

CITY OF PEMBROKE PINES CHARTER SCHOOLS

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(With Independent Auditors' Reports Thereon)

CITY OF PEMBROKE PINES CHARTER SCHOOLS

TABLES OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION)	3-11
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to Basic Financial Statements	17-29
REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A):	
Budgetary Comparison Schedule – Charter Elementary Schools	30
Budgetary Comparison Schedule – Charter Middle Schools	31
Budgetary Comparison Schedule – Charter High School	32
Notes to Budgetary Comparison Schedules	33
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS:	
Schedule by Source	34
Schedule by Function and Activity	35
Schedule of Changes by Function and Activity	36
SUPPLEMENTARY AUDITORS' REPORTS	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	39-40

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Broward County School Board Charter Schools
Pembroke Pines, Florida
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 on our consideration of the Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 30 through 33, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Schools' basic financial statements. The schedule of capital assets used in the operation of the schools as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Fort Lauderdale, Florida
September 9, 2005

Waters Aie LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Charter Schools, we offer readers of the Charter Schools' financial statements this narrative overview and analysis of the financial activities of the Charter Schools for the twelve-month period ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the Charter Schools' financial statements, which follow this section.

Financial Highlights

- The assets of the Charter Schools as reported in the government-wide financial statements exceeded their liabilities at the close of the current fiscal year by \$4,949,240 (net assets). Of this amount, \$2,088,393 (unrestricted net assets) may be used to meet the ongoing obligations of the Charter Schools.

- As of the close of the current fiscal year, the Charter Schools' governmental funds financial statements, reported combined ending fund balances of \$2,611,772, or 8.0% of total expenditures. This represents a decrease of \$1,349,504 or 34.1% over the prior year. Approximately 94% of this total amount or \$2,459,150, is available for spending (unreserved fund balance), but has been designated for rent payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter Schools' basic financial statements. The Charter Schools' basic financial statements consist of five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to basic financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

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

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

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

The Charter Schools' government-wide financial statements distinguish the functions of the Charter Schools as being principally supported by local revenues (FTE dollars through the Broward County School District) (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.

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

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

Notes to basic 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 basic financial statements can be found on pages 17-29 of this report.

Required Supplementary Information. The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the budgetary comparison schedules and the Management's Discussion and Analysis (MD&A).

Supplementary Auditors' Reports. This section includes the following:

- Report of Independent Certified Public Accountants on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida.

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Charter Schools, assets exceeded liabilities by \$4,949,240 as of June 30, 2005 as compared to \$6,612,612 for the previous fiscal year.

Investments in capital assets (e.g., improvements other than buildings and machinery and equipment) net of accumulated depreciation amount to \$2,860,847. 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. An additional portion of the Charter Schools' net assets (approximately 42%) represents unrestricted resources that are available to meet the ongoing financial obligations of the Charter Schools.

CONDENSED STATEMENT OF NET ASSETS

	Governmental Activities	
	2005	2004
Current assets	\$3,338,520	\$ 4,710,423
Capital assets, net of depreciation	2,860,847	3,074,461
Total assets	6,199,367	7,784,884
Current liabilities	726,748	749,147
Noncurrent liabilities	523,379	423,125
Total liabilities	1,250,127	1,172,272
Net assets:		
Invested in capital assets	2,860,847	3,074,461
Unrestricted	2,088,393	3,538,151
Total net assets	\$4,949,240	\$ 6,612,612

Current assets decreased by \$1,371,903 (29%) during the year. The Elementary Schools' current assets decline of \$584,922, the Middle Schools' decline of \$722,547, and the High School's decline of \$64,434 all primarily related to the net cash position maintained with the State Board of Administration (SBA). The net decrease in capital assets of \$213,614 is related to depreciation expense required by GASB Statement No. 34.

Current liabilities decreased by \$22,399 (3%) during the year in the Elementary, Middle, and High Schools. This decrease is related to a decrease of \$48,709 in accounts payables, \$67,178 in deferred revenues, an increase of \$40,202 in deposits, and an increase of \$53,286 in accrued liabilities. Noncurrent liabilities increased by \$100,254 (24%) during the year in the Elementary, Middle, and High Schools. This increase is related to compensated absences. Invested in capital assets decreased by \$213,614 (7%) during the year in the Elementary, Middle, and High schools. This decrease is related to capital assets being depreciated.

Unrestricted net assets decreased by \$1,449,758 (41%) during the year in the Elementary, Middle, and High Schools. This decrease represents the degree to which liabilities exceeded current assets.

CONDENSED STATEMENT OF CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,780,088	\$ 4,779,478
Operating grants and contributions	805,512	485,077
Capital grants and contributions	63,268	-
General revenues:		
FTE non-specific revenues	23,541,949	23,082,034
Unrestricted investment earnings	83,730	75,003
Rental income	1,271,580	1,115,232
Contributions	473,646	54,000
Miscellaneous	13,552	-
Disposal of capital assets	-	<u>(3,365)</u>
Total revenues	<u>31,033,325</u>	<u>29,587,459</u>
Expenses:		
Instructional services	14,556,653	13,349,350
Rent	6,395,089	6,240,281
Instructional support services	1,144,198	1,047,579
Student transportation services	1,115,486	1,070,115
Operation of school	5,347,331	5,064,132
School administration	3,656,015	3,269,858
Other	<u>481,925</u>	<u>425,278</u>
Total expenses	<u>32,696,697</u>	<u>30,466,593</u>
Change in net assets	(1,663,372)	(879,134)
Net assets, beginning as previously reported	6,612,612	7,264,267
Prior period adjustment	<u>-</u>	<u>227,479</u>
Net assets - ending	<u>\$ 4,949,240</u>	<u>\$ 6,612,612</u>

Governmental activities. The Charter Schools' total net assets at the end of the year amount to \$4,949,240, a decrease of \$1,663,372. The total cost of all governmental activities this year was \$32,696,697. Key elements of these changes in net assets are as follows:

The Charter Schools' total revenues increased by \$1,445,866 (5%) during the year. Operating grants and contributions increased by \$320,435 (66%) during the year. This was mainly attributable to the increase in other contributions which represent the gains from the early learning centers.

