

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

SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(With Independent Auditors' Reports Thereon)

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Special Purpose Financial Statements

We have audited the accompanying special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board (special revenue funds of the City of Pembroke Pines, Florida), as of and for the year ended June 30, 2018, and the related notes to the special purpose financial statements, which collectively comprise the Schools' special purpose financial statements as listed in the table of contents.

Management's Responsibility for the Special Purpose Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matters

As discussed in note 1.a, the special purpose financial statements of the City of Pembroke Pines, Florida Charter Schools, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and fund information of the City of Pembroke Pines, Florida that is attributable to the transactions of the Schools. They do not purport to, and do not, present fairly the financial position of the City of Pembroke Pines, Florida, as of June 30, 2018, 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.

As described in Note 12 to the special purpose financial statements, the Schools adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. The beginning net position and other balances of the governmental activities of the Schools have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, pension schedules and OPEB Schedules on pages 4-11, 53-56, 57-60 and 61-62 be presented to supplement the basic special purpose financial statements. Such information, although not a part of the basic special purpose financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic special purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic special purpose financial statements, and other knowledge we obtained during our audit of the basic special purpose financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.

GLSC & Company, PLLC

Miami, Florida
December 20, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pembroke Pines Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board, we offer readers of the Schools' special purpose financial statements this narrative overview and analysis of the financial activities of the Schools for the twelve-month period ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Schools' special purpose financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of the Schools as reported in the government-wide financial statements exceeded their assets and deferred outflows of resources at the close of the current fiscal year by (\$7,968,068) (*net position*) which decreased by \$676,763 from prior year.
- As of the close of the current fiscal year, the Schools' governmental funds' financial statements reported combined ending fund balances of \$1,805,588 or 4.0% of total expenditures. This represents a decrease of \$4,563 (-0.3%) from prior year. The entire fund balance is assigned for rent payments.

Overview of the Special Purpose Financial Statements

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

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

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

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

The Schools' *government-wide financial statements* distinguish the functions of the Schools as being principally supported by local revenues (FTE dollars through the Broward County School Board) (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The Charter Schools have no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

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

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

Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* in the government-wide financial statements. The Charter Schools maintain three funds (governmental funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The Charter Schools adopt an annual appropriated budget. Budgetary comparison schedules and notes have been provided to demonstrate compliance with these budgets. The governmental funds financial statements can be found on pages 14-16 of this report.

Notes to special purpose financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to special purpose financial statements can be found on pages 17-52 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 11, the budgetary comparison schedules, the notes to budgetary comparison schedules, pension schedules, schedule of contributions, schedule of changes in the net OPEB liability and related ratios and schedule of employer contributions which can be found on pages 53 through 62 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 63-64.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 65-66.

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, 2018, the Schools' total net position decreased by \$676,763 when compared to prior year.

As of June 30, 2018, net investment in capital assets (e.g., improvements other than buildings and equipment) amounted to \$2,336,394. The Charter Schools do not have any related debt outstanding that was used to acquire these assets. These assets are not available for future spending.

CONDENSED STATEMENT OF NET POSITION

	Governmental		Increase/ (Decrease)
	Activities		
	<u>2018</u>	<u>2017 (1)</u>	
Current assets	\$ 2,615,055	\$ 2,957,102	\$ (342,047)
Capital assets, net of depreciation	<u>2,336,394</u>	<u>2,298,733</u>	<u>37,661</u>
Total assets	<u>4,951,449</u>	<u>5,255,835</u>	<u>(304,386)</u>
 Total deferred outflows of resources	<u>7,060,173</u>	<u>5,664,315</u>	<u>1,395,858</u>
Current liabilities	809,467	1,146,951	(337,484)
Noncurrent liabilities	<u>17,336,471</u>	<u>15,669,340</u>	<u>1,667,131</u>
Total liabilities	<u>18,145,938</u>	<u>16,816,291</u>	<u>1,329,647</u>
 Total deferred inflows of resources	<u>1,833,752</u>	<u>1,395,164</u>	<u>438,588</u>
Net position:			
Net investment in capital assets	2,336,394	2,298,733	37,661
Unrestricted	<u>(10,304,462)</u>	<u>(9,590,038)</u>	<u>(714,424)</u>
Total net position	<u>\$ (7,968,068)</u>	<u>\$ (7,291,305)</u>	<u>\$ (676,763)</u>

(1) For fiscal year 2017, deferred outflows of resources, net OPEB liability, and unrestricted net position of the governmental activities have been restated due to the adoption of GASB Statement No. 75. See Note 12.

Total assets decreased by \$304,386 (-5.8%) mainly as a result of \$342,047 decrease in current assets. The \$342,047 (-11.6%) decrease in current assets is mainly due to the decrease of \$124,185 in pooled cash and cash equivalents for the Charter High School, \$64,335 in pooled cash and cash equivalents for the Charter Middle Schools, and \$144,641 decrease in other miscellaneous receivables for the Charter High School.

Due to the implementation of GASB Statement No. 75, the Schools made a prior year adjustment to deferred outflows of resources – contribution related to Other Post-employment Benefit plan (“OPEB”). The increase of \$1,395,858 (24.6%) is mainly attributed to additional deferred outflows of resources other than contribution. (See Note 11).

Total liabilities increased by \$1,329,647 (7.9%) mainly as a result of \$1,537,216 increase in net pension liability and \$70,150 increase in net OPEB liability which is offset by a \$295,940 decrease in accrued liabilities. Net investment in capital assets increased by \$37,661 (1.6%) and unrestricted net position decreased by \$714,424 (-7.5%) from prior year.

Governmental activities. The Schools' total net position at the end of the year amounted to (\$7,968,068), a decrease of \$676,763 (-9.3%) from the previous fiscal year. The total cost of all governmental activities this year was \$46,165,347. Key elements of these changes in net position are as follows:

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Increase/ <u>(Decrease)</u>
	<u>2018</u>	<u>2017</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 3,344,816	\$ 4,125,908	\$ (781,092)
Operating grants and contributions	2,246,919	2,078,913	168,006
General revenues:			
FTE non-specific revenues	38,677,847	36,166,333	2,511,514
Unrestricted investment earnings	46,568	4,418	42,150
Rental income	1,003,639	937,743	65,896
E-rate program	16,302	23,585	(7,283)
ConEd energy tax deduction	148,369	-	148,369
ICMA forfeiture revenue	4,124	19,603	(15,479)
Total revenues	<u>45,488,584</u>	<u>43,356,503</u>	<u>2,132,081</u>
Expenses:			
Instructional services	24,617,146	23,587,640	1,029,506
Rent	5,266,892	5,516,886	(249,994)
Instructional support services	1,859,126	1,781,553	77,573
Food services	2,105,925	2,149,197	(43,272)
Student transportation services	1,879,293	1,799,212	80,081
Operation and maintenance of school	5,442,048	5,264,410	177,638
School administration	4,253,621	3,962,841	290,780
Other	741,296	696,066	45,230
Total expenses	<u>46,165,347</u>	<u>44,757,805</u>	<u>1,407,542</u>
Change in net position	(676,763)	(1,401,302)	724,539
Net position, beginning (1)	(7,291,305)	(5,652,376)	(1,638,929)
Prior Period Adjustment	-	(237,627)	237,627
Net position - ending	<u>\$ (7,968,068)</u>	<u>\$ (7,291,305)</u>	<u>\$ (676,763)</u>

(1) For fiscal year 2017, the Schools made a prior period adjustment due to the adoption of GASB Statement No. 75, which requires the restatement of the June 30, 2017, net position of the Governmental Activities. See Note 12.

The Schools' total revenues increased by \$2,132,081 (4.9%) during the year. The \$2,132,081 increase is mainly due to a \$2,511,514 (6.9%) increase in FTE non-specific revenues which is offset by \$781,092 (-18.9%) decrease in charges for services.

