

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

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

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

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|--------------------|
| INDEPENDENT AUDITORS' REPORT | 1-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTARY INFORMATION) | 4-11 |
| SPECIAL PURPOSE FINANCIAL STATEMENTS: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 12 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Fund | 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 Special Purpose Financial Statements | 17-38 |
| REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A): | |
| Budgetary Comparison Schedules | 39-41 |
| Notes to Budgetary Comparison Schedules | 42 |
| SUPPLEMENTARY AUDITORS' REPORTS: | |
| 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 <i>Government Auditing Standards</i> | 43-44 |
| Management Letter in Accordance with the Rules of the Auditor General of the State of Florida | 45-46 |

AUDITORS' REPORT

AUDITORS' REPORT

AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

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

Overview of the Special Purpose Financial Statements

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

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

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

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

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

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

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

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

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

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

Supplementary Auditors' Reports. This section includes the following:

- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, which can be found on pages 43-44.
- Management Letter in Accordance with the Rules of the Auditor General of the State of Florida, which can be found on pages 45-46.

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

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

CONDENSED STATEMENT OF NET POSITION

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

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

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

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

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

CONDENSED STATEMENT OF CHANGES IN NET POSITION

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

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

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

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

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

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

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

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

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

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

Budgetary Highlights

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

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

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

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

The Charter Elementary Schools, East, West and Central Campuses, made the following amendments to budget: Several amendments were made to increase budgeted revenues totaling \$573,100. This was attributable to additional revenues provided by the State for Teacher Salary Allocation, District Discretionary Lottery Funds, and Governor's A+ Funds, which resulted in an adjustment to budgeted revenues in the amount of \$558,270.

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

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

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

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

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

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

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

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

Capital Assets

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

CAPITAL ASSETS (Net of Depreciation)

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

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

Requests for Information

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF NET POSITION

JUNE 30, 2014

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

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2014

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

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2014

| | <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 | \$ 1,394,629 | \$ 99,088 | \$ 1,055,090 | \$ 2,548,807 |
| Due from Broward County | 86,138 | 65,475 | 184,799 | 336,412 |
| Due from Federal Government | 5,621 | 2,996 | 914 | 9,531 |
| Other miscellaneous receivables | <u>139,981</u> | <u>95,243</u> | <u>125,180</u> | <u>360,404</u> |
| Total assets | <u>\$ 1,626,369</u> | <u>\$ 262,802</u> | <u>\$ 1,365,983</u> | <u>\$ 3,255,154</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | |
| Liabilities: | | | | |
| Accrued liabilities | \$ 5,988 | \$ 4,600 | \$ 12,328 | \$ 22,916 |
| Unearned revenue | 9,274 | 6,375 | 3,478 | 19,127 |
| Deposits | <u>141,407</u> | <u>99,420</u> | <u>349,261</u> | <u>590,088</u> |
| Total liabilities | <u>156,669</u> | <u>110,395</u> | <u>365,067</u> | <u>632,131</u> |
| Fund balances: | | | | |
| Assigned for rent payments | <u>1,469,700</u> | <u>152,407</u> | <u>1,000,916</u> | <u>2,623,023</u> |
| Total fund balances | <u>1,469,700</u> | <u>152,407</u> | <u>1,000,916</u> | <u>2,623,023</u> |
| Total liabilities and fund balances | <u>\$ 1,626,369</u> | <u>\$ 262,802</u> | <u>\$ 1,365,983</u> | |

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

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

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

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

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2014

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

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

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

FISCAL YEAR ENDED JUNE 30, 2014

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

| | |
|--|--------------|
| Net change in fund balances - total governmental funds (Page 15) | \$ (422,831) |
|--|--------------|

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

The detail of the difference is as follows:

| | | |
|----------------------|------------------|----------|
| Capital outlay | \$ 195,823 | |
| Depreciation expense | <u>(278,771)</u> | |
| Net adjustment | | (82,948) |

| | |
|---|----------|
| The net effect of various miscellaneous transactions involving capital assets | (91,249) |
|---|----------|

