

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

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(With Independent Auditors' Reports Thereon)

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of the governmental activities and major fund of City of Pembroke Pines/ Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the year ended June 30, 2017, and the related notes to the special purpose financial statements, which collectively comprise the School's special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special Purpose Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Pembroke Pines/ Florida State University Charter Elementary School as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of the Matter

As discussed in the note 1.a, the special purpose financial statements of the City of Pembroke Pines/ Florida State University Charter Elementary School, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and fund information of the City of Pembroke Pines that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines, Florida, as of June 30, 2017, 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, and pension schedules information on pages 4 through 9, 41 through 42, and 43 through 44 be presented to supplement the special purpose financial statements. Such information, although not a part of the special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the special purpose financial statements, and other knowledge we obtained during our audit of the 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/ Florida State University Charter Elementary School

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the School's 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 School's internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
December 28, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines/Florida State University ("FSU") Charter Elementary School ("the Charter School"), we offer readers of the Charter School's special purpose financial statements this narrative overview and analysis of the financial activities of the Charter School for the twelve-month period ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Charter School's special purpose financial statements, which follow this section. The City of Pembroke Pines/FSU Charter Elementary School provides us with a unique opportunity to show the various efforts and accomplishments that have been achieved. Fiscal year 2016-17 represents our fourteenth year in operation.

The City of Pembroke Pines/FSU Charter Elementary School was established and built in 2003, initially providing educational opportunities to 610 Elementary school students, currently there are 679 students. This partnership between the City of Pembroke Pines and the FSU was the first of its kind in Broward County. The Charter was granted to establish a Developmental Research Laboratory School, with the primary goal being to enhance the educational instruction and research of reading, and other disciplines at the primary and secondary school levels. The City also owns and operates six other Charter Schools within its corporate limits, which are sponsored by the School Board of Broward County. For fiscal year 2016-17, there were 5,247 students enrolled in these Charter Schools.

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

Financial Highlights

- The assets and deferred outflows of resources of the FSU Charter School exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$506,126 (*net position*) which increased by \$600,698 from prior year.
- As of the close of the current fiscal year, the FSU Charter School's governmental fund's financial statements had a net increase in fund balance of \$631,361, as compared to a net increase of \$406,486 from last year, and an ending fund balance of \$2,036,733 as compared with \$1,405,372 from last year.

Overview of the Special Purpose Financial Statements

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

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

The *statement of net position* presents information on the City of Pembroke Pines/FSU Charter Elementary School's assets, 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 City of Pembroke Pines/FSU Charter Elementary School is improving or deteriorating.

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

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

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

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

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

Notes to special purpose financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to special purpose financial statements can be found on pages 15 through 40 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 through 9, the budgetary comparison schedules, notes to the budgetary comparison schedule, pension schedules, and schedule of contributions which can be found on pages 41 through 44 of this report.

Supplementary Auditors' Reports. This section includes the following:

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which can be found on pages 45-46.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 47-48.

Government-wide financial analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2017, the City of Pembroke Pines/FSU Charter Elementary School's total net position increased by \$600,698 when compared to prior year.

As of June 30, 2017, investments in capital assets consisting of machinery and equipment, net of accumulated depreciation amounted to \$59,012. The City of Pembroke Pines/FSU Charter Elementary School does not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET POSITION

| | Governmental Activities | | Increase (Decrease) |
|--|----------------------------|--------------------|------------------------|
| | <u>2017</u> | <u>2016</u> | |
| Current assets | \$ 2,123,986 | \$ 1,497,362 | \$ 626,624 |
| Capital assets, net of depreciation | <u>59,012</u> | <u>49,031</u> | <u>9,981</u> |
| Total assets | <u>2,182,998</u> | <u>1,546,393</u> | <u>636,605</u> |
| Total deferred outflows of resources | <u>776,073</u> | <u>329,192</u> | <u>446,881</u> |
| Current liabilities | 87,253 | 91,990 | (4,737) |
| Noncurrent liabilities | <u>2,179,510</u> | <u>1,578,410</u> | <u>601,100</u> |
| Total liabilities | <u>2,266,763</u> | <u>1,670,400</u> | <u>596,363</u> |
| Total deferred outflows of resources | <u>186,182</u> | <u>299,757</u> | <u>(113,575)</u> |
| Net Position: | | | |
| Net investment in capital assets | 59,012 | 49,031 | 9,981 |
| Unrestricted | <u>447,114</u> | <u>(143,603)</u> | <u>590,717</u> |
| Total net position | <u>\$ 506,126</u> | <u>\$ (94,572)</u> | <u>\$ 600,698</u> |

Total assets increased by \$636,605 (41.2%) mainly as a result of a \$626,624 increase in current asset. The \$626,624 (41.8%) increase in current assets is mainly due to an increase of \$631,075 (42.8%) in pooled cash, which is offset by a decrease of \$3,823 (-19.4%) from due from FSU and \$628 (-14.9%) from due from Federal Government.

