

**McGladrey & Pullen**

Certified Public Accountants

**Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)**

Special Purpose Financial Report  
06.30.2009

## Contents

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<b>Financial Section</b>	
<hr/>	
Independent Auditor's Report	1 – 2
<hr/>	
Required Supplementary Information	
Management's discussion and analysis (Unaudited)	3 – 8
<hr/>	
<b>Special Purpose Financial Statements</b>	
Statement of net assets	9
Statement of activities	10
<hr/>	
Fund Financial Statements:	
Governmental Fund:	
Balance sheet	11
Statement of revenues, expenditures and change in fund balance	12
<hr/>	
Notes to special purpose financial statements	13 – 19
<hr/>	
<b>Supplementary Information (Unaudited)</b>	
<hr/>	
Budgetary comparison schedule	20
Notes to supplementary information	21
<hr/>	
<b>Reports Required by Government Auditing Standards</b>	
<hr/>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 – 23
Management Letter Required by Chapter 10.850 Rules of the Auditor General of the State of Florida	24 – 25
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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor, City Commissioners and City Manager  
of the City of Aventura, Florida  
Aventura City of Excellence School  
Aventura, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and the major fund of the Aventura City of Excellence School (a special revenue fund of the City of Aventura, Florida) (the "School"), as of and for the year ended June 30, 2009, which collectively comprise the School's special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the special purpose financial statements present only the Aventura City of Excellence School, a special revenue fund of the City of Aventura, Florida. These financial statements do not purport to, and do not, present fairly the financial position of the City of Aventura, Florida as of June 30, 2009 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Aventura City of Excellence School, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009 on our consideration of the School's 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 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 considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents, respectively, are not a required part of the special purpose financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
August 24, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Aventura City of Excellence School's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the School's special purpose financial statements which immediately follow this discussion.

### **Overview of the Special Purpose Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's special purpose financial statements. The special purpose financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the special purpose financial statements. This report also contains other required supplemental information in addition to the special purpose financial statements themselves.

#### **Government-Wide Financial Statements**

The government-wide financial statements, which consist of the statement of net assets and the statement of activities, are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net assets provides information on all the School's assets and liabilities, with the difference between the two (2) reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the School's financial position is improving or deteriorating. However, as a governmental entity, the School's activities are not geared toward generating profit as are the activities of commercial entities. Other factors such as the safety at the School and quality of education, must be considered in order to reasonably assess the School's overall performance.

The statement of activities presents information and shows how the School's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

#### **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 School has only one (1) category of funds – 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2009

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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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Special Purpose Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund special purpose financial statements.

Supplementary Information

In addition to the special purpose financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following table presents a comparative analysis of the condensed government-wide statements of net assets:

	<b>Summary of Net Assets</b>		
	<b>2009</b>	2008	Variance
Current and other assets	<b>\$ 2,220,672</b>	\$ 2,869,068	\$ (648,396)
Capital assets	<b>2,165,173</b>	108,439	2,056,734
<b>Total assets</b>	<b>4,385,845</b>	<b>2,977,507</b>	1,408,338
Liabilities	<b>1,172,711</b>	652,462	520,249
Net Assets:			
Invested in capital assets	<b>2,165,173</b>	108,439	2,056,734
Unrestricted	<b>1,047,961</b>	2,216,606	(1,168,645)
<b>Total net assets</b>	<b>\$ 3,213,134</b>	<b>\$ 2,325,045</b>	\$ 888,089

Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2009

Current and other assets and unrestricted net assets decreased due to decreases in cash balances resulting from the construction of ten (10) new classrooms (described below) as well as a decrease in accounts receivable. Capital assets and invested in capital assets increased due to the costs associated with the construction of the ten (10) additional classrooms.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2009 and 2008, the School had no restricted assets. The remaining unrestricted balance may be used in any of the School's ongoing operations.