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

The detail of the difference is as follows:

| | | |
|----------------------|--|---------------|
| Compensated absences | | <u>55,496</u> |
|----------------------|--|---------------|

| | |
|---|---------------------|
| Change in net position of governmental activities (page 13) | <u>\$ (541,532)</u> |
|---|---------------------|

See notes to special purpose financial statements.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-Wide and Fund Financial Statements

On February 1, 2003 the City entered into a Charter Agreement with Florida State University (FSU) to create a seventh Charter School – the City of Pembroke Pines/Florida State University Charter Elementary School. This Charter School opened for the 2003-2004 School year, and has a current enrollment of 679 students for the 2013-14 school year. Its financial information is not included herein, as it is separately chartered with Florida State University and issues its own special purpose financial statements.

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

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Schools report the following major funds:

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity

1. *Deposits & Investments*

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

2. *Receivables*

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

3. *Inventories*

Inventories consist of expendable food commodities and are valued on the first-in, first-out basis. United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the School's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. This inventory is accounted for under the consumption method, and as such, is recorded as an expenditure when used rather than purchased. The Schools have no inventories at June 30, 2014.

4. *Capital Assets*

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

4. Capital Assets (continued)

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

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

5. Compensated Absences

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

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

6. Long-Term Obligations

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

6. *Long-Term Obligations* (continued)

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

On December 1, 2006, \$18,935,000 of the Public Improvement Revenue Bonds, Series 1998, and \$10,985,000 of the Public Improvement Revenue Bonds, Series 2001 were advance refunded by the City's \$29,720,000 Public Improvement Revenue Refunding Bonds, Series 2006. Also on December 1, 2006, \$28,100,000 of the Capital Improvement Revenue Bonds, Series 1999 was advance refunded by a portion of the City's \$45,050,000 Capital Improvement Revenue Refunding Bonds, Series 2006.

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

7. Equity Classifications

Government-wide Financial Statements

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

7. Equity Classifications (continued)

Fund Financial Statements

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Assets, Liabilities and Fund Equity (continued)

8. Revenue Sources

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

9. Use of Estimates

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

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

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

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

LIST OF AUTHORIZED INVESTMENTS:

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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

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

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

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

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

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

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

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

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

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

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

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Schools utilize portfolio diversification and credit quality rating in order to control this risk. The Florida Municipal Investment Trust (FMIvT) 1-3 Year High Quality Bond Fund is rated AAA/V2 by Fitch.

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 2. DEPOSITS & INVESTMENTS (continued)

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

[REST OF THIS PAGE LEFT INTENTIONALLY BLANK]

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 3. REVENUE SOURCES

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

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

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

| | |
|--------------------------|-------------------|
| Governmental activities: | |
| Operation of school | <u>\$ 278,771</u> |

Effective October 1, 2013, all capitalized computers that initially cost less than \$1,000 were disposed of from the fixed asset system.

NOTE 5. RECEIVABLES

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (Continued)

NOTE 6. INTERFUND TRANSFERS

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

NOTE 7. OPERATING LEASES

Communications Facility Lease

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

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

| | |
|--|------------|
| Fiscal year ending June 30: | |
| 2015 | \$ 162,000 |
| 2016 | 165,000 |
| 2017 | 167,000 |
| 2018 | 169,000 |
| Total approximate future minimum rentals | \$ 663,000 |

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 7. OPERATING LEASES (continued)

Other Facility Lease (continued)

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

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

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

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 7. OPERATING LEASES (continued)

Schools' Facility Leases

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

For the fiscal year ended June 30, 2014, rent expense was approximately \$1,420,000, \$1,263,000 and \$3,144,000 for the Elementary, Middle and High Schools, respectively.