Total liabilities increased by \$596,363 (35.7%) mainly due to \$600,078 (41.3%) increase in net pension liability. Net investment in capital assets increased by \$9,981 (20.4%) and unrestricted net position increased by \$590,717 (411.4%).

Governmental activities. The City of Pembroke Pines/FSU Charter Elementary School's reported total net position of \$506,126 at the end of the current fiscal year versus (\$94,572) for fiscal year 2015-16. The total cost of all governmental activities this year was \$6,459,610. Key elements of these changes in net position are as follows:

| <u>CONDENSED STATEMENT OF ACTIVITIES</u> | | | |
|--|----------------------------|--------------------|------------------------|
| | Governmental Activities | | Increase (Decrease) |
| | <u>2017</u> | <u>2016</u> | |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 715,627 | \$ 796,462 | \$ (80,835) |
| Operating grants and contributions | 281,949 | 274,708 | 7,241 |
| General revenues: | | | |
| FTE non-specific revenues | 6,025,299 | 5,672,982 | 352,317 |
| Unrestricted investment earnings | 7,002 | 11,910 | (4,908) |
| Rental income | 30,431 | 44,044 | (13,613) |
| Total revenues | <u>7,060,308</u> | <u>6,800,106</u> | <u>260,202</u> |
| Expenses: | | | |
| Instructional services | 3,581,899 | 3,438,953 | 142,946 |
| Instructional support services | 156,581 | 155,568 | 1,013 |
| School administration | 624,452 | 544,670 | 79,782 |
| Rent | 592,141 | 613,734 | (21,593) |
| Food Services | 248,003 | 268,217 | (20,214) |
| Student transportation services | 241,207 | 245,801 | (4,594) |
| Operation and maintenance of school | 915,668 | 936,633 | (20,965) |
| Child care supervision | 99,659 | 95,333 | 4,326 |
| Total expenses | <u>6,459,610</u> | <u>6,298,909</u> | <u>160,701</u> |
| Change in net position | 600,698 | 501,197 | 99,501 |
| Net position, beginning | <u>(94,572)</u> | <u>(595,769)</u> | <u>501,197</u> |
| Net position, ending | <u>\$ 506,126</u> | <u>\$ (94,572)</u> | <u>\$ 600,698</u> |

The Charter School's total revenues increased by \$260,202 (3.8%) due mainly to an increase in FTE non-specific revenues of \$352,317 (6.2%), which is offset mainly by the decrease of \$80,835 (-10.1%) in charges for services. The increase in FTE non-specific revenues of \$352,317 was mainly attributable to an increase of \$250,398 in Florida education finance program, an increase of \$39,421 in district school taxes from the State, and an increase of \$30,647 in Florida education finance program. The \$80,835 decrease in charges for services is mainly attributed to the \$45,336 decrease in Public Education Capital Outlay, \$22,595 decrease in food sales, and \$12,197 decrease in before and after school education.

Total expenses increased by \$160,701 (2.6%) during the year, as a result of a \$270,348 (6.97%) increase in personnel costs and a decrease operating expenses of \$109,648 (-4.25%). The overall decline in operating expenses was mainly attributable to a decrease of \$114,317 in computer equipment and \$43,573 in repair and maintenance, which is offset by an increase of \$58,875 in energy savings project. The increase in personnel costs was mainly attributed to an increase in the number of Charter School teachers.

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

Governmental fund. The focus of the City of Pembroke Pines/FSU Charter Elementary School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter School's financing requirements.

Budgetary Highlights

For the fiscal year ended June 30, 2017, the City of Pembroke Pines/FSU Charter Elementary School had final estimated revenues and appropriations of \$7,351,480 and \$7,156,353, respectively. Over the course of the year, the Charter School made several revisions to budgeted revenues and appropriations. These amendments may fall into one or more of the following categories:

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

The City of Pembroke Pines/FSU Charter Elementary School made the following significant amendments to budget: Several amendments were made to increase budgeted revenues in the amount of \$598,702, mainly due to an increase of \$510,824 in Digital Classroom Allocation revenues from the state.

Amendments were made to increase the expenditure budget in the amount of \$494,483. These adjustments were mainly attributable to the increase in Digital Classroom Plan expenditures of \$510,824 which is offset by a decrease of \$156,175 in insurance true up expenditures.

After appropriations were amended, as described above, actual revenues were below the budgeted revenues by \$291,172, and actual expenditures were below final budgeted amounts by \$727,406.

