

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

**SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(With Independent Auditors' Reports Thereon)**



GLSC & COMPANY, PLLC
certified public accountants

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines 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, 2016, 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.

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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, 2016, 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, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of the America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4 through 11, 46 through 49, and 50 through 53, are 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 special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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 December 27, 2016, 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 the Schools' internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
December 27, 2016



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, 2016. 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 liabilities and deferred inflows of resources of the Charter Schools as reported in the government-wide financial statements exceeded their assets and deferred outflows of resources at the close of the current fiscal year by (\$5,652,376) (*net position*), compared with (\$6,659,407) for the previous fiscal year.
- As of the close of the current fiscal year, the Charter Schools' governmental funds' financial statements reported combined ending fund balances of \$2,740,776 or 6.2% of total expenditures. This represents an increase of \$398,315 (17.0%) 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 17-45 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, pension schedules, and the budgetary comparison schedules and notes which can be found on pages 46-53.

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 54-55.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 56-58.

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$5,652,376) as of June 30, 2016 as compared to (\$6,659,407) for the previous fiscal year.

As of June 30, 2016, net investment in capital assets (e.g., improvements other than buildings and machinery and equipment) amounted to \$2,458,395. 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.

CONDENSED STATEMENT OF NET POSITION

	Governmental		Increase (Decrease)
	Activities		
	<u>2016</u>	<u>2015</u>	
Current assets	\$ 3,779,257	\$ 3,117,609	\$ 661,648
Capital assets, net of depreciation	<u>2,458,395</u>	<u>2,355,497</u>	<u>102,898</u>
Total assets	<u>6,237,652</u>	<u>5,473,106</u>	<u>764,546</u>
 Total deferred outflows of resources	<u>2,402,870</u>	<u>1,191,394</u>	<u>1,211,476</u>
Current liabilities	1,038,481	775,148	263,333
Noncurrent liabilities	<u>10,929,391</u>	<u>8,188,935</u>	<u>2,740,456</u>
Total liabilities	<u>11,967,872</u>	<u>8,964,083</u>	<u>3,003,789</u>
 Total deferred inflows of resources	<u>2,325,026</u>	<u>4,359,824</u>	<u>(2,034,798)</u>
Net position:			
Net investment in capital assets	2,458,395	2,355,497	102,898
Unrestricted	<u>(8,110,771)</u>	<u>(9,014,904)</u>	<u>904,133</u>
Total net position	<u>\$ (5,652,376)</u>	<u>\$ (6,659,407)</u>	<u>\$ 1,007,031</u>

Current assets increased by \$661,648 (21.2%) during the year. The Elementary Schools' current assets increased by \$430,425 (25.9%), the Middle Schools' current assets increased by \$100,424 (64.4%), and the High School's current assets increased by \$130,799 (10.0%), all primarily related to changes in the pooled cash and cash equivalents and other miscellaneous receivables. The net increase in capital assets of \$102,898 (4.4%) is attributable to the net effect of an increase in capital outlay of \$435,372, depreciation expense of \$308,080, and the net effect of miscellaneous transactions involving capital of \$24,394.

Current liabilities increased by \$263,333 (34.0%) during the year in the Elementary, Middle, and High Schools. This increase is related to an increase of \$246,153 in accrued liabilities, an increase of \$8,644 in unearned revenues, and an increase of \$8,536 in deposits. Noncurrent liabilities increased by \$2,740,456 (33.5%) during the year mainly attributed to the increase of \$2,692,833 in net pension liabilities.

Unrestricted net position increased by \$904,133 (10.0%) during the year in the Elementary, Middle, and High Schools.

Governmental activities. The Charter Schools' total net position at the end of the year amounted to (\$5,652,376), an increase of \$1,007,031 (15.1%) over the previous fiscal year. The total cost of all governmental activities this year was \$44,341,186. Key elements of these changes in net position are as follows:

CONDENSED STATEMENT OF CHANGES IN NET POSITION

	Governmental Activities		Increase (Decrease)
	2016	2015	
Revenues:			
Program revenues:			
Charges for services	\$ 4,742,718	\$ 4,681,117	\$ 61,601
Operating grants and contributions	4,451,082	2,592,210	1,858,872
General revenues:			
FTE non-specific revenues	35,114,832	33,834,379	1,280,453
Unrestricted investment earnings	49,867	26,992	22,875
Rental income	972,698	904,919	67,779
ICMA forfeiture revenue	17,020	9,841	7,179
Total revenues	45,348,217	42,049,458	3,298,759
Expenses:			
Instructional services	23,344,121	21,899,776	1,444,345
Rent	5,698,139	5,594,790	103,349
Instructional support services	1,638,844	1,609,389	29,455
Food services	2,066,172	1,946,822	119,350
Student transportation services	1,804,145	1,804,521	(376)
Operation and maintenance of school	5,582,843	4,778,020	804,823
School administration	3,631,199	3,521,215	109,984
Other	575,723	533,237	42,486
Total expenses	44,341,186	41,687,770	2,653,416
Change in net position	1,007,031	361,688	645,343
Net position, beginning	(6,659,407)	(7,021,095)	361,688
Net position - ending	\$ (5,652,376)	\$ (6,659,407)	\$ 1,007,031

The Charter Schools' total revenues increased by \$3,298,759 (7.8%) during the year. Charges for services increased by \$61,601 (1.3%). Operating grants and contributions increased by \$1,858,872 (71.7%) during the year, and general revenues increased by \$1,378,286 (4.0 %).

