement beyond June 30, 2014. On May 7, 2014, the City Commission had approved a second amendment to extend the lease period to the August 9, 2014 for a payment of \$95,293.

The annual rentals are payable to the Charter High School in quarterly advance payments.

The rental income of \$1,043,184 received in the Charter Schools' fiscal year ended June 30, 2014 was recorded in the Charter High School financial statements, and future rentals are included in the table below. The City's cost for the Shared-Use Facility amounted to \$13,599,845, and accumulated depreciation and net book value as of June 30, 2014 amounted to \$2,752,912 and \$10,846,933, respectively. These costs plus the annual depreciation expense of \$282,350 are recorded in the City's financial statements and are not included in the Charter Schools' financial data.

In fiscal year 2014-15, the High School Charter was expanded to include a new middle at the Academic Village which will replace the lease with FIU.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

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, 2014, rent expense was approximately \$1,420,000, \$1,263,000 and \$3,144,000 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:

2015	\$ 6,284,000
2016	6,281,000
2017	6,293,000
2018	6,272,000
2019	6,273,000
2020-2024	31,092,000
2025-2029	30,254,000
2030-2034	29,843,000
2035-2038	<u>23,805,000</u>
Total approximate minimum future rentals	<u>\$ 146,397,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within One <u>Year</u>
Compensated absences	\$ <u>884,562</u>	\$ <u>732,808</u>	\$ <u>(788,304)</u>	\$ <u>829,066</u>	\$ <u>650,412</u>

NOTE 9. RISK MANAGEMENT

Health and hospitalization, workers' compensation and life insurance coverage is provided through the City of Pembroke Pines, 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's 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

The Charter 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.

Average Final Compensation (AFC)

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

Vesting

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

Service Retirement

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS

Defined Benefit Plan (continued)

Florida Retirement System (continued)

FRS issues an annual financial report. A copy can be obtained by sending a written request to:

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

Funding Policy

The Charter Schools' required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2014, the contribution rate increased from 5.18% to 6.95% for Regular Class Members and from 5.44% to 12.84% for DROP Members. The Charter Schools are required to contribute both for full-time and part-time members of the Plan, which amounted to \$1,157,206. As of June 30, 2014, there were 407 members in this Plan. The contribution rate includes the post-employment health insurance supplement of 1.20% and the administrative/educational fee of 0.03%.

Starting in fiscal year 2011-12, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$483,920 for fiscal year 2013-14.

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Total Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Contribution Rates</u>	
				<u>Regular Class</u>	<u>DROP</u>
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%
2010	1,563,168	1,563,168	100.0%	9.85%	10.91%

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS

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 2006-07 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2014, there were 35 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 decreased to 6.95% from 5.18% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2014, the Schools contributed \$106,191 and the employees contributed \$15,724 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 2008-09, the Schools recorded a 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.

NOTE 12. OTHER INFORMATION

In November 2007, the Schools filed a lawsuit against the School Board of Broward County (the District) in order to recoup its share of the District's "2 Mill" money that it collects from taxpayers for new construction and remodeling projects. The Schools have calculated that the amount of "2 Mill" money that was withheld by the District since 1998 is approximately \$34.9 million.