Capital Assets

The City of Pembroke Pines/FSU Charter Elementary School's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$59,012 (net of accumulated depreciation). This investment in capital assets consists mainly of computers and playground equipment.

| | <u>CAPITAL ASSETS (Net of Depreciation)</u> | | |
|----------------------|---|------------------|-----------------|
| | <u>Governmental Activities</u> | | |
| | <u>2017</u> | <u>2016</u> | <u>Increase</u> |
| Equipment | <u>\$ 59,012</u> | <u>\$ 49,031</u> | <u>\$ 9,981</u> |
| Total capital assets | <u>\$ 59,012</u> | <u>\$ 49,031</u> | <u>\$ 9,981</u> |

Additional information on the Charter School's capital assets can be found on Note 4 of the notes to the special purpose financial statements (page 29).

Economic Factors and Next Year's Budget and Rates

- Capital outlay funding from the State is expected to decrease by 8% for FY 2017-18. The State is funding this revenue at an estimated 21% of the total maximum allocation. The Charter School will enroll 679 Elementary Students for the 2017-18 school year.
- For fiscal year 2017-18, the Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues decreased from \$4,161 per student in fiscal year 2016-17 to \$4,134 in fiscal year 2017-18 as per Florida State Legislature SB2500 FEFP Conference Report dated May 5th, 2017.
- The FSU Charter School charges a School Activity Fee of \$280 per student. This fee is estimated to generate approximately \$125,000 in fiscal year 2017-18.
- The State determined annual employer contribution to the Florida Retirement System will increase to 7.92% for fiscal year 2017-18 from 7.52% for fiscal year 2016-17.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Charter School's finances, as well as demonstrate accountability for funds the Charter School receives. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the City Manager, Pembroke Pines/FSU Charter School, 601 City Center Way, Pembroke Pines, Florida 33025.

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

STATEMENT OF NET POSITION

JUNE 30, 2017

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| <u>ASSETS</u> | |
| Pooled cash and cash equivalents | \$ 2,104,550 |
| Due from Florida State University | 15,854 |
| Due from Federal Government | 3,582 |
| Capital assets being depreciated, net | <u>59,012</u> |
| Total assets | <u>2,182,998</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | |
| Deferred outflows related to pension | <u>776,073</u> |
| Total deferred outflows of resources | <u>776,073</u> |
| <u>LIABILITIES</u> | |
| Accrued liabilities | 49,342 |
| Unearned revenue | 6,429 |
| Deposits | 31,482 |
| Noncurrent liabilities: | |
| Due within one year | 104,154 |
| Due in more than one year | <u>2,075,356</u> |
| Total liabilities | <u>2,266,763</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | |
| Deferred inflows related to pension | <u>186,182</u> |
| Total deferred inflows of resources | <u>186,182</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 59,012 |
| Unrestricted | <u>447,114</u> |
| Total net position | <u>\$ 506,126</u> |

See notes to special purpose financial statements.

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

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | Net (Expense) Revenue and Changes in <u>Net Position</u> Total <u>Governmental Activities</u> |
|-------------------------------------|---------------------|-----------------------------|---|--|
| Governmental activities: | | | | |
| Instructional services | \$ 3,581,899 | \$ - | \$ 79,396 | \$ (3,502,503) |
| Instructional support services | 156,581 | - | 6,686 | (149,895) |
| School administration | 624,452 | - | - | (624,452) |
| Rent | 592,141 | 190,918 | - | (401,223) |
| Food services | 248,003 | 130,479 | 136,971 | 19,447 |
| Student transportation services | 241,207 | 64,554 | - | (176,653) |
| Operation and maintenance of school | 915,668 | 124,794 | 58,896 | (731,978) |
| Child care supervision | 99,659 | 204,882 | - | 105,223 |
| Total Charter School | <u>\$ 6,459,610</u> | <u>\$ 715,627</u> | <u>\$ 281,949</u> | <u>(5,462,034)</u> |
| General revenues: | | | | |
| FTE non-specific revenues | | | | 6,025,299 |
| Unrestricted investment earnings | | | | 7,002 |
| Rental income | | | | <u>30,431</u> |
| Total general revenues | | | | <u>6,062,732</u> |
| Change in net position | | | | 600,698 |
| Net position, beginning | | | | <u>(94,572)</u> |
| Net position, ending | | | | <u>\$ 506,126</u> |

See notes to special purpose financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND

JUNE 30, 2017

ASSETS

| | |
|-----------------------------------|---------------------|
| Pooled cash and cash equivalents | \$ 2,104,550 |
| Due from Florida State University | 15,854 |
| Due from Federal Government | <u>3,582</u> |
| Total assets | <u>\$ 2,123,986</u> |

LIABILITIES AND FUND BALANCE

| | |
|----------------------------|------------------|
| Liabilities: | |
| Accrued liabilities | \$ 49,342 |
| Unearned revenue | 6,429 |
| Deposits | <u>31,482</u> |
| Total liabilities | <u>87,253</u> |
| Fund balance: | |
| Assigned for rent payments | <u>2,036,733</u> |
| Total fund balance | <u>2,036,733</u> |

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

| | |
|--|--------------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 59,012 |
| Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the fund. | (126,181) |
| Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the fund: | |
| Deferred outflows of resources | 776,073 |
| Deferred inflows of resources | (186,182) |
| 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 fund. | <u>(2,053,329)</u> |
| Net position of governmental activities (page 10) | <u><u>\$ 506,126</u></u> |

See notes to special purpose financial statements.