FTE non-specific revenues increased by \$1,280,453 (3.8%) mainly as a result of a rate increase in the Base Student Allocation (BSA) from the State of Florida. The rate was raised from \$4,032 per student in fiscal 2014-15 to \$4,154 per student in fiscal year 2015-16. This amounted to approximately \$1,051,352 (4.7%) in additional revenues. The race to the top grant that was funded by the State in fiscal year 2014-15 was eliminated in fiscal year 2015-16, resulting in a decrease of \$271,385 in revenues. In addition, there was a decrease of \$106,070 (-4.6%) in public education capital outlay. This was offset by an increase of \$1,578,173 in bond technology opportunity grant, which is a revenue source that was not provided last year.

Schools' facilities rentals was increased by \$67,779 (7.5%). Food sales and after school education program increased by \$92,278 (7.1%) and \$67,048 (10.0%), respectively.

Total expenses before transfers increased by \$2,653,416 (6.4%) during the year. This increase was attributable to an increase in operating expenses of approximately \$1,632,514 (1.9%), and an increase in personnel costs including benefits of approximately \$478,087 (1.9%).

The overall increase in operating expenses was mainly due to an increase in bond technology opportunity computer equipment and other equipment less than \$1,000 of \$1,256,418 (100.0%); a \$121,993 (6.1%) increase in professional and technological services, a \$205,236 (33.7%) increase in building maintenance contractual services; and a \$154,556 (114.3%) increase in grounds and facilities function sourcing. These increases were offset by the decrease of \$151,682 (-46.82%) in building maintenance; a \$82,211 (-35.2%) decrease in fuel; and a \$96,514 (-15.4%) decrease in textbooks.

Salary costs increased by approximately \$881,434 (4.7%) mainly due to an increase the teachers' salaries. In addition, the net pension expense increased by \$118,582 (22.8%). This is offset by a decrease of \$597,264 in health insurance costs for the "true-up" adjustment made in September 2015.

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 \$2,740,776, an increase of \$398,315 over the previous fiscal year. The ending fund balance is assigned to rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2016, the Charter Schools had final estimated revenues and appropriations of \$43,306,561 and \$44,927,693, respectively, excluding other financing sources. 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 \$788,013. This was attributable to increase in revenues provided by the State for Governor's A+ fund and revenues provided by the County for bond technology opportunity grant.

Amendments were made increasing the expenditure budget in the amount of \$351,192. 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 \$436,821, and to accommodate the increase in personnel cost, bond technology equipment, and professional services.

After appropriations were amended, as described above, actual revenues were over the budgeted revenues by \$222,482, and actual expenditures were below final budgeted amounts by \$272,805 before transfers.

The Charter Middle Schools, West and Central Campuses, made the following amendments to budget: Several amendments were made to increase the budgeted revenues totaling \$538,202. This was attributable to increase in revenues provided by the State for Governor's A+ fund and revenues provided by the County for bond technology opportunity grant.

Amendments were made increasing the expenditure budget in the amount of \$245,855. These adjustments were made to increase the budget for personnel cost and bond technology equipment and 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 over the budgeted revenues by \$254,329 and actual expenditures were below final budgeted amounts by \$3,885 before transfers.

The Charter High School made the following amendments to budget: Amendments were made to increase the budgeted revenues totaling \$846,543. This was mainly attributable to increase in revenues provided by the State for Governor's A+ fund and revenues provided by the County for bond technology opportunity grant.

Amendments were made to increase the expenditure budget in the amount of \$837,336. These adjustments were made mainly to increase in personnel cost and bond technology equipment and to decrease the budget for the annual true-up adjustment for health, life and workers' compensation in the amount of \$432,603.

After appropriations were amended, as described above, actual revenues were over the budgeted revenues by \$150,386 and actual expenditures were below final budgeted amounts by \$226,101 before transfers.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2016 amounted to \$2,458,395, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>
Improvements other than buildings	\$1,798,230	\$ 1,848,574	\$ (50,344)
Machinery and equipment	<u>660,165</u>	<u>506,923</u>	<u>153,242</u>
Total capital assets	<u>\$2,458,395</u>	<u>\$ 2,355,497</u>	<u>\$ 102,898</u>

In fiscal year 2015-16, total capital purchases amounted to approximately \$435,372. Of this amount, approximately \$416,000 was spent to purchase fencing and technological equipment to support 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

- ◆ Capital outlay funding from the State is estimated to remain the same as fiscal year 2015-16. The State is funding this revenue at an estimated 61% of the total maximum allocation.
- ◆ Broward County School Board will maintain the administrative costs at 2% on the first 500 students for the entire system, which includes the FSU Charter School.
- ◆ For fiscal year 2016-17, the Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased slightly from \$4,154 per student in fiscal year 2015-16 to \$4,161 in fiscal year 2016-17.
- ◆ The State determined annual employer contribution to the Florida Retirement System will increase to 7.52% for fiscal year 2016-17 from 7.26% for fiscal year 2015-16.
- ◆ 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 2016-17 budgets of \$46,317,829.