The FTE non-specific revenues increased by \$459,915 (2%). This increase was related to the FTE annual increases. Rental income increased by \$156,348 during the year. This increase is attributable to rent received from Florida International University for the

university building at the Academic Village and new rent received. Contributions increased by \$419,646 as a result of a one-time donation of \$473,647 made to the Charter High School.

Total expenditures increased by \$2,230,104 (7%) during the year. This increase was mainly attributable to increasing salaries and operating salaries. Instructional services increased by \$1,207,303 (9%) over last year. The majority of this increase was related to salaries and benefits for teachers and non-instructional staff. Rent expenditures increased by \$154,808 (2.5%). This increase was related to the High School's rent. School administration expenses increased by \$386,157 and operation of school expenses increased by \$283,199, these increases are related to salary costs and the ongoing increase in operating and maintenance costs.

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

Governmental funds. The focus of the Charter Schools' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Charter Schools' financing requirements. In particular, an unreserved, undesignated fund balance may serve as a useful measure of the Charter Schools' net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the Charter Schools' governmental funds reported a combined ending fund balance of \$2,611,772, a decrease of \$1,349,504 over the previous fiscal year. The fund balance consists of a reserve for encumbrances of \$126,020 and for commodities inventory of \$26,602. The remaining \$2,459,150 is unreserved, but has been primarily designated for future rent payments.

Budgetary Highlights

For the fiscal year ended June 30, 2005, the Charter Schools had estimated revenues and appropriations of \$31,888,464 and \$32,848,665, respectively. Over the course of the year, the Charter Schools recommended several revisions to budgeted revenues and appropriations. These amendments fall into 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 School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$258,341 as follows: An amendment was made to budget for commodities in the amount of \$16,110. An amendment was made to the Florida Education Finance Program (FEFP) in the amount of (\$17,216). An amendment was made to Governor's A+ funds in the amount of \$179,850. An amendment was made to Exceptional Student Education (ESE) guaranteed allocation for IDEA grant funds in the amount of \$43,491. An amendment was made to summer reading program in the amount of \$17,216. An amendment was made to summer school fees in the amount of \$14,793. An amendment was made to rental city facilities in the amount of (\$31,023). An

amendment was made to contributions in the amount of \$35,000. An amendment was made to commodities contributions in the amount of \$120.

Amendments to budgeted expenditures totaled \$332,042 as follows:

The Charter Elementary School East Campus made the following amendments: Amendments were made to K-3 Basic in the amount of \$26,300. Amendments were made to 4-8 Basic in the amount of \$9,873. Amendments were made to Exceptional Student (ESE) Program in the amount of \$18,092. Amendments were made to substitute teachers in the amount of \$13,000. Amendments were made to guidance services in the amount of \$3,012. Amendments were made to instructional staff training in the amount of (\$4,000). Amendments were made to school administration in the amount of \$42,946. An amendment was made to facilities acquisition and construction in the amount of (\$10,000). Amendments were made to student transportation services in the amount of \$9,000. Amendments were made to operation of school in the amount of (\$13,868). Amendments were made to child care supervision in the amount of \$3,475.

The Charter Elementary School West Campus made the following amendments: Amendments were made to K-3 Basic in the amount of \$46,668. Amendments were made to 4-8 Basic in the amount of \$9,775. Amendments were made to ESE program in the amount of \$21,412. Amendments were made to substitute teachers in the amount of \$14,000. Amendments were made to guidance services in the amount of \$2,757. An amendment was made to instructional media services in the amount of \$300. Amendments were made to school administration in the amount of \$42,554. Amendments were made to facilities acquisition and construction in the amount of (\$11,750). Amendments were made to student transportation services in the amount of \$5,000. Amendments were made to operation of school in the amount of (\$12,506). Amendments were made to child care supervision in the amount of (\$14,000). Amendments were made to instructional staff training in the amount of (\$4,000).

The Charter Elementary School Central Campus made the following amendments: Amendments were made to K-3 Basic in the amount of \$19,697. Amendments were made to 4-8 Basic in the amount of \$47,099. Amendments were made to ESE program in the amount of \$12,371. Amendments were made to substitute teachers in the amount of \$3,000. Amendments were made to guidance services in the amount of \$3,922. Amendments were made to instructional media services in the amount of \$475. Amendments were made to school administration in the amount of \$43,158. An amendment was made to facilities acquisition and construction in the amount of (\$16,215). Amendments were made to student transportation services in the amount of \$9,000. Amendments were made to operation of school in the amount of \$25,545. Amendments were made to child care supervision in the amount of (\$10,050). Amendments were made to instructional staff training in the amount of (\$4,000).

Overall, the Charter Elementary Schools had a positive budget expenditure variance of \$104,670. This positive budgetary variance was mainly attributable to 4-8 Basic, school administration, and capital outlay in the amount of \$16,204, \$26,417, and \$35,006, respectively.

After appropriations were amended, as described above, actual revenues were \$593,140 below final budgeted amounts due to reductions in funding; and actual expenditures were \$104,670 below final budget amounts.

The Charter Middle School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling (\$452,422) as follows: An amendment was made to the budget for commodities in the amount of \$11,440. An amendment was made to the budget for the allocation of the FSU Middle in the amount of (\$6,995). An amendment was made to the budget for Florida Education Finance Program (FEFP) in the amount of (\$11,463). An amendment was made to the budget for Governor's A+ funds in the amount of \$118,700. An amendment was made to the budget for Exceptional Student Education (ESE) guaranteed allocation in the amount of \$18,585. An amendment was made to the budget for summer reading program in the amount of \$11,463. An amendment was made to the budget for the allocation of the FSU Middle in the amount of (\$593,545). An amendment was made to the budget for rental city facilities in the amount of (\$11,534). An amendment was made to the budget for contributions in the amount of \$35,000. An amendment was made to the budget for commodity contributions in the amount of \$94. An amendment was made to the budget for Allocation FSU Middle in the amount of (\$24,167).