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

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

FISCAL YEAR ENDED JUNE 30, 2017

| | |
|---|---------------------|
| Revenues: | |
| Local | \$ 6,837,255 |
| Federal and State grants | <u>223,053</u> |
| Total revenues | <u>7,060,308</u> |
| Expenditures: | |
| Current: | |
| K-3 basic | 1,902,310 |
| 4-8 basic | 886,148 |
| Exceptional student program | 710,538 |
| Substitute teachers | 49,985 |
| Guidance services | 82,972 |
| Instructional media service | 59,726 |
| Instructional staff training services | 12,278 |
| School administration | 619,541 |
| Facilities acquisition and construction | 592,141 |
| Food services | 248,003 |
| Student transportation services | 241,207 |
| Operation of school | 897,021 |
| Child care supervision | 98,449 |
| Capital outlay | <u>28,628</u> |
| Total expenditures | <u>6,428,947</u> |
| Net change in fund balance | 631,361 |
| Fund balance, beginning | <u>1,405,372</u> |
| Fund balance, ending | <u>\$ 2,036,733</u> |

See notes to special purpose financial statements.

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FISCAL YEAR ENDED JUNE 30, 2017

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

Net change in fund balance - total governmental fund (page 13) \$ 631,361

The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

The detail of the difference is as follows:

| | | |
|----------------------|-----------------|-------|
| Capital outlay | 28,628 | |
| Depreciation expense | <u>(18,647)</u> | |
| Net adjustment | | 9,981 |

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 the governmental fund.

The details of the difference are as follows:

| | | |
|---|------------------|--|
| Compensated absences | (1,022) | |
| Pension contributions | 172,682 | |
| Cost of benefits earned net of employee contributions | <u>(212,304)</u> | |

Change in net position of governmental activities (page 11) \$ 600,698

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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

The Governing Body of the School is comprised of six voting members, consisting of the City of Pembroke Pines Mayor, Vice-Mayor and three Commissioners plus the FSU President or his or her designee. The Governing Body shall establish a School Advisory Board or Boards, pursuant to the requirements of Section 1002.32(8) Florida Statutes. The City operates the School as a public employer, and the School’s employees are considered public employees. The City will indemnify FSU from any claims, suits or actions. The School is accounted for as a special revenue fund of the City. The Pembroke Pines City Manager serves as the School Superintendent. The special purpose financial statements contained herein present only the operations of the School, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School reports the following major fund:

Charter Elementary School – The Elementary School, located at the Pembroke Shores site serves 679 student stations for the 2016-2017 school year.

d. Assets, Liabilities and Fund Equity

1. Deposits & Investments

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

2. Receivables

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

3. Capital Assets

Capital assets, which include equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

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

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Equipment | 3-10 |

4. Compensated Absences

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

5. Long-Term Obligations

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

In 2001, the City issued Public Improvement Revenue Bonds, Series 2001 for \$19,600,000 of which approximately \$7,100,000 was used to finance the construction of the City of Pembroke Pines/Florida State University Charter Elementary School. Effective October 1, 2013, there is no outstanding balance for the Series 2001 Bonds. In December 2006, \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 was advance refunded by a portion of the \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. In 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.

In 2008, the City issued the Charter School Revenue Bonds, Series 2008 for \$64,095,000 and used approximately \$3,360,000 to finance the construction of 12 new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School. On May 17, 2011, the City remarketed the Series 2008 Bonds to Wells Fargo and obtained a variable rate of SIFMA rate plus 0.89% for a three year term. On May 29, 2014, the City remarketed the Series 2008 Bonds to PNC Financial Service Group (the "Bank") and obtained a variable rate of SIFMA rate plus 0.59% for a four year term, which resulted in rent savings of approximately \$139,000 annually for all the Charter Schools.

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

6. Equity Classifications

Government-wide Financial Statements

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

- a. 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 School had no restricted assets as of June 30, 2017.
- 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 School is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Commission through an ordinance or resolution are classified as committed fund balances. Amounts that are constrained by the intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. Assignments are made by management based on Commission direction. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

6. Equity Classifications (Continued)

Fund Financial Statements

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

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

7. Revenue Sources

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Fund Equity (Continued)

8. Use of Estimates

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

9. 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.

10. 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 9.

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 9.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS

The School pools its cash, cash equivalents, and investments in accordance with legal restrictions.