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, 2016

	Governmental Activities
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 3,563,844
Due from Broward County	7,725
Due from Federal Government	22,254
Other miscellaneous receivables	185,434
Capital assets being depreciated, net	<u>2,458,395</u>
Total assets	<u>6,237,652</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows	<u>2,402,870</u>
Total deferred outflows of resources	<u>2,402,870</u>
<u>LIABILITIES</u>	
Accrued liabilities	344,578
Unearned revenue	32,383
Deposits	661,520
Net pension liability	10,124,719
Noncurrent liabilities:	
Due within one year	640,113
Due in more than one year	<u>164,559</u>
Total liabilities	<u>11,967,872</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows	<u>2,325,026</u>
Total deferred inflows of resources	<u>2,325,026</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,458,395
Unrestricted	<u>(8,110,771)</u>
Total net position	<u>\$ (5,652,376)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 23,344,121	\$ -	\$ 14,183	\$ (23,329,938)
Rent	5,698,139	2,202,141	-	(3,495,998)
Instructional support services	1,638,844	-	-	(1,638,844)
Food services	2,066,172	1,399,710	868,092	201,630
Student transportation services	1,804,145	403,558	-	(1,400,587)
Operation and maintenance of school	5,582,843	-	576,175	(5,006,668)
School administration	3,631,199	679	-	(3,630,520)
Other	575,723	736,630	2,992,632	3,153,539
Total Charter Schools	<u>\$ 44,341,186</u>	<u>\$ 4,742,718</u>	<u>\$ 4,451,082</u>	<u>(35,147,386)</u>
General revenues:				
FTE non-specific revenues				35,114,832
Unrestricted investment earnings				49,867
Rental income				972,698
ICMA forfeitures revenue				17,020
Total general revenues				<u>36,154,417</u>
Change in net position				1,007,031
Net position, beginning				(6,659,407)
Net position, ending				<u>\$ (5,652,376)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$2,020,827	\$204,709	\$1,338,308	\$ 3,563,844
Due from Broward County	-	-	7,725	7,725
Due from Federal Government	11,306	7,003	3,945	22,254
Other miscellaneous receivables	<u>57,199</u>	<u>44,555</u>	<u>83,680</u>	<u>185,434</u>
Total assets	<u>\$2,089,332</u>	<u>\$256,267</u>	<u>\$1,433,658</u>	<u>\$ 3,779,257</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	145,943	94,102	104,533	344,578
Unearned revenue	14,548	10,159	7,676	32,383
Deposits	<u>168,679</u>	<u>98,268</u>	<u>394,573</u>	<u>661,520</u>
Total liabilities	<u>329,170</u>	<u>202,529</u>	<u>506,782</u>	<u>1,038,481</u>
Fund balances:				
Assigned for rent payments	<u>1,760,162</u>	<u>53,738</u>	<u>926,876</u>	<u>2,740,776</u>
Total fund balances	<u>1,760,162</u>	<u>53,738</u>	<u>926,876</u>	<u>2,740,776</u>
Total liabilities and fund balances	<u>\$2,089,332</u>	<u>\$256,267</u>	<u>\$1,433,658</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. 2,458,395

Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (804,672)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources 2,402,870
Deferred inflows of resources (2,325,026)

Long-term liabilities, such as net pension liability, are not due and payable in the current period and, therefore, are not reported as a liability in the funds (10,124,719)

Net position of governmental activities (page 12) \$ (5,652,376)

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, 2016

	Charter Elementary Schools	Charter Middle Schools	Charter High School	Total
Revenues:				
Local	\$ 16,444,325	\$ 10,047,047	\$ 16,560,112	\$ 43,051,484
Federal and State grants	<u>365,958</u>	<u>231,458</u>	<u>284,858</u>	<u>882,274</u>
Total revenues	<u>16,810,283</u>	<u>10,278,505</u>	<u>16,844,970</u>	<u>43,933,758</u>
Expenditures:				
Current:				
K-3 Basic	5,757,734	-	-	5,757,734
4-8 Basic	2,503,124	5,834,181	1,018,115	9,355,420
9-12 Basic	-	-	6,725,907	6,725,907
Intensive English/ESOL	-	129	-	129
Exceptional student program	718,468	519,643	250,061	1,488,172
Vocational 6-12	-	-	133,091	133,091
Substitute teachers	126,261	102,786	76,075	305,122
School/other	-	-	26,127	26,127
Guidance services	218,926	198,837	499,870	917,633
Instructional media services	264,745	253,642	106,729	625,116
ESE specialist	-	-	78,691	78,691
Instructional staff training service	20,417	17,163	12,833	50,413
School administration	1,542,510	1,036,026	1,062,006	3,640,542
Facilities acquisition and construction	1,310,000	1,265,316	3,122,823	5,698,139
Food services	732,917	541,608	791,647	2,066,172
Student transportation services	681,923	453,280	668,942	1,804,145
Operation of school	1,617,763	1,066,165	2,042,416	4,726,344
Child care supervision	329,905	-	5,835	335,740
Athletics	-	24,344	230,549	254,893
Capital outlay	<u>153,070</u>	<u>111,040</u>	<u>171,262</u>	<u>435,372</u>
Total expenditures	<u>15,977,763</u>	<u>11,424,160</u>	<u>17,022,979</u>	<u>44,424,902</u>
Excess (Deficit) of revenues over (under) expenditures	<u>832,520</u>	<u>(1,145,655)</u>	<u>(178,009)</u>	<u>(491,144)</u>
Other financing sources (uses):				
Transfers in	-	1,164,459	250,000	1,414,459
Transfers out	<u>(525,000)</u>	<u>-</u>	<u>-</u>	<u>(525,000)</u>
Total other financing sources (uses)	<u>(525,000)</u>	<u>1,164,459</u>	<u>250,000</u>	<u>889,459</u>
Net change in fund balances	307,520	18,804	71,991	398,315
Fund balances, beginning	<u>1,452,642</u>	<u>34,934</u>	<u>854,885</u>	<u>2,342,461</u>
Fund balances, ending	<u>\$ 1,760,162</u>	<u>\$ 53,738</u>	<u>\$ 926,876</u>	<u>\$ 2,740,776</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, 2016