On July 23, 2010, a Broward County Circuit Court judge ruled that the Broward County School Board was not obligated to provide the City's Schools with funding for capital projects. However, in August 2011, the City Commission authorized the City Attorney's Office to file an appeal to the 4th District Court of Appeals. On January 9, 2013, Fourth District Court of Appeal upheld the trial Court's decision. On April 5, 2013, the City filed a Notice to Invoke Discretionary Jurisdiction of the Florida Supreme Court, to which the School Board of Broward County filed a reply. The parties are awaiting a decision of the Florida Supreme Court as to whether it will accept jurisdiction of this matter.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 15,240,506	\$ 15,813,606	\$ 15,459,065	\$ (354,541)
Federal and State grants	<u>323,169</u>	<u>323,169</u>	<u>351,805</u>	<u>28,636</u>
Total revenues	<u>15,563,675</u>	<u>16,136,775</u>	<u>15,810,870</u>	<u>(325,905)</u>
Expenditures:				
Current:				
K-3 Basic	5,497,058	5,361,157	5,353,393	7,764
4-8 Basic	2,620,083	2,472,503	2,471,493	1,010
Exceptional student program	818,071	816,170	813,662	2,508
Substitute teachers	114,602	102,585	99,349	3,236
Guidance services	211,337	214,859	211,846	3,013
Instructional media services	273,114	269,712	246,357	23,355
Instructional staff training service	14,200	14,200	142	14,058
School administration	1,747,176	1,695,639	1,683,698	11,941
Facilities acquisition and construction	1,613,600	1,420,413	1,420,212	201
Food services	714,532	675,432	673,462	1,970
Student transportation services	809,974	839,677	835,356	4,321
Operation of school	1,588,061	1,427,564	1,417,896	9,668
Child care supervision	387,903	334,532	321,914	12,618
Capital outlay	<u>109,446</u>	<u>87,548</u>	<u>76,142</u>	<u>11,406</u>
Total expenditures	<u>16,519,157</u>	<u>15,731,991</u>	<u>15,624,922</u>	<u>107,069</u>
Excess (Deficit) of revenues over expenditures	(955,482)	404,784	185,948	(218,836)
Other financing uses:				
Transfers out	<u>-</u>	<u>(575,000)</u>	<u>(575,000)</u>	<u>-</u>
Net change in fund balances	(955,482)	(170,216)	(389,052)	(218,836)
Fund balances, beginning	<u>1,858,752</u>	<u>1,858,752</u>	<u>1,858,752</u>	<u>-</u>
Fund balances, ending	<u>\$ 903,270</u>	<u>\$ 1,688,536</u>	<u>\$ 1,469,700</u>	<u>\$ (218,836)</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 9,310,530	\$ 9,669,931	\$9,414,236	\$ (255,695)
Federal and State grants	<u>186,891</u>	<u>186,891</u>	<u>203,056</u>	<u>16,165</u>
Total revenues	<u>9,497,421</u>	<u>9,856,822</u>	<u>9,617,292</u>	<u>(239,530)</u>
Expenditures:				
Current:				
4-8 Basic	5,510,773	5,419,317	5,419,059	258
Intensive English/ESOL	1,921	1,921	-	1,921
Exceptional student program	460,137	460,534	404,428	56,106
Substitute teachers	97,985	122,904	119,121	3,783
Guidance services	188,314	191,644	191,251	393
Instructional media services	285,503	276,114	253,502	22,612
Instructional staff training service	13,000	13,000	4,151	8,849
School administration	1,236,777	1,292,126	1,207,358	84,768
Facilities acquisition and construction	1,358,704	1,268,704	1,262,794	5,910
Food services	527,439	527,339	506,548	20,791
Student transportation services	546,074	556,650	543,882	12,768
Operation of school	1,048,450	967,053	923,282	43,771
Athletics	12,292	15,548	13,338	2,210
Capital outlay	<u>68,764</u>	<u>83,257</u>	<u>60,611</u>	<u>22,646</u>
Total expenditures	<u>11,356,133</u>	<u>11,196,111</u>	<u>10,909,325</u>	<u>286,786</u>
Deficit of revenues over expenditures	(1,858,712)	(1,339,289)	(1,292,033)	47,256
Other financing sources:				
Transfers in	<u>781,847</u>	<u>781,847</u>	<u>1,395,914</u>	<u>614,067</u>
Net change in fund balances	(1,076,865)	(557,442)	103,881	661,323
Fund balances, beginning	<u>48,526</u>	<u>48,526</u>	<u>48,526</u>	<u>-</u>
Fund balances, ending	<u><u>\$ (1,028,339)</u></u>	<u><u>\$ (508,916)</u></u>	<u><u>\$ 152,407</u></u>	<u><u>\$ 661,323</u></u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Local	\$ 14,449,569	\$ 14,937,978	\$ 14,114,186	\$ (823,792)
Federal and State grants	<u>247,794</u>	<u>247,794</u>	<u>260,827</u>	<u>13,033</u>
Total revenues	<u>14,697,363</u>	<u>15,185,772</u>	<u>14,375,013</u>	<u>(810,759)</u>
Expenditures:				
Current:				
9-12 Basic	6,419,884	6,401,908	6,306,752	95,156
Intensive English/ESOL	-	18	17	1
Exceptional student program	223,529	217,184	196,421	20,763
Vocational 6-12	171,658	160,257	144,417	15,840
Substitute teachers	63,031	63,031	62,282	749
School/other	21,204	32,662	31,430	1,232
Guidance services	473,004	453,090	433,446	19,644
Instructional media services	110,322	113,257	111,621	1,636
ESE specialist	73,665	71,435	71,316	119
Instructional staff training service	16,617	11,117	8,995	2,122
School administration	1,112,120	1,213,450	1,196,226	17,224
Facilities acquisition and construction	3,123,643	3,144,093	3,144,092	1
Food services	687,138	671,607	641,599	30,008
Student transportation services	343,387	342,498	329,799	12,699
Operation of school	1,721,286	1,629,160	1,574,733	54,427
Athletics	222,267	210,932	200,457	10,475
Capital outlay	<u>255,011</u>	<u>96,804</u>	<u>59,070</u>	<u>37,734</u>
Total expenditures	<u>15,037,766</u>	<u>14,832,503</u>	<u>14,512,673</u>	<u>319,830</u>
Net change in fund balances	(340,403)	353,269	(137,660)	(490,929)
Fund balances, beginning	<u>1,138,576</u>	<u>1,138,576</u>	<u>1,138,576</u>	<u>-</u>
Fund balances, ending	<u>\$ 798,173</u>	<u>\$ 1,491,845</u>	<u>\$ 1,000,916</u>	<u>\$ (490,929)</u>