As of June 30, 2017, the School's pooled cash and cash equivalents are summarized as follows:

| | Carrying Amount |
|--|--------------------|
| FMIvT 1-3 Year High Quality Bond Fund | \$ 2,104,250 |
| Cash on hand | 300 |
| Total pooled cash and cash equivalents | \$ 2,104,550 |

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

(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.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

(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 (Appendix B).

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

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

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

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

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

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

The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust. The Florida Municipal Investment Trust (FMIvT) is not a registrant with the Securities and Exchange Commission (SEC) and is not subject to other regulatory oversight; however, the funds have adopted operating procedures consistent with the requirements for a 2a-7 Fund. Oversight is provided by a Board of Trustees consisting of the President (or appointee) and Second Vice President of the Florida League of Cities (FLOC), two appointed representatives from the Florida Municipal Insurance Trust, and three additional appointed members who are elected officials of municipalities (city, town or village) who actively participate in the Trust. In addition, an Investment Advisory Committee comprised of Finance Directors from throughout the state, assists the Administrator with developing and maintaining the investment guidelines and policies of the Trust.

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.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

The Charter School's operating fund in the 1-3 Year High Quality Bond Fund and the sensitivity of the fair values of the School's investments to market interest rate fluctuations as of June 30, 2017 are provided below.

| | <u>Fair Value</u> | <u>Effective Duration (Years)</u> | <u>Weighted Average Maturity</u> | <u>Credit Rating Fitch</u> |
|---------------------------------------|-------------------|---|--|------------------------------------|
| FMIvT 1-3 Year High Quality Bond Fund | \$2,104,250 | 1.38 | 1.50 | AAAf/S2 |

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

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

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

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

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

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

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

FMLvT 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.

The City has the following recurring fair value measurements as of June 30, 2017:

| <u>Investment Type</u> | <u>6/30/2017</u> | <u>Fair Value Measurement Using</u> | | |
|----------------------------------|------------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| FMLvT-1-3 High Quality Bond Fund | \$2,104,250 | \$ - | \$2,104,250 | \$ - |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 3. REVENUES SOURCES

| | |
|--|--------------|
| Florida State University: | |
| Florida education finance program | \$ 3,347,498 |
| Class size reduction | 878,931 |
| District school taxes | 629,196 |
| Public education capital outlay (PECO) | 190,918 |
| ESE guaranteed allocation | 169,506 |
| Summer reading program | 145,017 |
| Supplemental academic instruction | 143,360 |
| Digital classroom allocation | 510,824 |
| Governor's A+ funds | 67,573 |
| Safe schools | 67,577 |
| Instructional materials | 49,188 |
| District discretionary lottery fund | 11,776 |
| Library media materials | 2,817 |
| School lunch supplement | 870 |
| Science lab materials | 770 |
| School breakfast supplement | 396 |
| Total Florida State University | 6,216,217 |
| Other: | |
| Before and after school education program | 204,882 |
| Contributions | 58,896 |
| Food sales | 130,479 |
| Activity fee | 120,793 |
| In-house transportation | 64,554 |
| Rental revenue | 30,431 |
| Interest | 7,002 |
| E-Rate program | 3,984 |
| Other miscellaneous revenue | 17 |
| Total other | 621,038 |
| Total local | 6,837,255 |
| Federal and State grants: | |
| National school lunch program | 99,915 |
| Individuals with disabilities education act (IDEA) | 72,639 |
| NSLP non-cash assistance (commodities) | 22,801 |
| School breakfast program | 14,255 |
| District instructional leadership grant | 6,686 |
| Gardiner scholarship - SAFE grant | 6,757 |
| Total Federal and State grants | 223,053 |
| Total Revenue Sources | \$ 7,060,308 |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

| | Beginning | | | Ending |
|---|------------------|------------------|------------------|------------------|
| | <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> |
| Capital assets, being depreciated: | | | | |
| Equipment | \$250,899 | \$28,628 | \$ (1,329) | \$278,198 |
| Less accumulated depreciation for: | | | | |
| Equipment | <u>(201,868)</u> | <u>(18,647)</u> | <u>1,329</u> | <u>(219,186)</u> |
| Total capital assets being depreciated, net | <u>\$ 49,031</u> | <u>\$ 9,981</u> | <u>\$ -</u> | <u>\$ 59,012</u> |

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

| | | |
|-------------------------------------|--|-----------|
| Governmental activities: | | |
| Operation and maintenance of school | | \$ 18,647 |

NOTE 5. OPERATING LEASES

School Facility Lease

The Charter Elementary School leases its campus from the City for an annual rental fee based on the debt service requirement of the debt issued by the City to construct the Charter Elementary School (see Note 1.d.5.). For the fiscal year ended June 30, 2017, rent expense was approximately \$592,141.