Amendments to budgeted expenditures totaled (\$500,455) as follows:

The Charter Middle School West Campus made the following amendments: Amendments were made to 4-8 Basic in the amount of (\$286,612). Amendments were made to Intensive English/ESOL in the amount of (\$3,083). Amendments were made to ESE program in the amount of (\$28,565). Amendments were made to substitute teachers in the amount of \$7,667. Amendments were made to guidance services in the amount of (\$4,670). Amendments were made to instructional media services in the amount of (\$15,618). Amendments were made to instructional staff training services in the amount of (\$1,167). Amendments were made to school administration in the amount of (\$39,729). An amendment was made to facilities acquisition and construction in the amount of (\$128,009). Amendments were made to student transportation services in the amount of (\$25,640). Amendments were made to operation of school in the amount of (\$110,115)

The Charter Middle School Central Campus made the following amendments: Amendments were made to 4-8 Basic in the amount of \$95,716. Amendments were made to Intensive English/ESOL in the amount of (\$2,500). Amendments were made to the ESE program in the amount of \$13,206. Amendments were made to substitute teachers in the amount of (\$10,000). Amendments were made to guidance services in the amount of (\$10,880). Amendments were made to instructional media services in the amount of \$1,750. Amendments were made to school administration in the amount of \$40,709. An amendment was made to facilities acquisition and construction in the amount of (\$20,500). Amendments were made to student transportation services in the amount of \$5,000. Amendments were made to operation of school in the amount of \$25,585. Amendments were made to instructional staff training in the amount of (\$3,000).

The Charter Middle School net transfers had a positive budgetary variance in the amount of \$247,273, due to favorable budget variances in the High School requiring less transfers to be made.

After appropriations were amended as described above, actual revenues were \$368,798 below final budgeted amounts due to reductions in funding; and actual expenditures were \$38,636 below final budget amounts.

The Charter High School made the following significant amendments to budget: Several amendments were made to the budgeted revenues totaling \$147,784 as follows: An amendment

was made to the budget for Dissemination Grant in the amount of \$31,008. An amendment was made to the budget for Commodities in the amount of \$18,321. An amendment was made to the budget for FEFP in the amount of (\$38,612). An amendment was made to the budget for Advanced Placement Funding in the amount of \$115,008. An amendment was made to the budget for Summer Reading Program in the amount of \$15,220. An amendment was made to the budget for interest from the State Board of Administration in the amount of \$4,893. An amendment was made to the budget for Contributions in the amount of \$1,768. An amendment was made to the budget for Commodity Contributions in the amount of \$178.

Amendments to budgeted expenditures totaled \$225,416. Amendments were made to 9-12 Basic in the amount of \$59,178. Amendments were made to Intensive English/ESOL in the amount of \$1,550. Amendments were made to Exceptional Student Program in the amount of \$2,434. Amendments were made to Vocational 6-12 in the amount of (\$24,743). Amendments were made to substitute teachers in the amount of (\$14,730). Amendments were made to school/other in the amount of \$2,000. Amendments were made to guidance services in the amount of \$21,695. Amendments were made to instruct media services in the amount of \$183. Amendments were made to instruction and curriculum development in the amount of \$31,008. Amendments were made to ESE specialist in the amount of \$1,670. Amendments were made to school administration in the amount of \$79,702. Amendments were made to student transportation services in the amount of (\$17,352). Amendments were made to operation of school in the amount of \$127,632. Amendments were made to athletics in the amount of \$300. An amendment was made to facilities acquisition and construction in the amount of (\$63,689).

The Budgeted Charter High School transfers did not change. The budgetary variance for transfers in totaled \$82,214 and related to negative budget variances in the High School, therefore, the High School needed the entire budgeted operating transfers in for fund operations.

After appropriations were amended as described above, actual revenues were \$347,042 below final budgeted amounts due to reductions in funding; actual expenditures were \$322,530 below final budget amounts.

Capital Assets

The Charter Schools' investment in capital assets for its governmental activities as of June 30, 2005 amounts to \$2,860,847 (net of accumulated depreciation). This investment in capital assets includes improvements other than buildings, and machinery and equipment.

CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Improvements other than buildings	\$ 2,232,688	\$ 2,275,126
Machinery and equipment	<u>628,159</u>	<u>799,335</u>
Total capital assets	<u>\$ 2,860,847</u>	<u>\$ 3,074,461</u>

Additional information on the Charter Schools' capital assets can be found on pages 34-36 of this report.

Economic Factors and Next Year's Budgets and Rates

- ◆ Capital outlay funding from the State will continue to decrease and is being funded at 48%.
- ◆ Broward School District has reduced administrative costs to 5% only on the first 500 students per charter.
- ◆ The Charter Schools' student attendance rate remains stable at 98%.
- ◆ The Charter Schools' enrollment is at 100%.
- ◆ The Charter Schools have estimated revenues and appropriations in the fiscal year 2005-06 budgets of \$34,036,846 and \$34,036,846, respectively.