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

Net change in fund balances - total governmental funds (Page 15)		\$ 398,315
<p>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.</p>		
<p>The detail of the difference is as follows:</p>		
Capital outlay	\$ 435,372	
Depreciation expense	<u>(308,080)</u>	
Net adjustment		127,292
The net effect of various miscellaneous transactions involving capital assets		(24,394)
<p>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.</p>		
<p>The detail of the difference is as follows:</p>		
Compensated absences		(47,623)
Pension contributions	1,082,825	
Cost of benefits earned net of employee contributions	<u>(529,384)</u>	
		<u>553,441</u>
Change in net position of governmental activities (page 13)		<u>\$ 1,007,031</u>

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, 2016, 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

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 672 students for the 2015-16 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

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 1,909 student stations for the 2015-16 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,305 student stations for the 2015-16 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 2,015 student stations for the 2015-16 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

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, 2016.

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.

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

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

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. In October 2016, \$29,720,000 of the Public Improvement Revenue Bonds, Series 2006 were refunded by \$17,386,400 Public Improvement Revenue Refunding Bonds, Series 2016, which resulted in rent savings of approximately \$295,000 annually for all the Charter Schools.

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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

6. *Long-Term Obligations* (continued)

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

7. *Equity Classifications*

Government-wide Financial Statements

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

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Schools have no restricted assets as of June 30, 2016.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

7. *Equity Classifications* (continued)

Fund Financial Statements

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

10. Pensions

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

11. Deferred outflows and inflows of resources

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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	\$3,561,968
Cash on hand	<u>1,876</u>
Total pooled cash and cash equivalents	<u>\$3,563,844</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 and amended per Ordinance 1793, dated October 1, 2014. The average duration of the entire portfolio as a whole may not exceed five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement. This calculation also applies to the expected average life of asset-backed securities and mortgage-backed securities (rather than the stated final maturity). No more than 30% of the total investment portfolio shall be placed in securities with an expected duration of more than five (5) years. This calculation excludes maturities of the underlying securities of a repurchase agreement.

Authorized Investments per the Investment Policy are as follows:

LIST OF AUTHORIZED INVESTMENTS:

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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 "A3" by Moody's or "A-" by Standard & Poor's for long-term debt or rated at least MIG-2 by Moody's or SP-2 Standard & Poor's for short-term debt.

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

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

(j) U.S dollar denominated debt obligations of domestic or foreign corporations, or foreign sovereignties issued in the U.S. or in foreign markets having two of the following three minimum ratings: BBB, Baa2, or BBB, as rated by Standard and Poor's, and/or Moody's, and/or Fitch Investors Service rating services. However, if such obligations are rated by only one rating service, then such rating shall be at least A-, A3, or A- by Standard & Poor's, or Moody's or Fitch.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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>Effective Duration (Years)</u>	<u>Weighted Average Maturity</u>
FMIvT 1-3 Year High Quality Bond Fund	1.30	1.40

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 AAAf/S2 by Fitch.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

FMIvT 1-3 Year High Quality Bond Fund - this fund invests mainly in US government and agency securities and asset-backed securities. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

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CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 3. REVENUE SOURCES

	Elementary Schools	Middle Schools	High School	Total
Broward County School Board:				
Florida education finance program	\$ 8,801,407	\$ 5,550,195	\$ 9,155,356	\$ 23,506,958
Class size reduction	2,510,096	1,200,807	1,862,735	5,573,638
Public education capital outlay (PECO)	690,371	530,971	980,799	2,202,141
District school taxes	844,178	532,330	878,125	2,254,633
Supplemental academic instruction	342,824	232,901	359,047	934,772
Digital classroom allocation	30,994	21,050	32,466	84,510
Transportation revenue	154,975	244,545	443,208	842,728
ESE guaranteed allocation	293,297	246,502	259,209	799,008
Governor's A+ Funds	186,389	125,946	193,998	506,333
Instructional materials	138,266	93,932	159,758	391,956
Bond technology opportunity	576,879	394,999	606,295	1,578,173
Safe schools program	42,344	28,768	44,347	115,459
Discretionary lottery funds	-	-	-	-
Best & brightest scholarship	16,513	8,256	-	24,769
Summer reading program	12,504	15,550	14,090	42,144
Library media materials	8,271	5,619	8,663	22,553
School lunch supplement	2,339	1,562	2,445	6,346
Science lab materials	2,261	1,536	2,368	6,165
School breakfast supplement	1,055	704	1,102	2,861
Total Broward County School Board	<u>14,654,963</u>	<u>9,236,173</u>	<u>15,004,011</u>	<u>38,895,147</u>
Other:				
Rental revenue	237,210	180,799	554,689	972,698
Food sales	420,835	358,551	620,324	1,399,710
Contributions	173,203	127,308	275,664	576,175
Before and after school education program	729,037	-	7,593	736,630
In-house transportation	192,601	136,980	73,977	403,558
Interest	24,296	7,018	18,553	49,867
ICMA forfeiture revenue	12,127	-	4,893	17,020
Other miscellaneous revenue	53	218	408	679
Total other	<u>1,789,362</u>	<u>810,874</u>	<u>1,556,101</u>	<u>4,156,337</u>
Total local	<u>\$ 16,444,325</u>	<u>\$ 10,047,047</u>	<u>\$ 16,560,112</u>	<u>\$ 43,051,484</u>
Federal and State grants:				
National school lunch program	\$ 264,005	\$ 170,691	\$ 206,643	\$ 641,339
NSLP non-cash assistance (commodities)	49,656	33,145	51,893	134,694
School breakfast program	46,572	23,438	22,048	92,058
Individuals with disabilities education act (IDEA)	5,725	4,184	4,274	14,183
Total Federal and State grants	<u>\$ 365,958</u>	<u>\$ 231,458</u>	<u>\$ 284,858</u>	<u>\$ 882,274</u>
Total Revenues Sources	<u>\$ 16,810,283</u>	<u>\$ 10,278,505</u>	<u>\$ 16,844,970</u>	<u>\$ 43,933,758</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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	\$2,657,869	\$ 15,057	\$ -	\$2,672,926
Machinery and equipment	<u>2,427,916</u>	<u>420,315</u>	<u>(108,051)</u>	<u>2,740,180</u>
Total capital assets being depreciated	<u>5,085,785</u>	<u>435,372</u>	<u>(108,051)</u>	<u>5,413,106</u>
Less accumulated depreciation for:				
Improvements other than buildings	(809,295)	(65,401)	-	(874,696)
Machinery and equipment	<u>(1,920,993)</u>	<u>(242,679)</u>	<u>83,657</u>	<u>(2,080,015)</u>
Total accumulated depreciation	<u>(2,730,288)</u>	<u>(308,080)</u>	<u>83,657</u>	<u>(2,954,711)</u>
Total capital assets being depreciated, net	<u>\$2,355,497</u>	<u>\$ 127,292</u>	<u>\$ (24,394)</u>	<u>\$2,458,395</u>