The \$2,511,514 increase in FTE non-specific revenues is mainly due to \$1,468,849 in Local Capital Improvement Revenue that was not received in prior year and an increase of \$448,189, \$299,482, and \$205,821 in Florida education finance program, Best and Brightest Scholarship, and district school taxes, respectively. The \$781,092 decrease in charges for services is mainly due to a \$521,094 decrease in public education capital outlay and a \$312,620 decrease in food sales, which are offset by a \$91,824 increase in before and after school education.

Total expenses before transfers increased by \$1,407,542 (3.1%) from prior year. This increase was mainly due to an increase in personnel costs including benefits of approximately \$1,169,955 (4.3%).

The \$1,169,955 increase in personnel costs including benefits is mainly attributed to the increase of approximately \$456,942 (2.3%) in salaries, \$636,716 (33.8%) in pension expense, and \$47,017 (100.0%) in OPEB expense.

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

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

Budgetary Highlights

For the fiscal year ended June 30, 2018, the Schools had final estimated revenues and appropriations of \$44,959,020 and \$45,566,689, respectively, excluding other financing sources.

Over the course of the year, the Schools made several revisions to budgeted revenues and appropriations.

These amendments may fall into one or more of the following categories:

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

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

Several amendments were made to increase budgeted revenues totaling \$500,963. This was mainly due to an increase of \$191,938 in revenues provided by the State for Governor's A+ funds and an increase of \$440,937 in revenues provided by Local Capital Improvements Revenues.

Amendments were made decreasing the expenditure budget in the amount of \$296,475. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$491,557, which was offset by an increase of \$191,938 in Governor's A+ expenditures.

After appropriations were amended, as described above, actual revenues were under the budgeted revenues by \$106,013, and overall actual expenditures were below final budgeted amounts by \$462 before transfers.

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

Several amendments were made to increase the budgeted revenues totaling \$246,893. This was mainly due to an increase of \$130,154 in revenues provided by the State for Governor's A+ funds, and an increase of \$69,600 in Best and Brightest Scholarships.

Amendments were made decreasing the expenditure budget in the amount of \$36,150. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$336,189, which was offset by an increase of \$301,201 in Local Capital Improvements expenditures.

After appropriations were amended, as described above, actual revenues were above the budgeted revenues by \$15,258, and actual expenditures were below final budgeted amounts by \$237 before transfers.

The Charter High School made the following amendments to budget:

Several amendments were made to increase the budgeted revenues totaling \$513,278. This was mainly due to an increase of \$460,834 in revenues provided by the Local Capital Improvements Revenues.

Amendments were made decreasing the expenditure budget in the amount of \$25,305. These adjustments were made mainly to decrease the budget for the annual true-up adjustment for health, life and workers' compensation insurance in the amount of \$480,282, which was offset by an increase of \$460,834 in Local Capital Improvements expenditures.

After appropriations were amended, as described above, actual revenues were above the budgeted revenues by \$129,017, and actual expenditures were below final budgeted amounts by \$72,844 before transfers.

Capital Assets

The Schools' investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$2,336,394, net of accumulated depreciation. This investment in capital assets includes improvements other than buildings and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Increase/ (Decrease)
	<u>2018</u>	<u>2017</u>	
Improvements other than buildings	\$1,794,636	\$ 1,729,428	\$ 65,208
Equipment	<u>541,758</u>	<u>569,305</u>	<u>(27,547)</u>
Total capital assets	<u>\$2,336,394</u>	<u>\$ 2,298,733</u>	<u>\$ 37,661</u>

In fiscal year 2018, total capital purchases amounted to approximately \$277,066. Of this amount, approximately \$137,044 was spent to purchase equipment to support the schools.

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

Economic Factors and Next Year's Budgets and Rates

- Capital outlay funding from the State is expected to increase by 35% for FY 2018-19. The State is funding this revenue at an estimated 54% of the total maximum allocation.
- For fiscal year 2018-19, the Base Student Allocation (BSA) used to calculate the Florida Education Finance Program (FEFP) revenues increased by \$0.47 to \$4,204 in fiscal year 2018-19 as per Florida State Legislature SB2500 FEFFP Conference Report dated March 8th, 2018.
- The State determined annual employer contribution to the Florida Retirement System will increase to 8.26% for fiscal year 2018-19 from 7.92% for fiscal year 2017-18.
- The Schools' student attendance rate remains stable at 96.8%.
- The Schools' enrollment is at 100%.
- The Florida State Legislature passed legislative bill HB7069 which provided funding provisions to all charter schools based on full-time equivalent (FTE) population and other factors. As such, HB7069 will generate an approximate \$1.47 million in additional capital revenues to the Pembroke Pines Charter Schools System.
- The Schools have estimated revenues and appropriations in the fiscal year 2018-19 budgets of \$47,018,076.

Requests for Information

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 2,502,846
Due from Broward County	87,435
Due from Federal Government	15,883
Other miscellaneous receivables	8,891
Capital assets being depreciated, net	<u>2,336,394</u>
Total assets	<u>4,951,449</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pension	6,914,651
Deferred outflows related to OPEB	<u>145,522</u>
Total deferred outflows of resources	<u>7,060,173</u>
<u>LIABILITIES</u>	
Accrued liabilities	70,929
Unearned revenue	44,597
Deposits	693,941
Noncurrent liabilities:	
Due within one year	690,568
Due in more than one year	<u>16,645,903</u>
Total liabilities	<u>18,145,938</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pension	1,823,792
Deferred inflows related to OPEB	<u>9,960</u>
Total deferred inflows of resources	<u>1,833,752</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,336,394
Unrestricted	<u>(10,304,462)</u>
Total net position	<u>\$ (7,968,068)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
Governmental activities:				
Instructional services	\$ 24,617,146	\$ -	\$ 11,862	\$ (24,605,284)
Rent	5,266,892	962,453	-	(4,304,439)
Instructional support services	1,859,126	-	-	(1,859,126)
Food services	2,105,925	1,129,310	1,210,677	234,062
Student transportation services	1,879,293	365,115	-	(1,514,178)
Operation and maintenance of school	5,442,048	-	533,079	(4,908,969)
School administration	4,253,621	-	-	(4,253,621)
Other	741,296	887,938	491,301	637,943
Total Charter Schools	<u>\$ 46,165,347</u>	<u>\$ 3,344,816</u>	<u>\$ 2,246,919</u>	<u>(40,573,612)</u>
General revenues:				
FTE non-specific revenues				38,677,847
Unrestricted investment earnings				46,568
Rental income				1,003,639
E-rate program				16,302
ConEd Energy tax deduction				148,369
ICMA revenue				4,124
Total general revenues				<u>39,896,849</u>
Change in net position				(676,763)
Net position, beginning, as restated (see NOTE 13)				<u>(7,291,305)</u>
Net position, ending				<u>\$ (7,968,068)</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>ASSETS</u>				
Pooled cash and cash equivalents	\$ 1,884,582	\$ 115,794	\$ 502,470	\$ 2,502,846
Due from Broward County	28,687	19,481	39,267	87,435
Due from Federal Government	8,743	5,314	1,826	15,883
Other miscellaneous receivables	8,891	-	-	8,891
Total assets	<u>\$ 1,930,903</u>	<u>\$ 140,589</u>	<u>\$ 543,563</u>	<u>\$ 2,615,055</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	\$ 13,104	\$ 21,881	\$ 35,944	\$ 70,929
Unearned revenue	17,897	10,730	15,970	44,597
Deposits	<u>157,173</u>	<u>106,231</u>	<u>430,537</u>	<u>693,941</u>
Total liabilities	<u>188,174</u>	<u>138,842</u>	<u>482,451</u>	<u>809,467</u>
Fund balances:				
Assigned for rent payments	<u>1,742,729</u>	<u>1,747</u>	<u>61,112</u>	<u>1,805,588</u>
Total fund balances	<u>1,742,729</u>	<u>1,747</u>	<u>61,112</u>	<u>1,805,588</u>
Total liabilities and fund balances	<u>\$ 1,930,903</u>	<u>\$ 140,589</u>	<u>\$ 543,563</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 2,336,394

Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (857,407)

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

Deferred outflows of resources	7,060,173
Deferred inflows of resources	(1,833,752)