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

Fiscal year ending June 30:

| | |
|--|----------------------|
| 2018 | \$ 948,000 |
| 2019 | 959,000 |
| 2020 | 960,000 |
| 2021 | 959,000 |
| 2022 | 959,000 |
| 2023-2027 | 2,030,000 |
| 2028-2032 | 1,852,000 |
| 2033-2037 | 1,770,000 |
| 2038 | <u>353,000</u> |
| Total approximate minimum future rentals | <u>\$ 10,790,000</u> |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 6. CHANGES IN LONG-TERM LIABILITIES

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-----------------------|------------------------------|-------------------|---------------------|---------------------------|--|
| Net pension liability | \$ 1,453,251 | \$ 600,078 | \$ - | \$ 2,053,329 | \$ - |
| Compensated absences | 125,159 | 121,694 | (120,672) | 126,181 | 104,154 |
| Total | \$ 1,578,410 | \$ 721,772 | \$ (120,672) | \$ 2,179,510 | \$ 104,154 |

NOTE 7. RISK MANAGEMENT

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

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Commitment

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

Contingency

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

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

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

Plan Description

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

Type of Benefit

The Florida Retirement System (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, 2016, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Average Final Compensation (AFC)

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

Vesting

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

Service Retirement

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

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

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, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Funding Policy

The Charter School's required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2017, the contribution rate increased to 7.52% from 7.26% for Regular Class Members and increased from 12.88% to 12.99% for DROP Members. The FSU Charter School is required to contribute both for full-time and part-time members of the Plan, which amounted to \$191,139. As of June 30, 2017, the number of members in this Plan has increased to 78 from 73 members from the previous fiscal year. The contribution rate includes the post-employment health insurance supplement of 1.66% and the administrative/educational fee of 0.06%.

Starting in fiscal year 2012, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$75,333 for fiscal year 2017.

| <u>Fiscal Year</u> | <u>Annual Required Contributions</u> | | <u>Total Employer Contributions</u> | <u>Percentage Contributed</u> | <u>Contribution Rates</u> | |
|--------------------|--------------------------------------|---------|-------------------------------------|-------------------------------|---------------------------|-------------|
| | <u>\$</u> | | | | <u>Regular Class</u> | <u>DROP</u> |
| 2017 | \$ | 191,139 | \$ 191,139 | 100.0% | 7.52% | 12.99% |
| 2016 | | 171,032 | 171,032 | 100.0% | 7.26% | 12.88% |
| 2015 | | 172,795 | 172,795 | 100.0% | 7.37% | 12.28% |
| 2014 | | 164,502 | 164,502 | 100.0% | 6.95% | 12.84% |
| 2013 | | 128,636 | 128,636 | 100.0% | 5.18% | 5.44% |
| 2012 | | 117,857 | 117,857 | 100.0% | 4.91% | 4.42% |
| 2011 | | 247,079 | 247,079 | 100.0% | 10.77% | 12.25% |
| 2010 | | 226,647 | 226,647 | 100.0% | 9.85% | 10.91% |

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, 2016, are shown below (in thousands):

| | <u>FRS</u> | <u>HIS</u> |
|--|----------------------|----------------------|
| Total Pension Liability | \$ 167,030,999 | \$ 11,768,445 |
| Plan Fiduciary Net Position | (141,780,921) | (113,859) |
| Net Pension Liability | <u>\$ 25,250,078</u> | <u>\$ 11,654,586</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 84.88% | 0.97% |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. 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, 2016. 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 FSU Charter Elementary School reported a liability of \$2,053,329 for its proportionate share of the net pension liability. The detail of 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 |
|--------------------------|---|---|--------------------------------------|---|--|---|---|
| 16309 | CITY OF PEMBROKE PINES FSU CHARTER SCHOOL | \$ 125,974 | 0.005166942% | \$ 113,620 | 0.004659122% | \$ 667,380 | \$ 1,176,432 |

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 |
|--------------------------|---|---|--------------------------------------|---|--|---|---|
| 16309 | CITY OF PEMBROKE PINES FSU CHARTER SCHOOL | \$ 29,456 | 0.007705802% | \$ 38,566 | 0.007524053% | \$ 785,871 | \$ 876,897 |

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, 2015 and 2016, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years 2015 and 2016, in addition to contributions from employers the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. 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 7.60%. 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 2.85% 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 2016:

1. FRS: The long-term expected rate of return was decreased from 7.65% to 7.60% and the active member mortality assumption was updated.
2. HIS: The municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

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

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

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016 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, FLORIDA
FLORIDA STATE UNIVERSITY
CHARTER ELEMENTARY SCHOOL**

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

| Asset Class | Target Allocation ¹ | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|--------------------------------|--------------------------|------------------------------------|--------------------|
| Cash | 1% | 3.0% | 3.0% | 1.7% |
| Fixed income | 18% | 4.7% | 4.6% | 4.6% |
| Global equity | 53% | 8.1% | 6.8% | 17.2% |
| Real estate | 10% | 6.4% | 5.8% | 12.0% |
| Private equity | 6% | 11.5% | 7.8% | 30.0% |
| Strategic investments | 12% | 6.1% | 5.6% | 11.1% |
| 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, 2017.