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 Controller, Pembroke Pines Charter Schools, 13975 Pembroke Road, Pembroke Pines, Florida 33027.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Pooled cash and cash equivalents	\$ 3,172,374
Due from Federal Government	36,936
Due from Broward County	15,775
Other miscellaneous receivables	86,833
Commodities inventory	26,602
Capital assets being depreciated, net	<u>2,860,847</u>
Total assets	<u>6,199,367</u>
 <u>LIABILITIES</u>	
Accrued liabilities	364,694
Deposits	362,054
Noncurrent liabilities:	
Due within one year	403,939
Due in more than one year	<u>119,440</u>
Total liabilities	<u>1,250,127</u>
 <u>NET ASSETS</u>	
Invested in capital assets	2,860,847
Unrestricted	<u>2,088,393</u>
Total net assets	<u>\$ 4,949,240</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
Governmental activities:					
Instructional services	\$ 14,556,653	\$ -	\$ -	\$ 1,768	\$ (14,554,885)
Rent	6,395,089	-	-	-	(6,395,089)
Instructional support services	1,144,198	-	31,008	-	(1,113,190)
Student transportation services	1,115,486	863,371	-	-	(252,115)
Operation and maintenance of school	5,347,331	3,393,720	320,663	61,500	(1,571,448)
School administration	3,656,015	-	-	-	(3,656,015)
Other	481,925	522,997	453,841	-	494,913
Total Charter Schools	<u>\$ 32,696,697</u>	<u>\$4,780,088</u>	<u>\$ 805,512</u>	<u>\$ 63,268</u>	<u>(27,047,829)</u>
General revenues:					
FTE non-specific revenues					23,541,949
Unrestricted investment earnings					83,730
Rental income					1,271,580
Contributions					473,646
Miscellaneous					13,552
Total general revenues					<u>25,384,457</u>
Change in net assets					(1,663,372)
Net assets, beginning,					<u>6,612,612</u>
Net assets, ending					<u>\$ 4,949,240</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	<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	\$ 1,858,650	\$ 1,018,741	\$ 294,983	\$ 3,172,374
Due from Federal Government	17,168	8,573	11,195	36,936
Due from Broward County	-	-	15,775	15,775
Other miscellaneous receivables	42,640	37,497	6,696	86,833
Commodities inventory	7,530	6,160	12,912	26,602
Total assets	<u>\$ 1,925,988</u>	<u>\$ 1,070,971</u>	<u>\$ 341,561</u>	<u>\$ 3,338,520</u>

LIABILITIES AND FUND BALANCE

Liabilities:				
Accrued liabilities	141,605	93,447	129,642	364,694
Deposits	<u>107,552</u>	<u>42,583</u>	<u>211,919</u>	<u>362,054</u>
Total liabilities	<u>249,157</u>	<u>136,030</u>	<u>341,561</u>	<u>726,748</u>
Fund balances:				
Reserved for encumbrances	56,211	46,432	23,377	126,020
Reserved for commodities inventory	7,530	6,160	12,912	26,602
Unreserved:				
Designated for rent payments	<u>1,613,090</u>	<u>882,349</u>	<u>(36,289)</u>	<u>2,459,150</u>
Total fund balances	<u>1,676,831</u>	<u>934,941</u>	<u>-</u>	<u>2,611,772</u>
Total liabilities and fund balances	<u>\$ 1,925,988</u>	<u>\$ 1,070,971</u>	<u>\$ 341,561</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	2,860,847
Compensated absences, shown as noncurrent liabilities, are not due and payable in the current period and, therefore are not reported in the funds.	(523,379)
Net assets of governmental activities	<u>\$ 4,949,240</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2005

	<u>Charter Elementary Schools</u>	<u>Charter Middle Schools</u>	<u>Charter High School</u>	<u>Total</u>
Revenues:				
Local	\$11,216,759	\$6,771,126	\$12,240,320	\$30,228,205
Federal grants	<u>134,767</u>	<u>66,048</u>	<u>150,464</u>	<u>351,279</u>
Total revenues	<u>11,351,526</u>	<u>6,837,174</u>	<u>12,390,784</u>	<u>30,579,484</u>
Expenditures:				
Current:				
K-3 basic	3,448,078	-	-	3,448,078
4-8 basic	1,611,034	3,578,976	-	5,190,010
9-12 basic	-	-	4,498,243	4,498,243
Intensive English/ESOL	-	-	34,228	34,228
Exceptional student program	496,114	306,582	121,716	924,412
Vocational 6-12	-	-	253,635	253,635
Substitute teachers	95,587	70,776	30,270	196,633
School/other	-	-	11,415	11,415
Guidance services	204,666	101,617	386,598	692,881
Instructional media service	42,957	177,865	127,459	348,281
Instruction & curriculum development	-	-	31,008	31,008
ESE specialist	-	-	52,296	52,296
Instructional staff training service	-	9,398	10,334	19,732
School administration	1,831,857	778,997	944,907	3,555,761
Facilities acquisition and construction	1,450,171	1,309,061	3,635,857	6,395,089
Student transportation services	573,781	350,332	191,373	1,115,486
Operation of school	1,719,732	1,092,263	2,287,108	5,099,103
Child care supervision	295,306	-	-	295,306
Athletics	-	-	186,619	186,619
Capital outlay	<u>1,994</u>	<u>14,045</u>	<u>18,574</u>	<u>34,613</u>
Total expenditures	<u>11,771,277</u>	<u>7,789,912</u>	<u>12,821,640</u>	<u>32,382,829</u>
Excess (deficiency) of revenues over expenditures	<u>(419,751)</u>	<u>(952,738)</u>	<u>(430,856)</u>	<u>(1,803,345)</u>
Other financing sources (uses):				
Transfers in	-	453,841	410,926	864,767
Transfers out	<u>(205,463)</u>	<u>(205,463)</u>	-	<u>(410,926)</u>
Total other financing sources (uses)	<u>(205,463)</u>	<u>248,378</u>	<u>410,926</u>	<u>453,841</u>
Net change in fund balances	(625,214)	(704,360)	(19,930)	(1,349,504)
Fund balances, beginning	<u>2,302,045</u>	<u>1,639,301</u>	<u>19,930</u>	<u>3,961,276</u>
Fund balances, ending	<u>\$ 1,676,831</u>	<u>\$ 934,941</u>	<u>\$ -</u>	<u>\$ 2,611,772</u>

See notes to basic financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2005