Long-term liabilities, such as net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as a liability in the funds. (16,479,064)

Net position of governmental activities (page 12) \$ (7,968,068)

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2018

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Revenues:				
Local	\$ 16,708,768	\$ 10,112,883	\$ 16,953,092	\$ 43,774,743
Federal and State grants	<u>494,292</u>	<u>333,094</u>	<u>395,153</u>	<u>1,222,539</u>
Total revenues	<u>17,203,060</u>	<u>10,445,977</u>	<u>17,348,245</u>	<u>44,997,282</u>
Expenditures:				
Current:				
K-3 Basic	5,461,665	-	-	5,461,665
4-8 Basic	2,696,756	5,840,546	1,173,535	9,710,837
9-12 Basic	-	-	6,721,615	6,721,615
Intensive English/ESOL	-	172	-	172
Exceptional student program	762,965	590,968	316,985	1,670,918
Vocational 6-12	-	-	133,463	133,463
Substitute teachers	162,867	119,051	86,635	368,553
School/other	-	-	25,137	25,137
Guidance services	248,899	213,473	506,374	968,746
Instructional media services	285,601	271,803	134,986	692,390
ESE specialist	-	-	86,866	86,866
Instructional staff training service	24,419	28,238	15,205	67,862
School administration	1,673,340	1,220,411	1,227,519	4,121,270
Food services	761,339	599,124	745,462	2,105,925
Student transportation services	700,057	474,689	704,547	1,879,293
Operation of school	2,927,632	2,314,114	5,231,220	10,472,966
Child care supervision	383,559	-	7,497	391,056
Athletics	-	26,088	311,258	337,346
Capital outlay	<u>97,195</u>	<u>88,873</u>	<u>90,998</u>	<u>277,066</u>
Total expenditures	<u>16,186,294</u>	<u>11,787,550</u>	<u>17,519,302</u>	<u>45,493,146</u>
Excess (Deficit) of revenues over (under) expenditures	<u>1,016,766</u>	<u>(1,341,573)</u>	<u>(171,057)</u>	<u>(495,864)</u>
Other financing sources (uses):				
Transfers in	-	1,341,301	75,000	1,416,301
Transfers out	<u>(925,000)</u>	<u>-</u>	<u>-</u>	<u>(925,000)</u>
Total other financing sources (uses)	<u>(925,000)</u>	<u>1,341,301</u>	<u>75,000</u>	<u>491,301</u>
Net change in fund balances	91,766	(272)	(96,057)	(4,563)
Fund balances, beginning	<u>1,650,963</u>	<u>2,019</u>	<u>157,169</u>	<u>1,810,151</u>
Fund balances, ending	<u>\$ 1,742,729</u>	<u>\$ 1,747</u>	<u>\$ 61,112</u>	<u>\$ 1,805,588</u>

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds (Page 15) \$ (4,563)

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

The detail of the difference is as follows:

Capital outlay	\$ 277,066	
Depreciation expense	<u>(232,373)</u>	
Net adjustment		44,693

The net effect of various miscellaneous transactions involving capital assets (7,032)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The details of the difference are as follows:

Compensated absences	(59,765)	
Pension contributions	1,277,510	
OPEB contributions	50,053	
Cost of benefits earned, net of employee contributions	<u>(1,977,659)</u>	

Change in net position of governmental activities (page 13) \$ (676,763)

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 2, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses; the City of Pembroke Pines Charter Middle School, consisting of two campuses; and the City of Pembroke Pines Charter High School, consisting of one campus. The three schools will be referred to collectively as the Schools in these special purpose financial statements. The City of Pembroke Pines, Florida (the "City") is a municipal corporation operating charter schools organized pursuant to Section 1002.33 of the Florida Statutes. The City of Pembroke Pines Charter Elementary Schools' first school year commenced in August 1998; the City of Pembroke Pines Charter Middle Schools' first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission comprising five voting members which consist of the City of Pembroke Pines Mayor, Vice Mayor, and three Commissioners. The Pembroke Pines City Manager also serves as the Superintendent of the Charter Schools.

The Schools operate under a charter of the sponsoring school district, the Broward County School Board (the "District"). The Elementary Schools' charter agreement was approved by the District on August 18, 1998 and was effective until June 30, 2014. The Middle Schools' charter agreement was approved by the District on June 15, 1999 and was effective until June 30, 2014. The High School's charter was approved by the City Commission on April 04, 2000 and was effective until June 30, 2015. The Elementary, Middle and High Schools' charter agreements were renewed from July 1, 2014 to June 30, 2029. All three charters may be renewed pursuant to Section 1002.33(7)(b)(1), Florida Statutes, for such duration as may be established by mutual written agreement of the parties. At the end of the term of the charters, the District may choose not to renew the charters under grounds specified in the charter in which case the District is required to notify the Schools in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33, Florida Statutes, the charter school contract provides that in the event the Schools are dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the Broward County School Board. During the term of the charter, the District may also terminate the charter if good cause is shown.

The Schools are accounted for as special revenue funds of the City. The special purpose financial statements contained herein present only the operations of the Schools, and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2018, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Reporting Entity (Continued)

On February 1, 2003 the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 674 students for the 2017-18 school year. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own special purpose financial statements.

b. Government-Wide and Fund Financial Statements

The Schools' government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Schools. For the most part, the effect of interfund activity has been removed from these statements. Full-time equivalent (FTE) dollars and intergovernmental revenues support *governmental activities*.

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

Major individual governmental funds are reported as separate columns in the fund financial statements. The Schools' special purpose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

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

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Schools report the following major funds:

Charter Elementary Schools – The Elementary Schools consist of an East, West and Central campus, serving 1,889 student stations for the 2017-18 school year.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,288 student stations for the 2017-18 school year.

Charter High School – The Charter High School, located at the Academic Village site, serving 2,048 student stations for the 2017-18 school year.

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Deposits & Investments

The Schools consider all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Schools maintain their cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include deposits held with the State Board of Administration (SBA) Investment Pool.

2. Receivables

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

3. Inventories

Inventories consist of expendable food commodities and are valued on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the Schools' food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used rather than purchased. The Schools have no inventories at June 30, 2018.

4. Capital Assets

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

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

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets (Continued)

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

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

5. Compensated Absences

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

6. Long-Term Obligations

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Long-Term Obligations (Continued)

The City borrowed \$10,000,000 from a bank in December 1997 of which approximately \$8,000,000 was used to finance the acquisition of land and construction of the Elementary Schools. In 1998, the City issued Public Improvement Revenue Bonds, Series 1998 for \$24,055,000 of which approximately \$12,500,000 was used to finance the construction of the Middle School, and the purchase and development of the site for the City's Charter High School. During 1999, the City issued Capital Improvement Revenue Bonds, Series 1999 for \$45,240,000 of which approximately \$31,000,000 was used to finance the construction of the City of Pembroke Pines Charter High School and further expansion of the Schools. During 2001, the City issued Charter School Revenue Bonds, Series 2001A and 2001B for \$31,910,000 and \$20,060,000, respectively, which were used to finance the construction of the City of Pembroke Pines Charter Central Campus and the shared-use facility located at the Academic Village Charter High School Campus.