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

Governmental activities:	
Operation of school	<u>\$ 308,080</u>

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	\$ -	\$ -	\$ 7,725	\$ 7,725
Due from Federal Government	11,306	7,003	3,945	22,254
Other miscellaneous receivables	<u>57,199</u>	<u>44,555</u>	<u>83,680</u>	<u>185,434</u>
Total receivables	<u>\$ 68,505</u>	<u>\$ 51,558</u>	<u>\$ 95,350</u>	<u>\$ 215,413</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSFERS

<u>Transfers in:</u>	<u>Transfers out:</u>			<u>Purpose</u>
	Charter Elementary School	City of Pembroke Pines	Total	
Charter Middle School	\$275,000	\$889,459	\$1,164,459	Supplement current year operations & Transfer gain of Early Development Centers
Charter High School	\$250,000		\$250,000	Supplement current year operations
Total	<u>\$525,000</u>	<u>\$889,459</u>	<u>\$1,414,459</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 August 2015, the City leased an additional parcel for the use of communications facilities. The agreement has a term of ten (10) years with one five-year renewal periods upon mutual consent and written agreement by the parties. Rental payment of \$35,000 is due annually on August 1, and increase at a rate of three percent compounded annually.

In addition to the rental payments, the lessee pays the City 50% of all revenues received from any third party source for co-location regarding the construction or use of the telecommunications facility.

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

Fiscal year ending June 30:	
2017	\$ 220,675
2018	224,859
2019	38,245
2020	39,393
2021	40,575
2022-2025	<u>174,841</u>
Total approximate future minimum rentals	<u>\$ 738,588</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES (continued)

Schools' Facility Leases

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

For the fiscal year ended June 30, 2016, rent expense was approximately \$1,310,000, \$1,265,000 and \$3,123,000 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:

2017	\$ 4,509,000
2018	6,600,000
2019	6,629,000
2020	6,641,000
2021	6,635,000
2022-2026	32,048,000
2027-2031	28,074,000
2032-2036	28,084,000
2037-2038	<u>11,180,000</u>
Total approximate minimum future rentals	<u>\$ 130,400,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	\$ 7,431,887	\$ 2,692,832	\$ -	\$ 10,124,719	\$ -
Compensated absences	757,049	764,710	(717,087)	804,672	640,113
Total	\$ 8,188,936	\$ 3,457,542	\$ (717,087)	\$ 10,929,391	\$ 640,113

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

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.

Type of Benefit

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

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Average Final Compensation (AFC)

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

Vesting

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

Service Retirement

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

<p>Description: Normal Retirement Requirements for Regular Class members initially enrolled before July 1, 2011.</p>	<p>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.</p>
<p>Normal Retirement Requirements for Regular Class members initially enrolled on or after July 1, 2011.</p>	<p>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.</p>

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Funding Policy

The Charter Schools' required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2016, the contribution rate decreased to 7.26% from 7.37% for Regular Class Members and increased from 12.28% to 12.88% for DROP Members. The Charter Schools are required to contribute both for full-time and part-time members of the Plan, which amounted to \$1,191,296. As of June 30, 2016, there were 417 members in this Plan. The contribution rate includes the post-employment health insurance supplement of 1.66% and the administrative/educational fee of 0.04%.

Starting in fiscal year 2012, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$483,506 for fiscal year 2016.