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

Net change in fund balances - total governmental funds (Page 15) \$(1,349,504)

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	\$ 34,613	
Depreciation expense	<u>(248,227)</u>	
Net adjustment		(213,614)

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

The detail of the difference is as follows:

Compensated absences		<u>(100,254)</u>
----------------------	--	------------------

Change in net assets of governmental activities \$(1,663,372)

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

On August 20, 1997, June 17, 1998 and August 19, 1998, the City Commission approved the creation of the City of Pembroke Pines Charter Elementary School, consisting of three campuses, the City of Pembroke Pines Charter Middle School, consisting of two campuses, and the City of Pembroke Pines Charter High School, consisting of one campus, respectively. The three schools will be referred to collectively as the Schools in these basic financial statements. The City of Pembroke Pines, Florida (the City) is a municipal corporation operating charter schools organized pursuant to Section 228.056 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 School's first school year commenced in July 1999 and the City of Pembroke Pines Charter High School's first school year commenced in July 2000. The governing body of the Schools is the City Commission.

The Schools operate under a charter of the sponsoring school district, the Broward County District School Board (the District). The Elementary School's charter was approved by the City Commission on August 18, 1998 and is effective until June 30, 2014. The Middle School's charter was approved by the City Commission on June 2, 1999 and is effective until June 30, 2014. The High School's charter was approved by the City Commission on February 16, 2000 and is effective until June 30, 2015. All three charters may be renewed in increments of five (5) years by mutual written agreement between the Schools and the District. 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 228.056(10)(e), 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 District 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.

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 School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 610 students. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own basic Financial Statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements

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

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

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

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

The Schools' fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1,800 student stations.

Charter Middle Schools – The Middle Schools consist of a West and Central campus, serving 1,200 student stations.

Charter High School – The Charter High School, located at the Academic Village site, serving 1,600 student stations.

Amounts reported as *program revenues* include 1) charges to Schools for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all FTE dollars.

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

1. *Pooled Cash and Cash Equivalents*

The Schools consider all highly liquid investments with maturity of three months or less when purchased to be cash and cash equivalents. The Schools maintain their cash and cash equivalents in pooled accounts managed by the City. Within the City's pooled control accounts, separate accounting is maintained for each fund. Pooled cash and cash equivalents include investment in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration.

2. *Receivables*

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

3. *Capital Assets*

Capital assets, which include improvements other than buildings and machinery and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Schools as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Improvement other than buildings	5-50
Machinery and equipment	3-10

During the fiscal year ended June 30, 2000, the Schools were awarded approximately \$6 million from the District's School Infrastructure Thrift Program (SIT Funds) to be used for any lawful capital outlay expenditure. In

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

3. *Capital Assets* (Continued)

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

4. *Compensated Absences*

The City's Charter Schools regular full-time employees are given three sick leave days and accrue one day per month up to ten days per year. Sick leave may be carried over into the following school year. Once an employee reaches thirty days, they will bank those days for future use and will be compensated for any sick leave days over thirty at the end of each school year at their current rate of pay. Each full time, all year round employee is entitled to ten working days of vacation. Teachers and non-instructional employees that are not all year round employees do not accrue vacation. Eligible employees may carryover any unused vacation days for a maximum of ten days. An employee will not be paid for earned vacation leave in lieu of taking such leave unless recommended by the Principal and approved by the City Manager. Employees resigning voluntarily or who retire and give at least ten working days advance written notice of their intention to resign will receive up to a maximum of ten days of vacation leave credit earned as of the date of resignation or at retirement at the current base rate of pay. The City's Charter Schools have recorded the amount of accrued sick and vacation benefits as of June 30, 2005.

5. *Long-Term Obligations*

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

5. *Long-Term Obligations* (Continued)

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.

The Schools remit a yearly rental fee to the City for the use of the facilities that were constructed by the City (see Note 6 – Operating Leases).

6. *Equity Classifications*

Government-wide Financial Statements

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

- a. Invested in capital assets – Consists of capital assets, net of accumulated depreciation which are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – Consists of net assets 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, 2005.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Revenue Sources*

Revenues for current operations are received primarily from the Broward County District School Board pursuant to the funding provisions included in the Schools’ charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the Schools report the number of full-time

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets (Continued)

7. Revenue Sources (Continued)

equivalent (FTE) students and related data to the District. Under the provisions of Section 236.081, 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.

8. Use of Estimates

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

NOTE 2. INVESTMENTS

The Schools invest in the Local Government Surplus Funds Trust Fund (LGSF) administered by the State Board of Administration. Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, governs the LGSF. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Office of the Florida Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The LGSF is not a registrant of the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2a-7 Fund and is reported at the fair value of its position in the pool, which is the same as its value of the pool shares. The Schools' investments, which are included in pooled cash and cash equivalents, are summarized as follows:

:

	<u>Carrying Amount</u>
Investments not subject to risk categorization:	
State Board of Administration Investment Pool	<u>\$3,172,374</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