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

On March 25, 2008, the City advance refunded the Charter School Revenue Bonds, Series 2001A and 2001B, and constructed thirty-eight (38) additional classrooms for the City of Pembroke Pines Charter Schools and twelve (12) new classrooms for the City of Pembroke Pines/Florida State University Charter Elementary School by issuing the Charter School Revenue Bonds, Series 2008 for \$64,095,000. This was done to comply with the State's Class Size Amendment. The Amendment allows for no more than 18 students in Kindergarten through Third grade classrooms and 22 students in each Fourth through Fifth grade classroom. On May 17, 2011, the City remarketed the Series 2008 Bonds to Wells Fargo and obtained a variable rate of SIFMA rate plus 0.89% for a three year term. On May 29, 2014, the City remarketed the Series 2008 Bonds to PNC Bank, National Association (the "Bank") and obtained a variable rate of SIFMA rate plus 0.59% for a four year term, which resulted in rent savings of approximately \$139,000 annually for all the Charter Schools, including the FSU Charter School.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Long-Term Obligations (Continued)

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

7. Net Position/Fund Balance

Government-wide Financial Statements

Net position is classified in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation. The Schools have no restricted assets as of June 30, 2018.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Net Position/Fund Balance (Continued)

Fund Financial Statements

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

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

8. Revenue Sources

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

9. Use of Estimates

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Pensions

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

11. Deferred outflows and deferred inflows of resources

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

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS

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

As of June 30, 2018, the Schools' pooled cash and cash equivalents are summarized as follows:

<u>Description</u>	<u>Carrying Amount</u>
State Board of Administration	\$2,500,970
Cash on hand	<u>1,876</u>
Total pooled cash and cash equivalents	<u>\$2,502,846</u>

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

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

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

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

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

(g) State or local government taxable and tax exempt debt, general obligation and/or revenue bonds rated at least "A3" by Moody's or "A-" by Standard & Poor's for long-term debt or rated at least MIG-2 by Moody's or SP-2 Standard & Poor's for short-term debt.

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

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

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

(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.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

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

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

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

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

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

Interest Rate Risk: Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair market value of an investment. The School limits its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the investment portfolio.

The Schools’ operating fund in the State Board of Administration and the sensitivity of the fair values of the Schools’ investments to market interest rate fluctuations as of June 30, 2018 are provided below.

	<u>Fair Value</u>	<u>Weighted Average Life</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating S&P</u>
SBA (the Florida PRIME)	\$2,500,970	76 days	30 days	AAAm

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 2. DEPOSITS & INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Schools utilize portfolio diversification and credit quality rating in order to control this risk. The Florida PRIME is rated by Standard and Poor's.

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

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.

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

As of June 30, 2018, the Charter School had \$2,500,970 invested in the Florida PRIME. The investment of the Florida PRIME are not restricted as to deposits or withdrawals. Florida PRIME currently meets all the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures, and the account balance should also be considered the fair value of the investment.

The City has the following recurring fair value measurements as of June 30, 2018:

<u>Investment Type</u>	
<u>Investments Measured at the Net Asset Value (NAV)</u>	
State Board of Administration – Florida PRIME	\$2,500,970

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 3. REVENUE SOURCES

	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>High School</u>	<u>Total</u>
Broward County School Board:				
Florida education finance program	\$ 8,937,566	\$ 5,655,275	\$ 9,622,299	\$24,215,140
Class size reduction	2,519,566	1,210,401	1,904,533	5,634,500
Public education capital outlay (PECO)	350,767	238,008	373,678	962,453
District school taxes	978,822	619,353	1,053,776	2,651,951
Supplemental academic instruction	389,723	264,864	415,769	1,070,356
Digital classroom allocation	33,616	22,845	35,862	92,323
Transportation revenue	155,807	254,048	488,251	898,106
ESE guaranteed allocation	367,710	289,124	340,126	996,960
Governor's A+ funds	191,938	130,154	204,763	526,855
Instructional materials	133,462	90,702	157,329	381,493
Safe schools program	42,527	28,902	45,369	116,798
Discretionary lottery funds	3,520	2,229	3,804	9,553
Best & brightest scholarship	115,200	69,600	162,400	347,200
Summer reading program	84,686	53,586	91,174	229,446
Local capital improvement revenue	535,323	363,238	570,288	1,468,849
Library media materials	8,133	5,527	8,677	22,337
School lunch supplement	2,468	1,686	2,579	6,733
Science lab materials	2,223	1,511	2,372	6,106
School breakfast supplement	1,151	786	1,203	3,140
Total Broward County School Board	14,854,208	9,301,839	15,484,252	39,640,299
Other:				
Rental revenue	169,927	210,981	622,731	1,003,639
Food sales	337,154	328,681	463,475	1,129,310
Contributions	195,812	110,703	226,564	533,079
Before and after school education program	873,311	-	14,627	887,938
In-house transportation	173,909	123,639	67,567	365,115
Interest	40,673	(6,474)	12,369	46,568
ICMA forfeiture revenue	522	3,602	-	4,124
E-rate program	7,858	5,238	3,206	16,302
ConEd energy tax deduction	55,394	34,674	58,301	148,369
Total other	1,854,560	811,044	1,468,840	4,134,444
Total local	16,708,768	10,112,883	16,953,092	43,774,743
Federal and State grants:				
National school lunch program	372,071	267,059	302,050	941,180
NSLP non-cash assistance (commodities)	54,872	37,483	57,348	149,703
School breakfast program	64,531	25,858	29,405	119,794
Individuals with disabilities education act (IDEA)	2,818	2,694	6,350	11,862
Total Federal and State grants	494,292	333,094	395,153	1,222,539
Total Revenues Sources	\$17,203,060	\$10,445,977	\$17,348,245	\$44,997,282

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,672,926	\$ 140,022	\$ -	\$ 2,812,948
Equipment	2,806,661	137,044	(96,005)	2,847,700
Total capital assets being depreciated	<u>5,479,587</u>	<u>277,066</u>	<u>(96,005)</u>	<u>5,660,648</u>
Less accumulated depreciation for:				
Improvements other than buildings	(943,498)	(74,814)	-	(1,018,312)
Equipment	<u>(2,237,356)</u>	<u>(157,559)</u>	<u>88,973</u>	<u>(2,305,942)</u>
Total accumulated depreciation	<u>(3,180,854)</u>	<u>(232,373)</u>	<u>88,973</u>	<u>(3,324,254)</u>
Total capital assets being depreciated, net	<u>\$ 2,298,733</u>	<u>\$ 44,693</u>	<u>\$ (7,032)</u>	<u>\$ 2,336,394</u>

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

Governmental activities:	
Operation of school	\$ 232,373

NOTE 5. RECEIVABLES

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
<u>Receivables</u>				
Due from Broward County	\$ 28,687	\$ 19,481	\$ 39,267	\$ 87,435
Due from Federal Government	8,743	5,314	1,826	15,883
Other miscellaneous receivables	<u>8,891</u>	<u>-</u>	<u>-</u>	<u>8,891</u>
Total receivables	<u>\$ 46,321</u>	<u>\$ 24,795</u>	<u>\$ 41,093</u>	<u>\$ 112,209</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 6. INTERFUND TRANSFERS

	Transfers out:			
Transfers in:	Charter Elementary Schools	City of Pembroke Pines	Total	Purpose
Charter Middle Schools	\$ 850,000	\$ 491,301	\$1,341,301	Supplement current year operations and transfer gain of Early Development Centers
Charter High School	75,000	-	75,000	
Total	\$ 925,000	\$ 491,301	\$1,416,301	

NOTE 7. OPERATING LEASES

Communications Facility Lease

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

In August 2015, the City leased an additional parcel for the use of communications facilities. The agreement has a term of ten (10) years with one five-year renewal periods upon mutual consent and written agreement by the parties. Rental payment of \$35,000 is due annually on August 1, and increase at a rate of three percent compounded annually.

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

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

Fiscal year ending June 30:

2019	\$ 255,293
2020	259,119
2021	263,060
2022	267,119
2023	43,046
2024-2025	90,004
Total approximate future minimum rentals	\$ 1,177,641

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES (Continued)

Schools' Facility Leases

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

For the fiscal year ended June 30, 2018, rent expense was approximately \$1,223,000, \$1,159,000 and \$2,885,000 for the Elementary, Middle and High Schools, respectively.