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2014

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.

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. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final 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 \$787,166 less than the original budget in the elementary schools, \$160,022 less than the original budget in the middle schools and \$205,263 less than the original budget in the high school during the fiscal year ended June 30, 2014.



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

Honorable Mayor and Members of the City Commission
City of Pembroke Pines 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 Charter Schools operating under the charter sponsor by the Broward County School Board, as of and for the year ended June 30, 2014, and the related notes to the special purpose financial statements, which collectively comprise the Schools' special purpose financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the special purpose financial statements, we considered the Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 special purpose financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Pembroke Pines Charter 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 determination of special purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

GLSC & Company, PLLC

Miami, Florida
October 27, 2014





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

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

Report on the Financial Statements

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines), as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated October 27, 2014.

Auditor's Responsibility

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

Other Reporting Required by *Government Auditing Standards*

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

Prior Audit Findings

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

Financial Condition

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

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

Transparency

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

The Charter High School and Charter Middle Schools' financial indicators showed inconclusive trends, while the Charter Elementary Schools reported an unfavorable result on its overall financial condition assessment. While the Charter Elementary Schools do not currently meet any of the financial conditions defined in Section 218.503(1), Florida Statutes, we believe that the results of the financial indicators show that the Charter Elementary Schools' overall financial condition is showing signs of deterioration which, if not corrected, could result in a future financial emergency. The most significant factor that contributed to the deteriorating financial condition is the declining fund balance which at June 30, 2014 is at 9% of expenditures during the fiscal year 2014 as compared to almost 12% in prior year and more than 19% in fiscal years prior to 2013. Expenditures were more than revenue due to the transfer of approximately \$575,000 in funds from Charter Elementary School to support the operation of the Charter Middle School. Management has reviewed and implemented various cost savings plans for budget year 2015 and expects positive results of operations for fiscal year 2015.

Other Matters

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

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

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is City of Pembroke Pines Charter Schools, special revenue funds of the City of Pembroke Pines.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies Charter Schools, 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.

GLSC & Company, PLLC

Miami, Florida
October 27, 2014