| FRS Net Pension Liability | | |
|----------------------------------|------------------------------|--------------------|
| <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
| 6.60% | 7.60% | 8.60% |
| \$ 2,165,891 | \$ 1,176,432 | \$ 352,838 |

| HIS Net Pension Liability | | |
|----------------------------------|------------------------------|--------------------|
| <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
| 1.85% | 2.85% | 3.85% |
| \$ 1,006,000 | \$ 876,897 | \$ 769,749 |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows/(Inflows) of Resources

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

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2016, was 6.4 years for FRS and 7.2 years for HIS. The pension expense recognized during the year by FSU Charter Elementary School amounted to \$252,241.

The components of deferred outflows and inflows of resources schedules for the fiscal year ended June 30, 2017, are presented below for each plan.

| FRS Pension Plan | | | |
|--|---|--|-------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Total |
| Changes in: | | | |
| Contributions, subsequent to measurement date | \$ 130,971 | \$ - | \$ 130,971 |
| Assumptions/inputs | 71,171 | - | 71,171 |
| Projected/Actual earnings | 304,093 | - | 304,093 |
| Experience expected/actual | 90,077 | (10,953) | 79,124 |
| Change in Proportion, NPL | - | (121,702) | (121,702) |
| | \$ 596,312 | \$ (132,655) | \$ 463,657 |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

| | HIS Program | | Total |
|---|--------------------------------------|-------------------------------------|-------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | |
| Changes in: | | | |
| Contributions, subsequent to measurement date | \$ 41,711 | \$ - | \$ 41,711 |
| Assumptions/inputs | 137,607 | - | 137,607 |
| Projected/Actual earnings | 443 | - | 443 |
| Experience expected/actual | - | (1,997) | (1,997) |
| Change in Proportion, NPL | - | (51,530) | (51,530) |
| | \$ 179,761 | \$ (53,527) | \$ 126,234 |

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, 2018. 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, | FSU Elementary | |
|-------------------------------------|-------------------|------------------|
| | FRS Expense | HIS Expense |
| 2018 | \$ 33,110 | \$ 13,905 |
| 2019 | 33,111 | 13,906 |
| 2020 | 151,665 | 13,821 |
| 2021 | 106,641 | 13,781 |
| 2022 | 6,773 | 14,690 |
| Thereafter | 1,386 | 14,420 |
| Total | \$ 332,686 | \$ 84,523 |

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Defined Contribution Plan

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

In Fiscal Year 2007, employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the International City/County Management Association - Retirement Corporation (ICMA-RC). At June 30, 2017, there were 3 FSU Plan members in this Plan. Effective January 1, 2002, the Charter School's Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Charter School's required contribution is 7.52% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2017, the FSU Charter School's share of contribution to the Plan was \$17,688; there were no employee contributions during the year. Provisions of the Charter School's Plan may be amended by the City Commission. The Charter School's Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net position of the Charter School's Plan is not included in the School's special purpose financial statements.

Required Supplementary Information

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| Revenues: | | | | |
| Local | \$ 6,546,586 | \$ 7,128,967 | \$ 6,837,255 | \$ (291,712) |
| Federal and State grants | <u>206,192</u> | <u>222,513</u> | <u>223,053</u> | <u>540</u> |
| Total revenues | <u>6,752,778</u> | <u>7,351,480</u> | <u>7,060,308</u> | <u>(291,172)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| K-3 basic | 1,878,736 | 2,110,187 | 1,902,310 | 207,877 |
| 4-8 basic | 927,009 | 1,024,499 | 886,148 | 138,351 |
| Exceptional student program | 705,970 | 745,650 | 710,538 | 35,112 |
| Substitute teachers | 46,068 | 46,068 | 49,985 | (3,917) |
| Guidance services | 79,261 | 76,466 | 82,972 | (6,506) |
| Instructional media service | 59,544 | 63,262 | 59,726 | 3,536 |
| Instructional staff training services | 15,500 | 22,186 | 12,278 | 9,908 |
| School administration | 637,168 | 728,251 | 619,541 | 108,710 |
| Facilities acquisition and construction | 615,529 | 615,529 | 592,141 | 23,388 |
| Food services | 265,106 | 269,291 | 248,003 | 21,288 |
| Student transportation services | 256,597 | 244,894 | 241,207 | 3,687 |
| Operation of school | 938,278 | 931,827 | 897,021 | 34,806 |
| Child care supervision | 149,547 | 149,390 | 98,449 | 50,941 |
| Capital outlay | <u>87,557</u> | <u>128,853</u> | <u>28,628</u> | <u>100,225</u> |
| Total expenditures | <u>6,661,870</u> | <u>7,156,353</u> | <u>6,428,947</u> | <u>727,406</u> |
| Net change in fund balance | 90,908 | 195,127 | 631,361 | 436,234 |
| Fund balance, beginning | <u>1,405,372</u> | <u>1,405,372</u> | <u>1,405,372</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 1,496,280</u> | <u>\$ 1,600,499</u> | <u>\$ 2,036,733</u> | <u>\$ 436,234</u> |

See notes to Budgetary Comparison Schedule.