Fiscal Year	Annual	Total	Percentage Contributed	Contribution Rates	
	Required Contributions	Employer Contributions		Regular Class	DROP
2016	\$ 1,191,296	\$ 1,191,296	100.0%	7.26%	12.88%
2015	1,202,083	1,202,083	100.0%	7.37%	12.28%
2014	1,157,206	1,157,206	100.0%	6.95%	12.84%
2013	884,548	884,548	100.0%	5.18%	5.44%
2012	812,317	812,317	100.0%	4.91%	4.42%
2011	1,761,326	1,761,326	100.0%	10.77%	12.25%
2010	1,563,168	1,563,168	100.0%	9.85%	10.91%

Net Pension Liabilities

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2015, are shown below (in thousands):

	FRS	HIS
Total Pension Liability	\$ 161,370,735	\$ 10,249,201
Plan Fiduciary Net Position	(148,454,394)	(50,774)
Net Pension Liability	\$ 12,916,341	\$ 10,198,427
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 92.00%	 0.50%

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The Charter Schools reported a liability of \$10,124,719 for their proportionate share of the net pension liability. The detail of the proportion shares are as follow:

FRS Pension Plan:

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	\$ 335,563	0.015319553%	\$ 345,729	0.014180334%	\$ 934,718	\$ 1,831,580
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	219,365	0.010014704%	238,300	0.009774085%	611,044	1,262,454
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	258,666	0.011808963%	302,116	0.012391542%	720,520	1,600,534

FRS Retiree Health Insurance Subsidy (HIS) Program:

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	\$ 78,824	0.023009714%	\$ 80,824	0.021143721%	\$ 2,151,464	\$ 2,156,327
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	50,505	0.014743185%	53,515	0.013999520%	1,378,524	1,427,731
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	59,924	0.017492768%	69,196	0.018101749%	1,635,617	1,846,093

Basis of Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ending June 30, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2015, in addition to contributions from employers the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

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

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

Actuarial Methods and Assumptions

Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

1. FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%
2. HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

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

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Asset Class	Target Allocation¹	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed income	18%	4.8%	4.7%	4.7%
Global equity	53%	8.5%	7.2%	17.7%
Real estate (property)	10%	6.8%	6.2%	12.0%
Private equity	6%	11.9%	8.2%	30.0%
Strategic investments	12%	6.7%	6.1%	11.4%
Assumed Inflation – Mean		2.6%		1.9%

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2016.

FRS Net Pension Liability			
	Current		
	1% Decrease	Discount Rate	1% Increase
	6.65%	7.65%	8.65%
Elementary	\$ 4,746,039	\$ 1,831,580	\$ (593,728)
Middle	3,271,304	1,262,454	(409,239)
High	4,147,345	1,600,534	(518,832)

HIS Net Pension Liability			
	Current		
	1% Decrease	Discount Rate	1% Increase
	2.80%	3.80%	4.80%
Elementary	\$ 2,457,034	\$ 2,156,327	\$ 1,905,582
Middle	1,626,833	1,427,731	1,261,710
High	2,103,538	1,846,094	1,631,424

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Pension Expense and Deferred Outflows/(Inflows) of Resources

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

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

Employer contributions to the pension plans from employers are not included in collective pension expense, however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2015, was 6.3 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2016, are presented below:

	Collective Pension Expenses	
Charter Elementary	\$	291,593
Charter Middle		196,624
Charter High		251,963
Total	\$	740,180

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

The components of deferred outflows and inflows of resources schedules for the fiscal year ended June 30, 2016, are presented below for each plan.

Changes in:	FRS Pension Plan						Total
	Elementary		Middle		High		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Contributions, subsequent to measurement date	\$ 320,375	\$ -	\$ 211,851	\$ -	\$ 279,275	\$ -	\$ 925,121
Assumptions/inputs	121,568	-	83,793	-	106,233	-	355,890
Projected/Actual earnings	-	(437,351)	-	(301,453)	-	(382,181)	(1,280,344)
Experience expected/actual	193,361	(43,440)	133,278	(29,942)	168,969	(37,960)	438,894
Change in Porportion, NPL	-	(481,686)	-	(191,993)	28,449	-	(724,879)
	<u>\$ 635,304</u>	<u>\$ (962,477)</u>	<u>\$ 428,922</u>	<u>\$ (523,388)</u>	<u>\$ 582,926</u>	<u>\$ (420,141)</u>	<u>\$ (285,318)</u>

Changes in:	HIS Program						Total
	Elementary		Middle		High		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Contributions, subsequent to measurement date	\$ 108,786	\$ -	\$ 69,896	\$ -	\$ 92,643	\$ -	\$ 309,891
Assumptions/inputs	169,647	-	112,325	-	145,239	-	489,039
Projected/Actual earnings	1,167	-	773	-	999	-	3,364
Change in Porportion, NPL	-	(326,307)	-	(92,713)	54,243	-	(409,697)
	<u>\$ 279,600</u>	<u>\$ (326,307)</u>	<u>\$ 182,994</u>	<u>\$ (92,713)</u>	<u>\$ 293,124</u>	<u>\$ -</u>	<u>\$ 392,597</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Benefit Plan (continued)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period Ending June 30,	Elementary		Middle		High	
	FRS Expense	HIS Expense	FRS Expense	HIS Expense	FRS Expense	HIS Expense
2017	\$ (250,351)	\$ (28,716)	\$ (143,133)	\$ 3,522	\$ (123,354)	\$ 34,258
2018	(250,351)	(28,716)	(143,133)	3,522	(123,354)	34,258
2019	(250,351)	(28,716)	(143,133)	3,522	(123,354)	34,258
2020	110,477	(28,954)	105,575	3,365	191,957	34,055
2021	(9,451)	(29,068)	11,754	3,290	47,720	33,958
Thereafter	2,479	(11,323)	5,752	3,164	13,893	29,694
Total	\$ (647,548)	\$ (155,493)	\$ (306,317)	\$ 20,385	\$ (116,490)	\$ 200,481

Defined Contribution Plan

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

In Fiscal Year 2007 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2016, there were 32 Plan members. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' required contribution is 7.26% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2016, the Schools contributed \$95,625 and the employees contributed \$18,335 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (continued)

Defined Contribution Plan (continued)

Beginning in Fiscal Year 2009, 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.