The following table presents comparative information of the condensed government-wide statements of changes in net assets:

	<b>Summary of Changes in Net Assets</b>		
	<b>2009</b>	2008	Variance
Revenues:			
General revenues and transfers	<b>\$ 6,058,952</b>	<b>\$ 6,077,054</b>	\$ (18,102)
Program revenues:			
Charges for services	<b>665,864</b>	620,595	45,269
Operating grants and contributions	<b>230,700</b>	215,059	15,641
Capital grants and contributions	<b>530,725</b>	652,374	(121,649)
<b>Total revenues</b>	<b>7,486,241</b>	<b>7,565,082</b>	(78,841)
Expenses:			
Instruction	<b>3,774,384</b>	3,733,948	40,436
Instructional media services	<b>69,856</b>	64,174	5,682
Operation of facility	<b>1,532,516</b>	1,490,948	41,568
School administration	<b>907,747</b>	925,024	(17,277)
Pupil transportation services	<b>181,560</b>	183,600	(2,040)
Community services	<b>132,089</b>	140,611	(8,522)
<b>Total expenses</b>	<b>6,598,152</b>	<b>6,538,305</b>	59,847
<b>Change in net assets</b>	<b>888,089</b>	<b>1,026,777</b>	(138,688)
Net assets, beginning	<b>2,325,045</b>	<b>1,298,268</b>	1,026,777
Net assets, ending	<b>\$ 3,213,134</b>	<b>\$ 2,325,045</b>	\$ 888,089

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2009

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- General revenues decreased a small amount primarily because of the following:
  - a loss in state funding provided by the state legislature offset by;
  - new revenue from the Red Light Violation Program, and
  - a transfer from capital construction funds to offset a portion of the new construction cost and smart boards used at the School.
- Expenses for Instruction increased as a result of teacher salary increases.
- Expenses for Operation of Facility increased due to an increase in maintenance and related costs.

### **Financial Analysis of the School's Funds**

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2008/09 the School's governmental fund reported ending fund balance of \$1,060,315. The fund balance unreserved and available for spending at the School's discretion is \$1,025,751. These funds will be available for the School's future ongoing operations. The fund balance decreased by \$1,032,236 from the prior year because of the construction activity that took place during the fiscal year.

### **Budgetary Highlights**

In order to address the Florida Class Size Mandate Legislation, funding was included in the 2008/09 budget to provide for constructing ten (10) new classrooms at an estimated cost of \$2,099,000. The classrooms have been completed in time for the 2009/10 school year.

### **Capital Assets and Debt Administration**

As of June 30, 2009, the School had an investment in capital assets of \$2,165,173. This amount is net of accumulated depreciation of \$325,448. Major capital asset additions in the current year included the construction related to the ten (10) new classrooms which are recorded as leasehold improvements and the purchase of smart boards.

The School has no outstanding debt.

### **Economic Factors**

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2009/10 include the following:

- Aventura City of Excellence School, the first municipal sponsored charter school in Miami-Dade County, opened its doors in August 2003 serving kindergarten through fifth grade and has operated at full capacity for the past six (6) years. The School has received FCAT ratings of "A" since the 2004/05 school year.
- In July 2004, the Charter School contract between the School Board of Miami-Dade County and the City of Aventura was amended to provide for the School to be expanded to include a middle school component consisting of grades 6, 7 and 8. An eighth grade class was added for the 2007/08 school year, accommodating 100 additional students, bringing the School to its then maximum capacity of 900 students as a K-8 facility. The capital cost associated with the expansion of the facility to house the middle school grades was paid for by the City's General Fund.
- The recently completed ten (10) new classrooms as described under the caption "Budgetary Highlights," will ensure that the school will meet the class size requirements of kindergarten through third grade of 18 students per classroom and fourth grade to eighth grade of 22 students per classroom. In addition, the new classrooms will allow an increase of eight (8) students per grade for a total of seventy-two (72) new students. In May 2008, the Charter School Contract between the School Board of Miami-Dade County and the City was amended to provide for the School to expand for seventy-two (72) new students, bringing the maximum capacity to 972 students.
- The 2009/10 school year represents the seventh year of operations of the School. Our past has shown that we can continue to operate the School at a high level and provide quality education for our students, within the school based revenues and without outside subsidies. We have also been fortunate to have a strong business community and involved parents that participate in fund raising activities for school improvements.
- This past year for the first time since the School's inception, the State of Florida responding to the economic recession, reduced the amount of funding available for the School. The revenues for next year have been estimated to continue to anticipate the funding reduction based on actions taken by the State Legislature.
- In order to respond to the loss of revenue without impacting the "classroom" and current educational programs the following plan of action was utilized in the preparation of the 2009/10 budget:
  - The use of the additional classrooms currently under construction will be phased in over a two (2) year period. Only kindergarten through third grade will be expanded by eight (8) additional students at each grade and will occupy the additional classrooms in August.
  - The \$30,000 transfer to the General fund to offset services provided by the Finance Department to the School will be deferred this year.

Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)

Management's Discussion and Analysis (Unaudited)  
Year Ended June 30, 2009

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- New revenue in the amount of \$100,000 from the City's Red Light Violation Program is included to assist in funding the budget.
  - Teacher salary increases will reflect a step increase based on years of service reflective of the Miami-Dade School Board pay plan and provides that returning teachers will be rewarded with a service award based on years of service. Based on previous year's increases and the service award program, our teachers' salaries will again exceed those of the Miami-Dade School Board.
  - A \$2.00 surcharge on all School uniforms will be implemented as a fundraiser for the school.
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- With the use of the additional classrooms, class sizes will be reduced and 32 additional students will be admitted in the upcoming school year. The budget contains the following personnel changes to address the class size revisions:
    - Seven new teacher positions were added.
    - One position was deleted from the Literacy Team.
    - Smaller class sizes in the second and third grade provided the ability to delete two (2) part-time classroom assistant positions.

The budget continues to include revenue in the amount of \$125,000 from the Clear Channel agreement for proceeds from the billboard advertising to assist in funding school programs.

The overall budget decreased by 22% or \$1,989,016 largely due to the completion of the additional classrooms described above. The budget includes funding for lease payments to the City for use of the School facilities.

**Requests for Information**

This financial report is designed to provide a general overview of the Aventura City of Excellence School's finances for all those with an interest. If you should have any questions pertaining to the information presented in this report or would like additional information, please contact the Finance Director at the City of Aventura, 19200 W. Country Club Drive, Aventura, Florida 33180.

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)**

**Statement of Net Assets  
June 30, 2009**

**Assets**

Current assets:	
Pooled cash and cash equivalents	\$ 2,178,015
Accounts receivable	8,093
Prepayments	34,564
<b>Total current assets</b>	<u>2,220,672</u>
Noncurrent assets:	
Capital assets, depreciable	2,490,621
Less: accumulated depreciation	<u>(325,448)</u>
<b>Total noncurrent assets</b>	<u>2,165,173</u>
<b>Total assets</b>	<u>4,385,845</u>
Liabilities	
Current liabilities:	
Accounts payable	752,528
Accrued expenses	383,317
Unearned revenue	24,512
Noncurrent liabilities:	
Compensated absences	<u>12,354</u>
<b>Total liabilities</b>	<u>1,172,711</u>
Net assets:	
Invested in capital assets	2,165,173
Unrestricted	<u>1,047,961</u>
<b>Total net assets</b>	<u>\$ 3,213,134</u>

See Notes to Special Purpose Financial Statements.

**Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)**

**Statement of Activities  
Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,774,384	\$ 118,349	\$ -	\$ -	\$ (3,656,035)
Instructional media services	69,856	-	-	-	(69,856)
Operation of facility	1,532,516	394,050	56,820	530,725	(550,921)
School administration	907,747	-	-	-	(907,747)
Pupil transportation services	181,560	-	173,880	-	(7,680)
Community services	132,089	153,465	-	-	21,376
<b>Total governmental activities</b>	<b>\$ 6,598,152</b>	<b>\$ 665,864</b>	<b>\$ 230,700</b>	<b>\$ 530,725</b>	<b>\$ (5,170,863)</b>
General revenues:					
FTE nonspecific revenues					\$ 5,706,190
Investment earnings					31,887
Miscellaneous income					165,239
Transfers from other funds of the City					155,636
<b>Total general revenues and transfers</b>					<b>6,058,952</b>
<b>Change in net assets</b>					<b>888,089</b>
Net assets:					
Net assets, beginning					2,325,045
Net assets, ending					<b>\$ 3,213,134</b>

See Notes to Special Purpose Financial Statements.