	Elementary <u>Schools</u>	Middle <u>Schools</u>	High <u>School</u>	<u>Total</u>
Broward County District School Board:				
Florida education finance program	\$ 6,905,518	\$ 4,144,730	\$ 6,910,630	\$ 17,960,878
Public education capital outlay (PECO)	695,586	486,159	944,537	2,126,282
Supplemental academic instruction	372,095	224,871	331,141	928,107
Class size reduction	649,658	377,477	631,538	1,658,673
District school taxes	339,663	203,579	339,788	883,030
Transportation revenue	197,950	234,119	326,610	758,679
ESE guaranteed allocation	269,947	161,605	135,611	567,163
Instructional materials	135,870	82,112	120,916	338,898
Governor's A+ Funds	179,850	118,700	-	298,550
Discretionary lottery funds	95,580	57,286	95,615	248,481
Supplementary discretion millage	83,251	49,897	83,281	216,429
Safe schools program	42,916	25,936	38,192	107,044
Advanced placement funding	-	-	115,008	115,008
Public school technology	33,953	20,519	30,216	84,688
Teacher training allocation	24,482	14,796	21,788	61,066
Summer reading program	17,351	10,486	15,442	43,279
Library media materials	9,653	5,834	8,590	24,077
Science lab materials	2,638	1,593	2,349	6,580
Total Broward County District School Board	<u>10,055,961</u>	<u>6,219,699</u>	<u>10,151,252</u>	<u>26,426,912</u>
Other:				
Rental revenue	102,849	129,863	1,038,868	1,271,580
Food sales	280,009	239,013	514,297	1,033,319
After school education program	508,204	-	-	508,204
In-house transportation	165,466	118,189	55,155	338,810
Interest	52,656	25,918	5,156	83,730
Contributions	30,870	30,844	475,592	537,306
Summer school fees	14,792	-	-	14,792
Other miscellaneous revenue	5,952	7,600	-	13,552
Total other	<u>1,160,798</u>	<u>551,427</u>	<u>2,089,068</u>	<u>3,801,293</u>
Total local	<u>\$ 11,216,759</u>	<u>\$ 6,771,126</u>	<u>\$ 12,240,320</u>	<u>\$ 30,228,205</u>
Federal grants:				
School lunch reimbursement - Free/Reduced	\$ 98,215	\$ 48,988	\$ 86,548	\$ 233,751
School breakfast reimbursement - Non-Severe Need	18,213	5,057	12,070	35,340
Food commodities program	18,339	12,003	20,838	51,180
Dissemination grant	-	-	31,008	31,008
Total Federal grants	<u>\$ 134,767</u>	<u>\$ 66,048</u>	<u>\$ 150,464</u>	<u>\$ 351,279</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,472,962	\$ 7,110	\$ -	\$ 2,480,072
Machinery and equipment	<u>2,090,443</u>	<u>27,503</u>	<u>-</u>	<u>2,117,946</u>
Total capital assets being depreciated	<u>4,563,405</u>	<u>34,613</u>	<u>-</u>	<u>4,598,018</u>
Less accumulated depreciation for:				
Improvements other than buildings	(197,836)	(49,548)	-	(247,384)
Machinery and equipment	<u>(1,291,108)</u>	<u>(198,679)</u>	<u>-</u>	<u>(1,489,787)</u>
Total accumulated depreciation	<u>(1,488,944)</u>	<u>(248,227)</u>	<u>-</u>	<u>(1,737,171)</u>
Total capital assets being depreciated, net	<u>\$ 3,074,461</u>	<u>\$ (213,614)</u>	<u>\$ -</u>	<u>\$ 2,860,847</u>

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

Governmental activities:

Operation and maintenance of plant	<u>\$ 248,227</u>
------------------------------------	-------------------

NOTE 5. INTERFUND TRANSFERS

		Transfers out			
	<u>Elementary</u>	<u>Middle</u>	City of Pembroke <u>Pines</u>	<u>Purpose</u>	
Transfers in:					
Middle	\$ -	\$ -	\$ 453,841	Transfer gain of Early Development Centers	
High	<u>205,463</u>	<u>205,463</u>	<u>-</u>	Supplement other funds	
Total	<u>\$ 205,463</u>	<u>\$ 205,463</u>	<u>\$ 453,841</u>		

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. OPERATING LEASES

Communications Facility Lease

In December 1997, the City leased a portion of real property located on the Schools' ground to a private company, which was used to construct, maintain and operate a communications facility. The agreement has a term of fifteen (15) years with two five-year renewal periods upon mutual consent and written agreement by the parties. Rental payments of \$60,000 are due annually on October 1, and increase at a rate of three percent compounded annually. In addition to the rental payments, the lessee pays the City 50% of all revenues received from any third party source for co-location regarding the construction or use of the telecommunications facility.

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

Fiscal year ending June 30:	
2006	\$ 60,362
2007	62,173
2008	64,038
2009	65,959
2010	67,938
2011-2013	<u>160,203</u>
Total future minimum rentals	<u>\$ 480,673</u>

Other Facility Lease

On March 13, 2002 the City signed an agreement with the Florida International University (FIU), for use of educational facilities located at the Academic Village. The Academic Village is a shared-use facility located on the northeast corner of Sheridan Street and Northwest 172nd Avenue, and includes the City's Charter High School, a regional library and the Southwest Broward County Campus for Broward Community College (BCC). In order to provide for the operation of an integrated educational program, and to offset the costs incurred by the City, the agreement requires FIU to pay to the City an annual rent starting at \$400,000, which increases by an additional \$200,000 for the next two years and an additional \$50,000 in the fourth year. Thereafter, the annual rent will be adjusted by a minimum 50% of the increase or decrease in the Consumer Price Index (CPI) for Miami, Florida. The lease is for 10 years with one ten-year renewal period. An additional option may be negotiated if requested in writing to the City. The annual rentals are payable to the Charter High School in quarterly advance payments.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. OPERATING LEASES (Continued)

The approximate minimum future rentals to be received, excluding cost of living increases or expected lease renewals, on non-cancelable operating lease as of June 30, 2005 are:

Fiscal year ending June 30:	
2006	\$ 825,000
2007	850,000
2008	850,000
2009	850,000
2010	850,000
2011-2013	<u>1,275,000</u>
Total future minimum rentals	<u>\$ 5,500,000</u>

Schools' Facility Leases

The Schools lease their elementary school campuses, middle school campuses and high school campus 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.5.). The rental fees are due annually on December 15. For the fiscal year ended June 30, 2005, rent expense was approximately \$1,450,000, \$1,431,000 and \$3,636,000 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:	
2006	\$ 6,672,000
2007	6,665,000
2008	6,671,000
2009	6,670,000
2010	6,675,000
2011-2015	32,620,000
2016-2020	32,168,000
2021-2025	29,660,000
2026-2030	18,946,000
2031	<u>3,045,000</u>
Total minimum future rentals	<u>\$ 149,792,000</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. 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>
Compensated absences	\$ <u>423,125</u>	\$ <u>534,800</u>	\$ <u>(434,546)</u>	\$ <u>523,379</u>	\$ <u>403,939</u>

NOTE 8. 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 three years.