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

Fiscal year ending June 30:

2019	\$ 6,448,000
2020	6,447,000
2021	6,445,000
2022	6,433,000
2023	7,482,000
2024-2028	28,712,000
2029-2033	30,371,000
2034-2038	<u>28,008,000</u>
Total approximate minimum future rentals	<u>\$ 120,346,000</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 8. 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	\$ 14,571,695	\$ 1,880,010	\$ (342,794)	\$ 16,108,911	\$ -
Net OPEB liability (1)	300,003	70,150	-	370,153	-
Compensated absences	797,642	800,468	(740,703)	857,407	690,568
Total	<u>\$ 15,669,340</u>	<u>\$ 2,750,628</u>	<u>\$ (1,083,497)</u>	<u>\$ 17,336,471</u>	<u>\$ 690,568</u>

(1) Beginning balance has been restated due to the adoption of GASB Statement No. 75

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CONTINGENCY

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

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

Plan Description

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

Type of Benefit

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

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 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. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Average Final Compensation (AFC)

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

Vesting

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

Service Retirement

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

Description: Normal Retirement Requirements for Regular Class members initially enrolled before July 1, 2011.	Service retirement: Vested with six years of service and age 62; or the age after completing six years of service if after age 62; 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 completing eight years of service if after age 65; or 33 years 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 CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Funding Policy

The Schools' required contribution rate is established, and may be amended, by State Statute. For the fiscal year ended June 30, 2018, the contribution rate remained the same as last fiscal year at 7.52% for Regular Class Members and 12.99% for DROP Members. The Schools are required to contribute both for full-time and part-time members of the Plan, which amounted to \$1,413,716. As of June 30, 2018, there were 428 members in this Plan. The contribution rate includes the post-employment health insurance supplement of 1.66% and the administrative/educational fee of 0.06%.

Starting in fiscal year 2012, the State mandated that employees contribute 3% of pay to the FRS Pension Plan. This required employee contribution amounted to \$528,155 for fiscal year 2018.

<u>Fiscal Year</u>	<u>Annual Required Contributions</u>	<u>Total Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Contribution Rates</u>	
				<u>Regular Class</u>	<u>DROP</u>
2018	\$ 1,413,716	\$ 1,413,716	100.0%	7.52%	12.99%
2017	1,311,513	1,311,513	100.0%	7.52%	12.99%
2016	1,191,296	1,191,296	100.0%	7.26%	12.88%
2015	1,202,083	1,202,083	100.0%	7.37%	12.28%
2014	1,157,206	1,157,206	100.0%	6.95%	12.84%
2013	884,548	884,548	100.0%	5.18%	5.44%
2012	812,317	812,317	100.0%	4.91%	4.42%
2011	1,761,326	1,761,326	100.0%	10.77%	12.25%
2010	1,563,168	1,563,168	100.0%	9.85%	10.91%

Net Pension Liabilities

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2017, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total Pension Liability	\$ 183,632,592	\$ 10,870,772
Plan Fiduciary Net Position	(154,053,263)	(178,311)
Net Pension Liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	1.64%

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations as of July 1, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The Schools reported a liability of \$16,108,911 for their proportionate share of the net pension liability. The detail of the proportionate share of each School are as follow:

FRS Pension Plan:

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	320,375	0.013137343%	353,465	0.013577866%	3,317,189	4,016,242
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	211,851	0.008687191%	238,650	0.009167388%	2,193,523	2,711,652
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	279,275	0.011451996%	312,825	0.012016723%	2,891,638	3,554,466

FRS Retiree Health Insurance Subsidy (HIS) Program:

Employer / Agency Number	Employer / Agency Name	Employer Contribution for Pension Plan Funding for Prior Period	Proportion at Prior Measurement Date	Employer Contribution for Pension Plan Funding for Current Period	Proportion at Current Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Prior Measurement Date	Employer Proportionate Share of Net Pension Liability/(Asset) at Measurement Date
16310	CITY OF PEMBROKE PINES CHARTER ELEMENTARY SCHOOL	108,786	0.021223884%	112,860	0.021325349%	2,473,556	2,280,204
16311	CITY OF PEMBROKE PINES CHARTER MIDDLE SCHOOL	69,896	0.013636514%	75,171	0.014203866%	1,589,279	1,518,743
16312	CITY OF PEMBROKE PINES CHARTER HIGH SCHOOL	92,643	0.018074525%	100,357	0.018962929%	2,106,511	2,027,604

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 ended June 30, 2013 through June 30, 2017, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years June 30, 2015 through June 30, 2017, in addition to contributions from employers the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

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

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

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 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 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% 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 2017:

1. FRS: The long-term expected rate of return was decreased from 7.60% to 7.10% and the active member mortality assumption was updated.
2. HIS: The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable municipal bond index.

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

Long-Term Expected Rate of Return

The long-term expected rate of return assumption of 7.10 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.50 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as most recently adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.10 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.10 percent reported investment return assumption differs from the 7.50 percent investment return assumption chosen by the 2017 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of the actuarial assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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 CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
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, 2018.

FRS Net Pension Liability			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
Elementary	\$ 7,269,155	\$ 4,016,242	\$ 1,315,578
Middle	4,907,926	2,711,652	888,241
High	6,433,369	3,554,466	1,164,317

HIS Net Pension Liability			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.58%	3.58%	4.58%
Elementary	\$ 2,602,015	\$ 2,280,204	\$ 2,012,154
Middle	1,733,087	1,518,743	1,340,206
High	2,313,764	2,027,604	1,789,248

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

Pension Expense and Deferred Outflows/ (Inflows) of Resources

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

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2017, was 6.4 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2018, are presented below:

	Collective Pension Expense
Charter Elementary	\$ 668,795
Charter Middle	498,588
Charter High	763,259
Total	\$ 1,930,642

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Benefit Plan (Continued)

The components of deferred outflows and inflows of resources for the fiscal year ended June 30, 2018, are presented below for each plan.

FRS Pension Plan							
	Elementary		Middle		High		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Changes in:							
Contributions, subsequent to measurement date	\$ 391,227	\$ -	\$ 261,357	\$ -	\$ 329,129	\$ -	\$ 981,713
Assumptions/inputs	1,349,741	-	911,306	-	1,194,552	-	3,455,599
Projected/Actual earnings	-	(99,533)	-	(67,202)	-	(88,089)	(254,824)
Experience expected/actual	368,594	(22,248)	248,864	(15,021)	326,214	(19,690)	886,713
Change in Proportion, NPL	57,603	(371,772)	62,790	(210,721)	121,451	(116,667)	(457,316)
	<u>\$ 2,167,165</u>	<u>\$ (493,553)</u>	<u>\$ 1,484,317</u>	<u>\$ (292,944)</u>	<u>\$ 1,971,346</u>	<u>\$ (224,446)</u>	<u>\$ 4,611,885</u>

HIS Program							
	Elementary		Middle		High		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Changes in:							
Contributions, subsequent to measurement date	\$ 116,764	\$ -	\$ 77,711	\$ -	\$ 101,322	\$ -	\$ 295,797
Assumptions/inputs	320,518	(197,172)	213,483	(131,327)	285,011	(175,329)	315,184
Projected/Actual earnings	1,265	-	842	-	1,124	-	3,231
Experience expected/actual	-	(4,748)	-	(3,162)	-	(4,222)	(12,132)
Change in Proportion, NPL	14,040	(209,789)	48,105	(85,254)	111,638	(1,846)	(123,106)
	<u>\$ 452,587</u>	<u>\$ (411,709)</u>	<u>\$ 340,141</u>	<u>\$ (219,743)</u>	<u>\$ 499,095</u>	<u>\$ (181,397)</u>	<u>\$ 478,974</u>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year	Elementary		Middle		High	
	FRS Expense	HIS Expense	FRS Expense	HIS Expense	FRS Expense	HIS Expense
Ending June 30,						
2019	\$ 145,558	\$ (1,784)	\$ 111,114	\$ 17,457	\$ 185,389	\$ 55,186
2020	491,055	(2,023)	344,384	17,299	491,161	54,972
2021	324,446	(2,138)	231,894	17,222	343,708	54,870
2022	16,297	(11,401)	23,840	11,052	70,989	46,633
2023	204,801	(28,207)	151,113	(139)	237,820	31,688
Thereafter	100,228	(30,333)	67,671	(20,204)	88,704	(26,973)
Total	<u>\$ 1,282,385</u>	<u>\$ (75,886)</u>	<u>\$ 930,016</u>	<u>\$ 42,687</u>	<u>\$ 1,417,771</u>	<u>\$ 216,376</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 11. PENSION PLANS (Continued)

Defined Contribution Plan

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

In fiscal Year 2007 employees were given the option to enter the FRS or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2018, there were 28 Plan members. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' required contribution is 7.52% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2018, the Schools contributed \$115,745 and the employees contributed \$14,362 to the Plan. Provisions of the Schools' Plan may be amended by the City Commission. The Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net position of the Schools' Plan is not included in the Schools' special purpose financial statements.