**FUND FINANCIAL STATEMENTS**

**Aventura City of Excellence School**  
**(A Special Revenue Fund of the**  
**City of Aventura, Florida)**

**Balance Sheet – Governmental Fund**  
**June 30, 2009**

**Assets**

Pooled cash and cash equivalents	\$ 2,178,015
Accounts receivable	8,093
Prepaid items	34,564
<b>Total assets</b>	<b>\$ 2,220,672</b>

**Liabilities and Fund Balance**

Liabilities:

Accounts payable	\$ 752,528
Accrued expenses	383,317
Unearned revenue	24,512
<b>Total liabilities</b>	<b>1,160,357</b>

**Fund balance**

Reserved for prepaid items	34,564
Unreserved	1,025,751
<b>Total fund balance</b>	<b>1,060,315</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,220,672</b>

Reconciliation of the governmental fund balance sheet to the statement of net assets:

Governmental fund balance	\$ 1,060,315
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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 governmental funds.

Cost of capital assets is	\$ 2,490,621	
Accumulated depreciation is	<u>(325,448)</u>	2,165,173

Long-term liability which is not due and payable in the current period and, therefore, is not reported in the governmental funds.

Compensated absences		<u>(12,354)</u>
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<b>Net assets of governmental activities</b>		<b>\$ 3,213,134</b>
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See Notes to Special Purpose Financial Statements.

**Aventura City of Excellence School  
(A Special Revenue Fund of the  
City of Aventura, Florida)**

**Statement of Revenues, Expenditures and  
Change in Fund Balance – Governmental Fund  
Year Ended June 30, 2009**

Revenues:		
Federal sources		\$ 56,820
State sources		6,544,984
Local sources		<u>862,990</u>
<b>Total revenues</b>		<u><b>7,464,794</b></u>
Expenditures:		
Current		
Instruction		3,785,657
Instructional media services		69,856
Operation of facility		1,532,352
School administration		905,691
Pupil transportation services		181,560
Community services		132,089
Capital Outlay		<u>2,045,461</u>
<b>Total expenditures</b>		<u><b>8,652,666</b></u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>		<u><b>(1,187,872)</b></u>
Other Financing Sources:		
Transfers from other funds of the City		<u>155,636</u>
<b>Total other financing sources</b>		<u><b>155,636</b></u>
Net change in fund balance		(1,032,236)
Fund balance, beginning		<u>2,092,551</u>
Fund balance, ending		<u><u>\$ 1,060,315</u></u>
Net decrease in fund balance – governmental fund		\$ (1,032,236)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as provision for depreciation.		
Cost of capital assets purchased	\$ 2,125,990	
Provision for depreciation	<u>(69,256)</u>	2,056,734
Some revenues and expenses reported in the statement of activities are not reported in the funds because they have no effect on current financial resources		
Capital outlay revenue	(134,189)	
Compensated absences	<u>(2,220)</u>	<u>(136,409)</u>
<b>Change in net assets on the statement of activities</b>		<u><u><b>\$ 888,089</b></u></u>

See Notes to Special Purpose Financial Statements.

Notes to Special Purpose Financial Statements

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**Note 1. Organization and Operations**

Nature of operations: Aventura City of Excellence School (the "School"), is a special revenue fund of the City of Aventura, Florida (the "City"). The School commenced operations in August 2003 in the City and offers classes for kindergarten through eighth grades with an enrollment of 900 for the year ended June 30, 2009. The School is funded from public funds based on enrollment and can also be eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay. The School can accept private donations and the City can incur debt for the operation of the School.

**Note 2. Summary of Significant Accounting Policies**

A summary of the School's significant accounting policies is as follows:

Reporting entity: The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 20, 2018. In 2005, the School amended the charter to include grades six through eight. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter for good cause as defined.

The School is owned and operated by the City, is part of the City's government and is not a separate legal entity or otherwise organized apart from the City. The City was incorporated in November 1995. The City operates under a Commission-Manager form of government. In accordance with Chapter 10.850, *Rules of the Auditor General of the State of Florida*, the School is required to prepare special purpose financial statements. Section 10.855(4) states that the special purpose financial statements should present the charter school's financial position including the charter school's current and capital assets and current and long-term liabilities, and net assets; and the changes in financial position. The financial statements contained herein present only the operations of the School and do not purport to, and do not, present the financial position and changes in financial position of the City. All capital assets acquired with FTE funding are reported.