NOTE 9. 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.

NOTE 10. PENSION 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.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLAN (Continued)

At June 30, 2005, there were 267 Plan members. Effective January 1, 2002, the Charter Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The City's required contribution is five percent (5%) of the Plan member's gross salary. For the year ended June 30, 2005, the City contributed \$662,274 to the Charter Schools' Plan. Provisions of the Charter Schools' Plan may be amended by the City Commission. The Charter Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility, and therefore, the net assets of the Charter Schools' Plan are not included in the City's financial statements.

NOTE 11. SUBSEQUENT EVENT

During the fiscal year ended June 30, 2005, one hundred (100) FSU Elementary fifth graders attended the City of Pembroke Pines Charter West Campus Middle School as sixth graders. Although these 100 FSU students were physically located at the Charter Middle School campus, they were not counted as part of the FTE equivalents for the Charter Middle School, as the FSU Charter School was established under a separate Charter. Therefore, for the fiscal year 2005 the FTE revenues and expenditures of the Broward County Charter Middle School was based on 500 students as opposed to 600 students, and the FSU Charter School FTE revenues and expenditures were based on 710 students versus 610 students. It was subsequently decided by the Charter Schools' administration that this would not be continued for the 2006 school year; instead the 100 FSU students will become part of the Broward County FTE equivalents. This would restore the full number of Broward County and FSU Charter Schools' FTE equivalents to 600 and 610, respectively.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2005

	<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	\$ 11,536,325	\$ 11,778,556	\$ 11,216,759	\$ (561,797)
Federal grants	<u>150,000</u>	<u>166,110</u>	<u>134,767</u>	<u>(31,343)</u>
Total revenues	<u>11,686,325</u>	<u>11,944,666</u>	<u>11,351,526</u>	<u>(593,140)</u>
Expenditures:				
Current:				
K-3 basic	3,356,439	3,457,342	3,448,078	9,264
4-8 basic	1,558,111	1,627,238	1,611,034	16,204
Exceptional student program	452,408	501,339	496,114	5,225
Substitute teachers	71,450	96,878	95,587	1,291
Guidance services	191,437	206,111	204,666	1,445
Instructional media service	50,554	44,972	42,957	2,015
Instructional staff training service	12,000	-	-	-
School administration	1,751,178	1,858,274	1,831,857	26,417
Facilities acquisition and construction	1,492,020	1,452,646	1,450,171	2,475
Student transportation services	551,056	578,380	573,781	4,599
Operation of school	1,722,027	1,706,684	1,719,732	(13,048)
Child care supervision	335,225	309,083	295,306	13,777
Capital outlay	<u>-</u>	<u>37,000</u>	<u>1,994</u>	<u>35,006</u>
Total expenditures	<u>11,543,905</u>	<u>11,875,947</u>	<u>11,771,277</u>	<u>104,670</u>
Excess of revenues over expenditures	142,420	68,719	(419,751)	(488,470)
Other financing uses:				
Transfers out	<u>(306,776)</u>	<u>(306,776)</u>	<u>(205,463)</u>	<u>101,313</u>
Net change in fund balances	(164,356)	(238,057)	(625,214)	(387,157)
Fund balances, beginning	<u>2,302,045</u>	<u>2,302,045</u>	<u>2,302,045</u>	<u>-</u>
Fund balances, ending	<u>\$ 2,137,689</u>	<u>\$ 2,063,988</u>	<u>\$ 1,676,831</u>	<u>\$ (387,157)</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2005

	<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	\$7,585,894	\$7,129,027	\$6,771,126	\$ (357,901)
Federal grants	72,500	76,945	66,048	(10,897)
Total revenues	7,658,394	7,205,972	6,837,174	(368,798)
Expenditures:				
Current:				
4-8 basic	3,711,118	3,581,436	3,578,976	2,460
Intensive English/ESOL	6,600	-	-	-
Exceptional student program	335,356	310,432	306,582	3,850
Substitute teachers	75,000	70,778	70,776	2
Guidance services	135,695	106,806	101,617	5,189
Instructional media service	207,690	179,059	177,865	1,194
Instructional staff training service	16,000	9,400	9,398	2
School administration	796,912	788,463	778,997	9,466
Facilities acquisition and construction	1,460,485	1,309,451	1,309,061	390
Student transportation services	367,660	347,663	350,332	(2,669)
Operation of school	1,216,487	1,076,467	1,092,263	(15,796)
Capital outlay	-	48,593	14,045	34,548
Total expenditures	8,329,003	7,828,548	7,789,912	38,636
Deficiency of revenues over expenditures	(670,609)	(622,576)	(952,738)	(330,162)
Other financing sources:				
Transfers in	660,007	660,007	453,841	(206,166)
Transfers out	(164,356)	(164,356)	(205,463)	(41,107)
Total other financing sources (uses)	495,651	495,651	248,378	(247,273)
Net change in fund balances	(174,958)	(126,925)	(704,360)	(577,435)
Fund balances, beginning	1,639,301	1,639,301	1,639,301	-
Fund balances, ending	\$1,464,343	\$1,512,376	\$ 934,941	\$ (577,435)