Beginning in fiscal year 2009, the Schools recorded a revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Schools will utilize these forfeitures to offset future employer contributions to the Plan.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

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

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

Summary of Significant Accounting Policies

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

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

Plan Description

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

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

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Benefits Provided

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

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

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

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

Employees covered by benefit terms. At September 30, 2017, the following employees were covered by the benefit terms:

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

Contributions

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

For the year ended June 30, 2018, the Schools contributed \$17,806, \$13,755, and \$18,492 for Elementary, Middle, and High Schools, respectively.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Net OPEB Liabilities

The City's net OPEB liability was measured as of September 30, 2017. The components of the net OPEB liability of the City are as follows:

	<u>2017</u>	Broward Charter 0.4391%
Total OPEB liability	\$ 165,190,013	\$ 725,287
Plan fiduciary net position	(80,884,628)	(355,134)
Net OPEB liability	\$ 84,305,385	\$ 370,153
Plan fiduciary net position as a percentage of total OPEB liability	48.96%	
Net OPEB liability as a percentage of covered employee payroll	142.28%	

The Schools' reported a net OPEB liability of \$370,153 for their proportionate share of the City's net OPEB liability.

The Schools' proportionate share reported in the OPEB allocation schedules was calculated based on the contributions related to the reporting period ended June 30, 2018.

Actuarial Assumptions

The total OPEB liability as of June 30, 2018 reporting date was based on an actuarial valuation with measurement date of September 30, 2017. The actuarial valuation used the following actuarial assumptions:

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Actuarial Assumptions (Continued)

Inflation	3.0% per annum
Salary Increases	3.0% per annum
Investment Rate of Return	8.2% per annum Discount rate is based on expected long-term rate of return on plan investments where assets are projected to cover all future benefit payments plus inflation
Healthcare Cost Trend Rates	9.00% initial, decreasing 0.5% per year until an ultimate rate of 4.65% is reached
Health CPI	3.0% per annum
Marriage Rate	The assumed number of eligible spouses is based on the current information in the census provided.
Spouse Age	Male spouses are assumed to be three years older than female spouses.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age of 65
Cost Method	Entry Age Normal based on level percentage of projected salary
Amortization Method	Experience gains and losses are amortized over a closed period of 5 years, equal to the average remaining service of active and inactive plan members (who has no future service) Investment gain and losses are amortized over a closed period of 5 years starting on September 30, 2017
Mortality Rates	RP-2014 trended back to 2006 and projected generationally using Scale MP-16, applied on a gender-specific basis

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period of January 2014 through December 2016.

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

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap	37%	6.4%
Mid Cap	7%	8.6%
Small Cap	8%	6.5%
International Equity	8%	2.7%
Real Estate	10%	7.1%
Fixed Income	30%	2.2%
Total Real Return	<u>100%</u>	

Discount Rate

The discount rate used to measure the OPEB liability was 8.2%. The projection of cash flows used to determine the discount rate assumed that the City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

Changes in the net OPEB liabilities:

	<u>Increase (Decrease)</u>		
	<u>Plan</u>		
	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Total OPEB Liability (October 1, 2016)	\$ 598,143	\$ 298,140	\$ 300,003
Changes for the year:			
Service cost	4,617	-	4,617
Interest	48,054	-	48,054
Differences between expected & actual experience	21,639	-	21,639
Changes in assumptions	96,897	-	96,897
Employer contributions	-	62,377	(62,377)
Employee contributions	-	2,581	(2,581)
Net investment income	-	36,899	(36,899)
Benefit payments	(44,063)	(44,063)	-
Administration expenses	-	(800)	800
Net change	<u>127,144</u>	<u>56,994</u>	<u>70,150</u>
Total OPEB Liability (September 30, 2017)	<u>\$ 725,287</u>	<u>\$ 355,134</u>	<u>\$ 370,153</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

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

Net OPEB Liability (based on Trend Rate)			
	1% Decrease	Current Rate	1% Increase
	6.00%	7.00%	8.00%
September 30, 2017	\$ 263,046	\$ 370,153	\$ 437,498

Net OPEB Liability (based on Discount Rate)			
	1% Decrease	Current Rate	1% Increase
	7.20%	8.20%	9.20%
September 30, 2017	\$ 442,793	\$ 370,153	\$ 260,043

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

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

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

The OPEB expense for the fiscal year ended June 30, 2018 is as follows:

	Collective OPEB Expense
Charter Elementary	\$ 16,725
Charter Middle	12,921
Charter High	17,371
Total	<u><u>\$ 47,017</u></u>

Per GASB 75, paragraph 68, employer contributions to the OPEB plan made subsequent to the measurement date of the collective net OPEB liability, September 30, 2017, and before the end of the employer's reporting period, June 30, 2018, should be reported as a deferred outflows of resources related to OPEB. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

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

Charter Elementary

Changes in:	Outflows of Resources	Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 17,806	\$ -	\$ 17,806
Assumptions/inputs	27,763	-	27,763
Projected/Actual earnings	-	(3,543)	(3,543)
Experience expected/actual	6,200	-	6,200
	<u>\$ 51,769</u>	<u>\$ (3,543)</u>	<u>\$ 48,226</u>

Charter Middle

Changes in:	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 13,755	\$ -	\$ 13,755
Assumptions/inputs	21,446	-	21,446
Projected/Actual earnings	-	(2,737)	(2,737)
Experience expected/actual	4,789	-	4,789
	<u>\$ 39,990</u>	<u>\$ (2,737)</u>	<u>\$ 37,253</u>

Charter High

Changes in:	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Contributions, subsequent to measurement date	\$ 18,492	\$ -	\$ 18,492
Assumptions/inputs	28,832	-	28,832
Projected/Actual earnings	-	(3,680)	(3,680)
Experience expected/actual	6,439	-	6,439
	<u>\$ 53,763</u>	<u>\$ (3,680)</u>	<u>\$ 50,083</u>

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

Year Ending June 30	Amount to be Recognized	Broward Charter 0.4391%
2019	\$ 4,686,427	\$ 20,577
2020	4,686,427	20,577
2021	4,686,427	20,576
2022	4,686,427	20,576
2023	729,573	3,203
Thereafter	-	-
Total	<u>\$ 19,475,281</u>	<u>\$ 85,509</u>

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

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

Prior Period Adjustment

Due to the implementation of GASB Statement No. 75, it was determined that a prior period adjustment in the amount of \$237,627 was needed. This adjustment resulted in a decrease in beginning net position of Governmental Activities in the same amount.