Required Supplementary Information

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 15,448,792	\$ 16,236,805	\$ 16,444,325	\$ 207,520
Federal and State grants	<u>350,996</u>	<u>350,996</u>	<u>365,958</u>	<u>14,962</u>
Total revenues	<u>15,799,788</u>	<u>16,587,801</u>	<u>16,810,283</u>	<u>222,482</u>
Expenditures:				
Current:				
K-3 Basic	5,398,422	5,741,044	5,757,734	(16,690)
4-8 Basic	2,570,849	2,493,667	2,503,124	(9,457)
Exceptional student program	752,995	767,219	718,468	48,751
Substitute teachers	120,774	121,138	126,261	(5,123)
Guidance services	216,659	217,263	218,926	(1,663)
Instructional media services	257,265	259,914	264,745	(4,831)
Instructional staff training service	16,200	27,742	20,417	7,325
School administration	1,667,640	1,594,739	1,542,510	52,229
Facilities acquisition and construction	1,310,300	1,310,300	1,310,000	300
Food services	741,729	760,404	732,917	27,487
Student transportation services	652,195	715,357	681,923	33,434
Operation of school	1,718,134	1,653,663	1,617,763	35,900
Child care supervision	392,606	374,055	329,905	44,150
Capital outlay	<u>83,608</u>	<u>214,063</u>	<u>153,070</u>	<u>60,993</u>
Total expenditures	<u>15,899,376</u>	<u>16,250,568</u>	<u>15,977,763</u>	<u>272,805</u>
Excess (Deficit) of revenues over (under) expenditures	(99,588)	337,233	832,520	495,287
Other financing uses:				
Transfers out	<u>(300,161)</u>	<u>(300,161)</u>	<u>(525,000)</u>	<u>(224,839)</u>
Net change in fund balances	(399,749)	37,072	307,520	270,448
Fund balances, beginning	<u>1,452,642</u>	<u>1,452,642</u>	<u>1,452,642</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,052,893</u>	<u>\$ 1,489,714</u>	<u>\$ 1,760,162</u>	<u>\$ 270,448</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 9,275,131	\$ 9,813,333	\$ 10,047,047	\$ 233,714
Federal and State grants	210,843	210,843	231,458	20,615
Total revenues	9,485,974	10,024,176	10,278,505	254,329
Expenditures:				
Current:				
4-8 Basic	5,507,951	5,842,600	5,834,181	8,419
Intensive English/ESOL	1,921	1,921	129	1,792
Exceptional student program	493,703	506,580	519,643	(13,063)
Substitute teachers	103,518	105,165	102,786	2,379
Guidance services	189,131	181,792	198,837	(17,045)
Instructional media services	290,939	267,868	253,642	14,226
Instructional staff training service	17,980	19,980	17,163	2,817
School administration	1,118,503	1,008,192	1,036,026	(27,834)
Facilities acquisition and construction	1,267,946	1,265,318	1,265,316	2
Food services	548,097	541,328	541,608	(280)
Student transportation services	455,515	457,039	453,280	3,759
Operation of school	1,099,280	1,066,223	1,066,165	58
Athletics	23,278	24,361	24,344	17
Capital outlay	64,428	139,678	111,040	28,638
Total expenditures	11,182,190	11,428,045	11,424,160	3,885
Excess (Deficit) of revenues over (under) expenditures	(1,696,216)	(1,403,869)	(1,145,655)	258,214
Other financing sources:				
Transfers in	1,349,479	1,374,458	1,164,459	(209,999)
Net change in fund balances	(346,737)	(29,411)	18,804	48,215
Fund balances, beginning	34,934	34,934	34,934	-
Fund balances, ending	\$ (311,803)	\$ 5,523	\$ 53,738	\$ 48,215

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues:				
Local	\$ 15,549,843	\$ 16,396,386	\$ 16,560,112	\$ 163,726
Federal and State grants	298,198	298,198	284,858	(13,340)
Total revenues	15,848,041	16,694,584	16,844,970	150,386
Expenditures:				
Current:				
4-8 Basic	1,014,698	990,321	1,018,115	(27,794)
9-12 Basic	6,392,455	6,739,206	6,725,907	13,299
Exceptional student program	251,862	245,428	250,061	(4,633)
Vocational 6-12	139,214	137,414	133,091	4,323
Substitute teachers	72,464	72,464	76,075	(3,611)
School/other	41,409	41,409	26,127	15,282
Guidance services	518,582	506,371	499,870	6,501
Instructional media services	107,151	107,713	106,729	984
ESE specialist	70,908	68,698	78,691	(9,993)
Instructional staff training service	16,038	16,038	12,833	3,205
School administration	1,174,901	1,122,578	1,062,006	60,572
Facilities acquisition and construction	3,125,079	3,125,079	3,122,823	2,256
Food services	803,451	803,476	791,647	11,829
Student transportation services	643,597	704,035	668,942	35,093
Operation of school	2,182,886	2,092,518	2,042,416	50,102
Child care supervision	6,902	6,902	5,835	1,067
Athletics	236,257	246,049	230,549	15,500
Capital outlay	37,286	223,381	171,262	52,119
Total expenditures	16,835,140	17,249,080	17,022,979	226,101
Excess (Deficit) of revenues over (under) expenditures	(987,099)	(554,496)	(178,009)	376,487
Other financing uses:				
Transfers in	-	-	250,000	250,000
Net change in fund balances	(987,099)	(554,496)	71,991	626,487
Fund balances, beginning	854,885	854,885	854,885	-
Fund balances, ending	\$ (132,214)	\$ 300,389	\$ 926,876	\$ 626,487

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

1. Annual budgets are legally adopted for all Charter School funds which are governmental funds. All governmental fund budgets are maintained on the modified accrual basis of accounting, consistent with accounting principles generally accepted in the United States, except for encumbrances, which are purchase orders and contracts issued for goods and services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2016, there were no encumbrances.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. 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 \$351,192 more than the original budget in the elementary schools, \$245,855 more than the original budget in the middle schools and \$413,940 more than the original budget in the high school during the fiscal year ended June 30, 2016.