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

NOTE TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2017, there were no encumbrances.
2. The City of Pembroke Pines/Florida State University Charter Elementary School's budget is approved via resolution in a public hearing conducted by the City Commission. The adopted budget is integrated into the accounting software system effective July 1st. The budget establishes the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budget, which prior to July 1st, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budget may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budget includes the supplemental appropriations, which have the effect of adjusting the original adopted budget. There were supplemental appropriations of \$494,483 more than the original expenditure budget and \$598,702 more than the original revenue budget during the fiscal year ended June 30, 2017.

City of Pembroke Pines, Florida
Florida State University
Charter Elementary School
REQUIRED SUPPLEMENTARY INFORMATION
PENSION SCHEDULE

| | 2017 | | 2016 | | 2015 | |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| | <u>FRS</u> | <u>HIS</u> | <u>FRS</u> | <u>HIS</u> | <u>FRS</u> | <u>HIS</u> |
| Florida Retirement System Plan (in thousands): | | | | | | |
| Total pension liability | \$ 167,030,999 | \$ 11,768,445 | \$ 161,370,735 | \$ 10,249,201 | \$ 156,115,763 | \$ 9,443,629 |
| Plan fiduciary net position | (141,780,921) | (113,859) | (148,454,394) | (50,774) | (150,014,292) | (93,385) |
| Net pension liability | <u>\$ 25,250,078</u> | <u>\$ 11,654,586</u> | <u>\$ 12,916,341</u> | <u>\$ 10,198,427</u> | <u>\$ 6,101,471</u> | <u>\$ 9,350,244</u> |
| | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 84.88% | 0.97% | 92.00% | 0.50% | 96.09% | 0.99% |
| | | | | | | |
| Florida State University: | | | | | | |
| Share of net pension liability as a percentage | 0.004659122% | 0.007524053% | 0.005166942% | 0.007705802% | 0.005205347% | 0.007934707% |
| Share of net pension liability as an amount | \$ 1,176,432 | \$ 876,897 | \$ 667,380 | \$ 785,871 | \$ 317,603 | \$ 741,914 |
| | | | | | | |
| Covered-employee payroll | \$ 2,852,151 | \$ 2,852,151 | \$ 2,748,729 | \$ 2,748,729 | \$ 2,800,535 | \$ 2,800,535 |
| | | | | | | |
| Net pension liability as a percentage of covered-employee payroll | 41.25% | 30.75% | 24.28% | 28.59% | 11.34% | 26.49% |

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, 2016, 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 7.60%.
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 2.85%.

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, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

City of Pembroke Pines, Florida
Florida State University
Charter Elementary School
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 191,139 | \$ 171,032 | \$ 172,795 | \$ 164,502 | \$ 128,636 | \$ 117,857 | \$ 247,079 | \$ 226,647 | \$ 234,157 | \$ 188,937 |
| Contributions in relation to the contractually required contribution | (191,139) | (171,032) | (172,795) | (164,502) | (128,636) | (117,857) | (247,079) | (226,647) | (234,157) | (188,937) |
| Contributions deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-employee payroll | \$ 2,852,151 | \$ 2,748,729 | \$ 2,800,535 | \$ 2,826,918 | \$ 2,858,525 | \$ 2,715,212 | \$ 2,810,787 | \$ 2,787,715 | \$ 2,704,529 | \$ 2,160,969 |
| Contributions as a percentage of covered-employee payroll | 6.70% | 6.22% | 6.17% | 5.82% | 4.50% | 4.34% | 8.79% | 8.13% | 8.66% | 8.74% |



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of the governmental activities and major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School"), as of and for the year ended June 30, 2017, and the related notes to the special purpose financial statements, which collectively comprise the School's special purpose financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

GLSC & Company, PLLC

Miami, Florida
December 28, 2017





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

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

Report on the Special Purpose Financial Statements

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines/Florida State University Charter Elementary School (the "School") (a special revenue fund of the City of Pembroke Pines), as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 28, 2017.

Auditors' Responsibility

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the special purpose Financial Statements Performed in Accordance with *Government Auditing Standards*, disclosures in that report, which is dated December 28, 2017, 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/ Florida State University Charter Elementary School, special revenue fund 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 School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

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

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the special purpose 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, Florida State University, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

GLSC & Company, PLLC

Miami, Florida
December 28, 2017