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

Fiscal year ending June 30:

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 8. CHANGES IN LONG-TERM LIABILITIES

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

NOTE 9. RISK MANAGEMENT

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

NOTE 10. CONTINGENCY

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 11. PENSION PLANS

Defined Benefit Plan

Florida Retirement System

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

Plan Description

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

Average Final Compensation (AFC)

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

Vesting

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

Service Retirement

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 11. PENSION PLANS

Defined Benefit Plan (continued)

Florida Retirement System (continued)

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

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

Funding Policy

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

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

| <u>Fiscal Year</u> | <u>Annual Required Contributions</u> | <u>Total Employer Contributions</u> | <u>Percentage Contributed</u> | <u>Contribution Rates</u> | |
|--------------------|--------------------------------------|-------------------------------------|-------------------------------|---------------------------|-------------|
| | | | | <u>Regular Class</u> | <u>DROP</u> |
| 2014 | \$ 1,157,206 | \$ 1,157,206 | 100.0% | 6.95% | 12.84% |
| 2013 | 884,548 | 884,548 | 100.0% | 5.18% | 5.44% |
| 2012 | 812,317 | 812,317 | 100.0% | 4.91% | 4.42% |
| 2011 | 1,761,326 | 1,761,326 | 100.0% | 10.77% | 12.25% |
| 2010 | 1,563,168 | 1,563,168 | 100.0% | 9.85% | 10.91% |

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

(Continued)

NOTE 11. PENSION PLANS

Defined Contribution Plan

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

In fiscal year 2006-07 employees were given the option to enter the Florida Retirement System (FRS) or to remain in the Defined Contribution Plan with the ICMA-RC. At June 30, 2014, there were 35 Plan members. Effective January 1, 2002, the Schools' Plan members may make voluntary after-tax contributions of up to twenty-five percent (25%) of compensation during the fiscal year. The Schools' required contribution decreased to 6.95% from 5.18% of the Plan member's gross salary to agree with the contribution to the FRS. For the year ended June 30, 2014, the Schools contributed \$106,191 and the employees contributed \$15,724 to the Plan. Provisions of the Schools' Plan may be amended by the City Commission. The Schools' Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the net position of the Schools' Plan is not included in the Schools' special purpose financial statements.

Beginning in fiscal year 2008-09, the Schools recorded a revenue and a receivable for ICMA forfeitures. These forfeitures represent the amount of non-vested accrued employer benefits. The Schools will utilize these forfeitures to offset future employer contributions to the Plan.

NOTE 12. OTHER INFORMATION

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

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

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER ELEMENTARY SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2014

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

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER MIDDLE SCHOOLS

FISCAL YEAR ENDED JUNE 30, 2014

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

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE CHARTER HIGH SCHOOL

FISCAL YEAR ENDED JUNE 30, 2014

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

See notes to Budgetary Comparison Schedule

CITY OF PEMBROKE PINES CHARTER SCHOOLS

NOTES TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

2. The Charter Schools' budgets are approved via resolution in a public hearing conducted by the City Commission. The adopted budgets are integrated into the accounting software system effective July 1st. The budgets establish the legal authority to incur expenditures up to the appropriated amount for each line item.
3. Section 30.30(F) of the Code of Ordinances requires a majority affirmative vote of the quorum to adopt the budgets, which prior to July 1st, are legally enacted through passage of a resolution. Section 6.06 of the City Charter provides that no officer, department or agency may legally expend or contract to expend the amounts in excess of the amounts appropriated for any department, within an individual fund. Therefore, the legal level of control is at the department level.
4. The adopted budgets may be amended as follows:
 - a. The City Manager or his designee and the Principals approve line item adjustments within a school site or school function.
 - b. The City Commission approves budget adjustments that transfer monies from fund to fund or interdepartmentally.
 - c. The City Commission may approve supplemental appropriations of revenues and expenditures. If this is done, the adoption of an amended budget resolution is required.
5. The final budgets include the supplemental appropriations before transfers, which have the effect of adjusting the original adopted budgets. There were supplemental expenditure appropriations before transfers of \$787,166 less than the original budget in the elementary schools, \$160,022 less than the original budget in the middle schools and \$205,263 less than the original budget in the high school during the fiscal year ended June 30, 2014.

AUDITORS' REPORT

AUDITORS' REPORT

AUDITORS' REPORT

AUDITORS' REPORT