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2005

	<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	\$ 12,521,542	\$ 12,619,997	\$ 12,240,320	\$ (379,677)
Federal grants	68,500	117,829	150,464	32,635
Total revenues	12,590,042	12,737,826	12,390,784	(347,042)
Expenditures:				
Current:				
9-12 basic	4,513,893	4,573,071	4,498,243	74,828
Intensive English/ESOL	35,335	36,885	34,228	2,657
Exceptional student program	135,626	138,060	121,716	16,344
Vocational 6-12	291,961	267,218	253,635	13,583
Substitute teachers	45,000	30,270	30,270	-
School/other	10,000	12,000	11,415	585
Guidance services	367,185	388,880	386,598	2,282
Instructional media service	142,917	143,100	127,459	15,641
Instruction & curriculum development	-	31,008	31,008	-
ESE specialist	51,499	53,169	52,296	873
Instructional staff training service	27,994	27,994	10,334	17,660
School administration	903,647	983,349	944,907	38,442
Facilities acquisition and construction	3,710,173	3,646,484	3,635,857	10,627
Student transportation services	251,340	233,988	191,373	42,615
Operation of school	2,232,214	2,359,846	2,287,108	72,738
Athletics	199,970	200,270	186,619	13,651
Capital outlay	-	18,578	18,574	4
Total expenditures	12,918,754	13,144,170	12,821,640	322,530
Deficiency of revenues over expenditures	(328,712)	(406,344)	(430,856)	(24,512)
Other financing sources:				
Transfers in	328,712	328,712	410,926	82,214
Net change in fund balances	-	(77,632)	(19,930)	57,702
Fund balances, beginning	19,930	19,930	19,930	-
Fund balances, ending	\$ 19,930	\$ (57,702)	\$ -	\$ 57,702

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2005

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 (US GAAP), except for encumbrances, which are purchase orders and contracts issued for goods services not received at year end.

For budgetary purposes, significant encumbrances outstanding at year end are reappropriated in the subsequent year's budget. Unencumbered appropriations lapse at year-end.

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets established 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, is legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend 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 budget maybe amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations, which have the effect of adjusting the original adopted budgets. There were supplemental appropriations of approximately \$332,000 in the elementary schools, \$500,000 less than the original budget in the middle schools and \$225,000 in the high school during the fiscal year ended June 30, 2005.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY SOURCE

JUNE 30, 2005

Governmental funds capital assets:	
Improvements other than buildings	\$2,480,072
Machinery and equipment	<u>2,117,946</u>
Total governmental capital assets	<u>\$4,598,018</u>
Investments in governmental funds capital assets by source:	
Charter Elementary Schools	\$1,984,545
Charter Middle Schools	2,284,058
Charter High School	<u>329,415</u>
Total governmental funds capital assets	<u>\$4,598,018</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2005

<u>Function and Activity</u>	Improvements		<u>Total</u>
	Other Than <u>Buildings</u>	Machinery and <u>Equipment</u>	
Education:			
Elementary Schools	\$ 1,218,921	\$ 765,624	\$ 1,984,545
Middle Schools	1,261,151	1,022,907	2,284,058
High School	-	329,415	329,415
Total governmental funds capital assets	<u>\$ 2,480,072</u>	<u>\$ 2,117,946</u>	<u>\$ 4,598,018</u>

CITY OF PEMBROKE PINES CHARTER SCHOOLS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY FISCAL YEAR ENDED JUNE 30, 2005

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, <u>2003</u>	<u>Additions</u>	<u>Transfers</u>	Governmental Funds Capital Assets June 30, <u>2004</u>
Education:				
Elementary Schools	\$ 1,982,119	\$ 1,994	\$ 432	\$ 1,984,545
Middle Schools	2,271,927	14,045	(1,914)	2,284,058
High School	<u>309,359</u>	<u>18,574</u>	<u>1,482</u>	<u>329,415</u>
Total governmental funds capital assets	<u>\$ 4,563,405</u>	<u>\$ 34,613</u>	<u>\$ -</u>	<u>\$ 4,598,018</u>

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

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Broward County School Board Charter Schools
Pembroke Pines, Florida

We have audited the financial statements of the City of Pembroke Pines/Broward County School Board Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2005, which collectively comprise the Schools' basic financial statements as listed in the table of contents and have issued our report thereon dated September 9, 2005. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether the Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Broward County School Board Charter Schools
Pembroke Pines, Florida
Page 2

This report is intended solely for the information and use of the Honorable Mayor, City Commission, management, the Auditor General of the State of Florida and the Broward County District School Board and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, Florida
September 9, 2005

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

Honorable Mayor, City Commission and City Manager
City of Pembroke Pines/Broward County School Board Charter Schools
Pembroke Pines, Florida

We have audited the financial statements of the City of Pembroke Pines/Broward County School Board Charter Schools (the Schools) (Special Revenue Funds of the City) as of and for the year ended June 30, 2005, which collectively comprise the Schools' basic financial statements as listed in the table of contents and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We have also issued our Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 9, 2005, should be considered in conjunction with this management letter.

In connection with our audit of the financial statements of the Schools' as of and for the year ended June 30, 2005, we report the following in accordance with Chapter 10.850 Rules of the Auditor General, *Charter Schools Audits* which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854 (1)(d):

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. There were no recommendations made in the preceding annual financial audit.
3. There are no recommendations to improve the Schools' present financial management, accounting procedures and internal controls.
4. During the course of our audit, nothing came to our attention that caused us to believe that the Schools:
 - a. Were in violation of any laws, rules, regulations or contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations, and instances of fraud.

Honorable Mayor, City Commission and City Manager
City of Pembroke/Broward County School Board Charter Schools
Pembroke Pines, Florida

5. The City of Pembroke Pines was incorporated under House Bill No. 1413 on June 20, 1960. The Charter Schools are operated by the City. The City's Charter Elementary Schools were created by motion of the City Commission on June 17, 1998. The City's Charter Middle Schools were created under Resolution No. 2668 on June 2, 1999. The City's Charter High School was created by motion of the City Commission on February 16, 2000.

This report is intended solely for the information and use of the Honorable Mayor, City Commission, management, the Auditor General of the State of Florida and the Broward County District School Board and is not intended to be and should not be used by anyone other than those specified parties.

Fort Lauderdale, Florida

September 9, 2005