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: The School's special purpose financial statements include both government-wide (reporting the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

Notes to Special Purpose Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

In the government-wide statement of net assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net assets are reported in three (3) categories: invested in capital assets; restricted net assets; and unrestricted net assets.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are supported by general revenues. The statement of activities reduces gross expenses by related program revenues. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund financial statements: The School's accounts are organized on the basis of funds. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

The Charter School Special Revenue Fund is a governmental fund type and is used to account for all of the School's financial transactions.

Measurement focus and basis of accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the special purpose financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). Revenues susceptible to accrual include FTE nonspecific revenue, transportation funds, capital grant funds, operating grants and contributions and investment earnings. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within two (2) months of the end of the current fiscal year. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when paid from expendable available financial resources.

Notes to Special Purpose Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

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

Capital assets: Capital assets purchased or acquired with an original cost of \$5,000 or more are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include equipment acquired with state shared revenues are reported in the government-wide financial statements.

Depreciation on equipment is provided on the straight-line basis over the respective estimated useful lives ranging from 3 to 5 years.

Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

Unearned/deferred revenue: Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the government-wide and the fund financial statements. In addition, amounts related to governmental fund receivables that are measurable, but not available (not received within 60 days from fiscal year end), are recorded as deferred revenue in the governmental fund financial statements.

Equity classifications:

*Government-wide financial statements*

Equity is classified as net assets and displayed in three (3) components:

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted net assets.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Notes to Special Purpose Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

*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.

Encumbrances: Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2009, there were no encumbrances outstanding.

Deposits and investments: The School's cash and cash equivalents are maintained by the City in a pooled cash account for all funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Pooled cash and cash equivalents represent the amount owned by the Charter School Special Revenue Fund. The City is responsible for all risks related to the School's cash and cash equivalents. These risks and the City's related policies are disclosed in the notes to the City's financial statements.

Post-retirement benefits: The School provides no post-retirement benefits to employees.

Compensated absences: The School's sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Upon termination, sick pay is paid out between 10-50% based on length of service.

The School's vacation policy is that earned vacation is cumulative although limited to certain maximums based on length of service.

Accumulated compensated absences are recorded as expenses in the government-wide financial statements when earned. Expenditures for accumulated compensated absences have been recorded in the governmental funds only in connection with terminated employees.

State funding (primary source of revenue): Student funding is provided by the State of Florida through the School Board of Miami-Dade County, Florida. Such funding is recorded as FTE nonspecific revenue. In accordance with the Charter Agreement, the School Board retains 2% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Notes to Special Purpose Financial Statements

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**Note 2. Summary of Significant Accounting Policies (Continued)**

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 3. Capital Assets**

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Leasehold improvements	\$ -	\$ 2,039,266	\$ -	\$ 2,039,266
Equipment	364,631	86,724	-	451,355
Less: accumulated depreciation	256,192	69,256	-	325,448
	<u>\$ 108,439</u>	<u>\$ 2,056,734</u>	<u>\$ -</u>	<u>\$ 2,165,173</u>

The provision for depreciation for the year ended June 30, 2009 amounted to \$69,256. The School allocated depreciation to instruction services.

**Note 4. Commitments and Contingencies**

The City has a contract with Charter Schools USA Inc. ("CSUSA") for administrative and educational management services for the operations of the School. All staff of the School, except the principal, assistant principal and custodian, are employees of CSUSA. The contract expires in June 2013 and provides for a fee based on a percentage of certain revenues of the School which is 6% for 2007 through 2013. Total fees paid to the management company for fiscal year 2008/09 were approximately \$321,000. All costs paid on behalf of the School are reimbursed to CSUSA (i.e. teachers salaries, textbooks and insurance).