CITY OF PEMBROKE PINES CHARTER SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULE
CHARTER ELEMENTARY SCHOOLS

	2016		2015	
	FRS	HIS	FRS	HIS
Florida Retirement System Plan (in thousands):				
Total pension liability	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	\$ 12,916,341	\$ 10,198,427	\$ 6,101,471	\$ 9,350,244

Plan fiduciary net position as a percentage of the total pension liability

92.00% 0.50% 96.09% 0.99%

Charter Elementary Schools:

Share of net pension liability as a percentage
Share of net pension liability as an amount

0.014180334% 0.021143721% 0.015319553% 0.023009714%
\$ 1,831,580 \$ 2,156,327 \$ 934,718 \$ 2,151,464

Covered-employee payroll

\$ 7,520,707 \$ 7,520,707 \$ 7,546,090 \$ 7,546,090

Net pension liability as a percentage of covered-employee payroll

24.35% 28.67% 12.39% 28.51%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%.
5. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 4.29%.

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULE
CHARTER MIDDLE SCHOOLS

	2016		2015	
	FRS	HIS	FRS	HIS
Florida Retirement System Plan (in thousands):				
Total pension liability	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	\$ 12,916,341	\$ 10,198,427	\$ 6,101,471	\$ 9,350,244

Plan fiduciary net position as a percentage of the total pension liability

92.00% 0.50% 96.09% 0.99%

Charter Middle Schools:

Share of net pension liability as a percentage
Share of net pension liability as an amount

0.009774085% 0.013999520% 0.010014704% 0.014743185%
\$ 1,262,454 \$ 1,427,731 \$ 611,044 \$ 1,378,524

Covered-employee payroll

\$ 5,357,386 \$ 5,357,386 \$ 5,273,513 \$ 5,273,513

Net pension liability as a percentage of covered-employee payroll

23.56% 26.65% 11.59% 26.14%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%.
5. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 4.29%.

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULE
CHARTER HIGH SCHOOL

	2016		2015	
	FRS	HIS	FRS	HIS
Florida Retirement System Plan (in thousands):				
Total pension liability	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>

Plan fiduciary net position as a percentage of the total pension liability

92.00% 0.50% 96.09% 0.99%

Charter High School:

Share of net pension liability as a percentage
Share of net pension liability as an amount

0.012391542% 0.018101749% 0.011808963% 0.017492768%
\$ 1,600,534 \$ 1,846,093 \$ 720,520 \$ 1,635,616

Covered-employee payroll

\$ 6,648,338 \$ 6,648,338 \$ 6,249,677 \$ 6,249,677

Net pension liability as a percentage of covered-employee payroll

24.07% 27.77% 11.53% 26.17%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method.
2. Inflation increases for both plans is assumed at 2.60%.
3. Payroll growth for both plans is assumed at 3.25%.
4. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%.
5. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.
6. The municipal rate (the Bond Buyer General Obligation 20-Bond Municipal Bond Index) used to determine total pension liability for HIS is 4.29%.

Benefit Types:

1. FRS pension plan's retirees receive a lifetime pension benefit with joint and survivor payment options.
2. HIS program is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
CHARTER SCHOOLS

SCHEDULE OF CONTRIBUTIONS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,191,296	\$ 1,202,083	\$ 1,157,206	\$ 884,548	\$ 812,317	\$ 1,761,326	\$ 1,563,168	\$ 1,527,703	\$ 1,431,383	\$ 1,091,112
Contributions in relation to the contractually required contribution	(1,191,296)	(1,202,083)	(1,157,206)	(884,548)	(812,317)	(1,761,326)	(1,563,168)	(1,527,703)	(1,431,383)	(1,091,112)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 19,526,431	\$ 19,069,280	\$ 19,177,190	\$ 19,842,569	\$ 19,029,259	\$ 192,994,408	\$ 19,090,703	\$ 18,475,074	\$ 16,251,480	\$ 15,630,238
Contributions as a percentage of covered-employee payroll	6.10%	6.30%	6.03%	4.46%	4.27%	0.91%	8.19%	8.27%	8.81%	6.98%



**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 (the "Schools"), as of and for the year ended June 30, 2016, 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 December 27, 2016

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 the Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 the Schools' special purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
December 27, 2016





**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, 2016, and have issued our report thereon dated December 27, 2016.

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 and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

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 that report, which is dated December 27, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires 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.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the 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 Schools did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

The Charter High School and Charter Elementary Schools' financial indicators showed an unfavorable result, while the Charter Middle Schools' reported an inconclusive result on its overall financial condition assessment. While the Charter High School and 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 High School and 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 for the Charter High School that contributed to the deteriorating financial condition is the excess of expenditures over revenues for the year ended June 30, 2016. The deteriorating financial condition for the Charter Elementary School relates to the transfer of approximately \$525,000 in funds from Charter Elementary School to support the operation of the Charter Middle School and Charter High School. As a combined entity, the Charter Schools' financial indicator showed an inconclusive result on its overall financial condition assessment.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the 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 Schools maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

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

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
December 27, 2016