	Net Position	Deferred outflows of resources related to OPEB	Net OPEB Liability
June 30, 2017, as previously reported	(\$7,053,678)	\$ -	\$ -
Adjustment	<u>(237,627)</u>	<u>62,376</u>	<u>(300,003)</u>
June 30, 2017, as restated	<u>(\$7,291,305)</u>	<u>\$ 62,376</u>	<u>(\$300,003)</u>

Required Supplementary Information

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
	Revenues:			
Local	\$ 16,409,277	\$ 16,814,840	\$ 16,708,768	\$ (106,072)
Federal and State grants	<u>398,833</u>	<u>494,233</u>	<u>494,292</u>	<u>59</u>
Total revenues	<u>16,808,110</u>	<u>17,309,073</u>	<u>17,203,060</u>	<u>(106,013)</u>
Expenditures:				
Current:				
K-3 Basic	5,552,326	5,461,710	5,461,665	45
4-8 Basic	2,715,182	2,696,781	2,696,756	25
Exceptional student program	740,922	762,965	762,965	-
Substitute teachers	168,734	162,884	162,867	17
Guidance services	218,515	248,942	248,899	43
Instructional media services	312,780	285,646	285,601	45
Instructional staff training service	33,550	24,450	24,419	31
School administration	1,797,698	1,673,378	1,673,340	38
Food services	772,856	761,359	761,339	20
Student transportation services	698,476	700,105	700,057	48
Operation of school	2,972,151	2,927,663	2,927,632	31
Child care supervision	400,839	383,605	383,559	46
Capital outlay	<u>99,202</u>	<u>97,268</u>	<u>97,195</u>	<u>73</u>
Total expenditures	<u>16,483,231</u>	<u>16,186,756</u>	<u>16,186,294</u>	<u>462</u>
Excess (Deficit) of revenues over (under) expenditures	324,879	1,122,317	1,016,766	(105,551)
Other financing uses:				
Transfers out	<u>(674,513)</u>	<u>(925,000)</u>	<u>(925,000)</u>	<u>-</u>
Net change in fund balances	(349,634)	197,317	91,766	(105,551)
Fund balances, beginning	<u>1,650,963</u>	<u>1,650,963</u>	<u>1,650,963</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,301,329</u>	<u>\$ 1,848,280</u>	<u>\$ 1,742,729</u>	<u>\$ (105,551)</u>

See note to Budgetary Comparison Schedule.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 9,945,078	\$ 10,179,506	\$ 10,112,883	\$ (66,623)
Federal and State grants	238,748	251,213	333,094	81,881
Total revenues	10,183,826	10,430,719	10,445,977	15,258
Expenditures:				
Current:				
4-8 Basic	5,875,468	5,840,586	5,840,546	40
Intensive English/ESOL	1,921	221	172	49
Exceptional student program	584,722	590,986	590,968	18
Substitute teachers	108,636	119,086	119,051	35
Guidance services	209,227	213,480	213,473	7
Instructional media services	295,788	271,811	271,803	8
Instructional staff training service	26,650	28,238	28,238	-
School administration	1,239,998	1,220,411	1,220,411	-
Food services	574,698	599,142	599,124	18
Student transportation services	477,588	474,696	474,689	7
Operation of school	2,377,613	2,314,138	2,314,114	24
Athletics	23,260	26,110	26,088	22
Capital outlay	37,368	88,882	88,873	9
Total expenditures	11,832,937	11,787,787	11,787,550	237
Excess (Deficit) of revenues over (under) expenditures	(1,649,111)	(1,357,068)	(1,341,573)	15,495
Other financing sources:				
Transfers in	1,262,481	1,341,301	1,341,301	-
Net change in fund balances	(386,630)	(15,767)	(272)	15,495
Fund balances, beginning	2,019	2,019	2,019	-
Fund balances, ending	\$ (384,611)	\$ (13,748)	\$ 1,747	\$ 15,495

See note to Budgetary Comparison Schedule.

CITY OF PEMBROKE PINES, FLORIDA CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local	\$ 16,378,021	\$ 16,891,299	\$ 16,953,092	\$ 61,793
Federal and State grants	<u>327,929</u>	<u>327,929</u>	<u>395,153</u>	<u>67,224</u>
Total revenues	<u>16,705,950</u>	<u>17,219,228</u>	<u>17,348,245</u>	<u>129,017</u>
Expenditures:				
Current:				
4-8 Basic	1,110,715	1,173,578	1,173,535	43
9-12 Basic	6,719,335	6,721,636	6,721,615	21
Exceptional student program	379,325	324,554	316,985	7,569
Vocational 6-12	141,310	133,505	133,463	42
Substitute teachers	72,810	86,635	86,635	-
School/other	41,607	41,607	25,137	16,470
Guidance services	501,784	506,388	506,374	14
Instructional media services	124,110	135,016	134,986	30
ESE specialist	82,681	86,870	86,866	4
Instructional staff training service	15,363	16,863	15,205	1,658
School administration	1,449,290	1,266,945	1,227,519	39,426
Food services	846,513	747,313	745,462	1,851
Student transportation services	706,838	704,547	704,547	-
Operation of school	5,055,343	5,231,240	5,231,220	20
Child care supervision	7,802	7,802	7,497	305
Athletics	316,699	311,263	311,258	5
Capital outlay	<u>45,926</u>	<u>96,384</u>	<u>90,998</u>	<u>5,386</u>
Total expenditures	<u>17,617,451</u>	<u>17,592,146</u>	<u>17,519,302</u>	<u>72,844</u>
Excess (Deficit) of revenues over (under) expenditures	(911,501)	(372,918)	(171,057)	201,861
Other financing uses:				
Transfers in	<u>572,218</u>	<u>572,218</u>	<u>75,000</u>	<u>(497,218)</u>
Net change in fund balances	(339,283)	199,300	(96,057)	(295,357)
Fund balances, beginning	<u>157,169</u>	<u>157,169</u>	<u>157,169</u>	<u>-</u>
Fund balances, ending	<u>\$ (182,114)</u>	<u>\$ 356,469</u>	<u>\$ 61,112</u>	<u>\$ (295,357)</u>

See note to Budgetary Comparison Schedule.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end. For the fiscal year ended June 30, 2018, there were no encumbrances.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. Actual expenditures for several school line items exceeded its appropriation mainly due to an increase in teachers' salaries which was approved by the Broward Teachers Union 60 days after the fiscal year end of the schools.
6. The final budgets include the supplemental appropriations before transfers, which have the effect of adjusting the original adopted budgets. There were supplemental expenditure appropriations before transfers of \$296,475 less than the original budget in the elementary schools, \$45,150 less than the original budget in the middle schools and \$25,305 less than the original budget in the high school during the fiscal year ended June 30, 2018. There were revenues before transfer of \$500,963 more than the original budget in the elementary schools, \$246,893 more than the original budget in the middle schools, and \$642,295 more than the original budget in the high schools.

CITY OF PEMBROKE PINES CHARTER SCHOOLS
Charter Elementary School
Required Supplementary Information
Pension Schedule

	2018		2017		2016		2015	
	<u>FRS</u>	<u>HIS</u>	<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	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter Elementary Schools:								
Share of net pension liability as a percentage	0.013577866%	0.021325349%	0.013137343%	0.021223884%	0.014180334%	0.021143721%	0.015319553%	0.023009714%
Share of net pension liability as an amount	\$ 4,016,242	\$ 2,280,205	\$ 3,317,189	\$ 2,473,556	\$ 1,831,580	\$ 2,156,327	\$ 934,718	\$ 2,151,464
Covered-employee payroll	\$ 7,957,227	\$ 7,957,227	\$ 7,745,300	\$ 7,745,300	\$ 7,520,707	\$ 7,520,707	\$ 7,546,090	\$ 7,546,090
Net pension liability as a percentage of covered-employee payroll	50.47%	28.66%	42.83%	31.94%	24.35%	28.67%	12.39%	28.51%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2017, 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 7.10%.
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 3.58%.

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, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS
Charter Middle School
Required Supplementary Information
Pension Schedule

	2018		2017		2016		2015	
	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS
Florida Retirement System Plan (in thousands):								
Total pension liability	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter Middle Schools:								
Share of net pension liability as a percentage	0.009167388%	0.014203866%	0.008687191%	0.013636514%	0.009774085%	0.013999520%	0.010014704%	0.014743185%
Share of net pension liability as an amount	\$ 2,711,652	\$ 1,518,743	\$ 2,193,523	\$ 1,589,279	\$ 1,262,454	\$ 1,427,731	\$ 611,044	\$ 1,378,524
Covered-employee payroll	\$ 5,606,419	\$ 5,606,419	\$ 5,398,562	\$ 5,398,562	\$ 5,357,386	\$ 5,357,386	\$ 5,273,513	\$ 5,273,513
Net pension liability as a percentage of covered-employee payroll	48.37%	27.09%	40.63%	29.44%	23.56%	26.65%	11.59%	26.14%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2017, 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 7.10%.
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 3.58%.