Notes to Special Purpose Financial Statements

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**Note 4. Commitments and Contingencies (Continued)**

The School's operations are located at a facility that is owned by the City. In September 2002, the City entered into a bond indenture agreement with the Florida Intergovernmental Finance Commission through an interlocal governmental agreement. As a result, the City issued \$12,610,000 in Series 2002 Revenue Bonds to finance the acquisition of land and the construction of a charter school as well as the construction of a community center. Approximately \$6,651,100 of the bond issue is related to the land and construction of the School facility. The School is leasing its premises from the City under an operating lease agreement, which expired June 30, 2009, but was renewed for an additional year. The lease can renew each additional year as long as the School operates pursuant to the Charter issued by the School Board of Miami-Dade County. The rent amount is determined annually and is based on the annual debt service on the obligation of the Series 2002 Revenue Bonds. Future minimum payments required from the School by the City for the Series 2002 Revenue Bonds are as follows:

Year Ending June 30,	
2010	\$ 441,000
2011	443,300
2012	442,200
2013	443,400
2014	441,500
Thereafter	7,728,600
	\$ 9,940,000

The School received financial assistance from federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, the School is not required to conduct a "single audit" since the required threshold of federal money is currently \$500,000 and the School did not exceed such threshold.

**Note 5. Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the City carried commercial insurance. Settlement amounts have not exceeded insurance coverage for the past three (3) years. In addition, there were no reductions in insurance coverage from those in the prior year.

Notes to Special Purpose Financial Statements

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**Note 6. Defined Contribution Pension Plans**

Plan Description

The School is a single employer that contributes to three (3) defined contribution pension plans based on employee classification, created in accordance with Internal Revenue Code Section 401(a). The plans currently cover three (3) full-time employees of the School. Under these plans, the School contributes 15%, 14% or 7% of employee salary. School contributions to the department director vest in the year they are contributed. School contributions to the other employees vest beginning after one (1) year of service through year five (5) in 20% increments. Participants are not permitted to make contributions during the year. The School made plan contributions of approximately \$17,100 during the year. Plan provisions and contribution requirements may be amended by the City Commission.

The plans' assets are administered by ICMA Retirement Corp. The School does not exercise any control or fiduciary responsibility over the plans' assets.

**SUPPLEMENTARY INFORMATION**

**Aventura City of Excellence School**  
**(A Special Revenue Fund of the City of Aventura, Florida)**

**Budgetary Comparison Schedule - Budgetary Basis**  
**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
<b>Revenues and transfers:</b>					
FTE nonspecific revenues	\$ 5,684,000	\$ 5,382,305	\$ 5,641,606	\$ 64,584	\$ 5,706,190
Operating grants and contributions	32,557	32,557	56,820	-	56,820
Transportation funds	172,000	172,000	173,880	-	173,880
Capital grant funds	444,000	522,000	664,914	-	664,914
Charges for services	281,100	281,100	407,241	-	407,241
Investment earnings	20,000	20,000	31,887	-	31,887
Field trip revenue	200,000	200,000	140,274	-	140,274
Miscellaneous income	85,000	185,000	283,588	-	283,588
Transfers from other funds of the City	-	151,560	155,636	-	155,636
<b>Total revenues</b>	<b>6,918,657</b>	<b>6,946,522</b>	<b>7,555,846</b>	<b>64,584</b>	<b>7,620,430</b>
<b>Expenditures:</b>					
Salaries	3,373,703	3,348,703	3,353,189	-	3,353,189
Stipends	52,720	52,720	-	-	-
Professional services	618,540	618,540	651,725	64,584	716,309
Sick day buyout	12,600	12,600	-	-	-
Bonuses	69,500	108,500	102,156	-	102,156
Social security taxes	260,603	260,603	254,308	-	254,308
Pension expense	39,575	39,575	44,016	-	44,016
Employee health insurance	413,445	413,445	280,491	-	280,491
Utilities	165,000	165,000	174,276	-	174,276
Telephone	42,000	42,000	42,481	-	42,481
Insurance	39,000	39,000	74,963	-	74,963
Supplies	352,000	352,000	260,366	-	260,366
Textbooks	120,000	120,000	108,683	-	108,683
Repairs and maintenance	277,500	280,879	263,883	-	263,883
Workers' compensation insurance	42,659	42,659	21,673	-	21,673
Dues and fees	5,827	5,827	1,102	-	1,102
Field trips	210,000	210,000	190,801	-	190,801
Travel	26,800	26,800	19,017	-	19,017
Food services	35,000	35,000	51,925	-	51,925
Advertising	5,000	5,000	-	-	-
Administrative	-	-	-	30,000	30,000
Lease expense	3,000	3,000	-	444,000	444,000
Transfers	474,000	474,000	474,000	(474,000)	-
Capital outlay	1,772,500	2,383,224	2,219,027	-	2,219,027
<b>Total expenditures</b>	<b>8,410,972</b>	<b>9,039,075</b>	<b>8,588,082</b>	<b>64,584</b>	<b>8,652,666</b>
<b>Excess of revenue over expenditures</b>	<b>\$ (1,492,315)</b>	<b>\$ (2,092,553)</b>	<b>\$ (1,032,236)</b>	<b>\$ -</b>	<b>\$ (1,032,236)</b>

Notes to Supplementary Information

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**Note A.**

The School formally adopted a budget for the year ended June 30, 2009. Budgeted amounts may be amended by resolution or ordinance by the City Commission. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America with the exception of the items described in Note B. A comparison of the actual results of operations to the budgeted amounts for the General Fund is presented as supplementary information.

**Note B.**

The budget is adopted using the same basis of accounting on which the financial statements are prepared except for a 2% administrative charge that is retained by the School Board of Miami-Dade County. This amount is not reflected on the School's budget basis due to the lack of availability of such funds. For fiscal year 2009 this amount was \$64,584.

For budgeting purposes, certain amounts are budgeted as transfers out to the City's General Fund. For separate reporting of the Charter School Special Revenue Fund, these amounts are reclassified as follows:

Reimbursement for administrative services received from the City	\$ 30,000
Lease expense for School facility	\$444,000

# McGladrey & Pullen

Certified Public Accountants

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards**

To the Honorable Mayor, City Commissioners and City Manager  
of the City of Aventura, Florida  
Aventura City of Excellence School  
Aventura, Florida

We have audited the special purpose financial statements of the Aventura City of Excellence School (a special revenue fund of the City of Aventura, Florida) (the "School") as of and for the year ended June 30, 2009, and have issued our report thereon dated August 24, 2009. 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.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the special purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's special purpose financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the special purpose financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### ***Compliance and Other Matters***

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

This report is intended solely for the information and use of the School's management, the City Commission, the Auditor General of the State of Florida and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
August 24, 2009

# McGladrey & Pullen

Certified Public Accountants

## **Management Letter Required by Chapter 10.850 Rules of the Auditor General of the State of Florida**

To the Honorable Mayor, City Commissioners and City Manager of  
the City of Aventura, Florida  
Aventura City of Excellence School  
Aventura, Florida

We have audited the accompanying special purpose financial statements of the Aventura City of Excellence School (the "School"), a special revenue fund of the City of Aventura, Florida, as of and for the fiscal year ended June 30, 2009 and have issued our report thereon dated August 24, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters dated August 24, 2009. Disclosures in that report, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school audits performed in the State of Florida and require that certain items be addressed in this letter. Those items, which are listed in Section 10.854, are as follows:

1. A statement as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report, not otherwise addressed in the auditors report pursuant to Rule 10.856(2)(b)2.

There were no findings or recommendations in the preceding annual financial audit report.

2. A statement as to whether the charter school has met one or more of the conditions described in Section 218.503 (1) Florida Statutes, and identification of the specific condition.

The charter school has not met one or more of the conditions described in Section 218.503 (1), Florida Statutes.

3. Any recommendations to improve the School's financial management.

There were no recommendations to the School to improve its financial management.

4. Violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential.

No such conditions were noted during the audit.

5. Matters that are inconsequential to the determination of financial statement amounts considering both quantitative and qualitative factors, including the following:
  - a. Violations of laws, rules, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.
  - b. Improper expenditures or illegal acts that would have an immaterial effect on the financial statements.
  - c. Control deficiencies that are not significant deficiencies, including, but not limited to:
    - 1) Improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements).
    - 2) Failure to properly record financial transactions.
    - 3) Inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

No such conditions were noted during the audit.

6. The name or official title of the School.

The name and title are disclosed in the accompanying financial statements.

7. We applied financial condition assessment procedures pursuant to Rule 10.855(10) and we noted no deteriorating financial conditions.

This report is intended solely for the information and use of the School's management, the City Commission and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Fort Lauderdale, Florida  
August 24, 2009