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, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS
Charter High School
Required Supplementary Information
Pension Schedule

	2018		2017		2016		2015	
	FRS	HIS	FRS	HIS	FRS	HIS	FRS	HIS
Florida Retirement System Plan (in thousands):								
Total pension liability	\$ 183,632,592	\$ 10,870,772	\$ 167,030,999	\$ 11,768,445	\$ 161,370,735	\$ 10,249,201	\$ 156,115,763	\$ 9,443,629
Plan fiduciary net position	(154,053,263)	(178,311)	(141,780,921)	(113,859)	(148,454,394)	(50,774)	(150,014,292)	(93,385)
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>	<u>\$ 25,250,078</u>	<u>\$ 11,654,586</u>	<u>\$ 12,916,341</u>	<u>\$ 10,198,427</u>	<u>\$ 6,101,471</u>	<u>\$ 9,350,244</u>
Plan fiduciary net position as a percentage of the total pension liability	83.89%	1.64%	84.88%	0.97%	92.00%	0.50%	96.09%	0.99%
Charter High School:								
Share of net pension liability as a percentage	0.012016723%	0.018962929%	0.011451996%	0.018074525%	0.012391542%	0.018101749%	0.011808963%	0.017492768%
Share of net pension liability as an amount	\$ 3,554,466	\$ 2,027,603	\$ 2,891,638	\$ 2,106,510	\$ 1,600,534	\$ 1,846,093	\$ 720,520	\$ 1,635,616
Covered-employee payroll	\$ 7,140,664	\$ 7,140,664	\$ 6,894,012	\$ 6,894,012	\$ 6,648,338	\$ 6,648,338	\$ 6,249,677	\$ 6,249,677
Net pension liability as a percentage of covered-employee payroll	49.78%	28.40%	41.94%	30.56%	24.07%	27.77%	11.53%	26.17%

Note to Schedule:

Assumptions:

1. The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2017, 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 7.10%.
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 3.58%.

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, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,413,716	\$ 1,311,513	\$ 1,191,296	\$ 1,202,083	\$ 1,157,206	\$ 884,548	\$ 812,317	\$ 1,761,326	\$ 1,563,168	\$ 1,527,703
Contributions in relation to the contractually required contribution	(1,413,716)	(1,311,513)	(1,191,296)	(1,202,083)	(1,157,206)	(884,548)	(812,317)	(1,761,326)	(1,563,168)	(1,527,703)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 20,704,310	\$ 20,037,874	\$ 19,526,431	\$ 19,069,280	\$ 19,177,190	\$ 19,842,569	\$ 19,029,259	\$ 192,994,408	\$ 19,090,703	\$ 18,475,074
Contributions as a percentage of covered-employee payroll	6.83%	6.55%	6.10%	6.30%	6.03%	4.46%	4.27%	0.91%	8.19%	8.27%

City of Pembroke Pines Charter Schools
Required Supplementary Information
Other Post-Employment Benefit Plan (OPEB)
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years (1)

Reporting period as of:	6/30/2018	
Measurement date as of:	9/30/2017	
	CITY	BROWARD
Total OPEB liability:		0.4391%
Service Cost	\$ 1,051,493	\$ 4,617
Interest	10,944,615	48,054
Benefit payments	(10,035,735)	(44,063)
Differences in experience	4,928,391	21,639
Changes in assumptions	22,069,149	96,897
Net change in total OPEB liability	<u>28,957,913</u>	<u>127,144</u>
Total OPEB liability - beginning	<u>136,232,100</u>	<u>598,143</u>
Total pension liability - ending	<u><u>\$ 165,190,013</u></u>	<u><u>\$ 725,287</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 14,206,817	\$ 62,377
Contributions - member	587,859	2,581
Net investment income	8,403,953	36,899
Benefit payments	(10,035,735)	(44,063)
Administrative expense	<u>(182,178)</u>	<u>(800)</u>
Net change in plan fiduciary net position	12,980,716	56,994
Plan fiduciary net position - beginning	<u>67,903,912</u>	<u>298,140</u>
Plan fiduciary net position - ending	<u><u>\$ 80,884,628</u></u>	<u><u>\$ 355,134</u></u>
Net OPEB liability- ending	\$ 84,305,385	\$ 370,153
Plan fiduciary net position as a percentage of the total OPEB liability	48.96%	48.96%
Covered-employee payroll (2)	\$ 59,252,828	\$ 20,704,310
Net OPEB liability as a percentage of covered-employee payroll	142.28%	1.79%

Notes to the Schedule:

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

(2) includes all active members with no adjustments

City of Pembroke Pines, Florida
Required Supplementary Information
Other Post-Employment Benefit Plan (OPEB)
Schedule of Employer Contributions

Reporting period as of: 6/30/2018
Measurement date as of: 9/30/2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution (1)	\$ 41,981	\$ 26,989	\$ 35,375	\$ 35,577	\$ 41,061	\$ 40,064	\$ 37,821	\$ 37,974	\$ 53,069	\$ 50,035
Contributions in relation to the actuarially determined contribution	62,377	66,706	43,954	41,061	41,079	40,258	48,313	60,740	42,312	29,139
Contribution Deficiency/(Excess)	<u>\$ (20,396)</u>	<u>\$ (39,717)</u>	<u>\$ (8,579)</u>	<u>\$ (5,484)</u>	<u>\$ (18)</u>	<u>\$ (193)</u>	<u>\$ (10,492)</u>	<u>\$ (22,765)</u>	<u>\$ 10,757</u>	<u>\$ 20,896</u>
Covered-employee payroll	\$ 260,156	\$ 315,444	\$ 306,256	\$ 297,336	\$ 288,676	\$ 297,191	\$ 303,525	\$ 320,328	\$ 347,844	\$ 333,946
Contributions as a percentage of covered-employee payroll	23.98%	21.15%	14.35%	13.81%	14.23%	13.55%	15.92%	18.96%	12.16%	8.73%

Notes to Schedule

Valuation date:	10/1/2016	
Actuarial cost method	Entry Age Normal based on level percentage of projected salary	
Amortization method	Experience gains and losses are amortized over a closed period of 5 years, equal to the average remaining service of active and inactive plan members (who have no future service). Investment gains and losses are amortized over a closed period of five years starting on September 30, 2017.	
Remaining amortization period	30 years	
Asset valuation method	Fair Market value	
Marriage rate	The assumed number of eligible spouses is based on the current information in the census provided.	
Spouse age	Male spouses are assumed to be three years older than female spouses.	
Mortality rates	RP-2014 trended back to 2006 and projected generationally using Scale MP-16, applied on a gender specific basis	
Actuarial assumptions:		
Inflation rate	3.0%	
Health CPI	3.0%	
Investment rate of return (2)	8.2%	
Projected salary increases	3.0%	
Healthcare cost trend rate (3)	9.00%	initial
	4.7%	ultimate
	7.0%	current
Post-retirement benefits increases	N/A	

(1) Prior to FY2017, the ADC was represented by the Annual Required Contribution (ARC) in GASB 45.

(2) Valuation results are developed assuming a discount rate of 8.2% determined based on the long-term yield on the investments used to finance the payment of benefits.

(3) The healthcare cost trend rate grades down every year by 0.5% until an ultimate rate of 4.65% is reached.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") operating under the charter sponsored by the Broward County School Board, as of and for the year ended June 30, 2018, and the related notes to the special purpose financial statements and have issued our report thereon dated December 20, 2018. Our report includes an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' special purpose financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

Purpose of this Report

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

GLSC & Company, PLLC

Miami, Florida
December 20, 2018



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

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

Report on the Special Purpose Financial Statements

We have audited the special purpose financial statements of the governmental activities and each major fund of the City of Pembroke Pines, Florida Charter Schools (the "Schools") (special revenue funds of the City of Pembroke Pines, Florida), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated December 20, 2018. Our report includes an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 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 20, 2018, 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 Charter Schools, special revenue funds of the City of Pembroke Pines, Florida.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Schools has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Schools did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Transparency

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

Other Matters

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

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

GLSC & Company, PLLC

Miami, Florida
December 20, 2018