



AVENTURA CITY OF EXCELLENCE SCHOOL

A Special Revenue Fund
of the City of Aventura, Florida

Special Purpose Financial Report For the Fiscal Year Ended June 30, 2007



McGladrey & Pullen

Certified Public Accountants

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

Special Purpose Financial Report
06.30.2007

Contents

Financial Section	
<hr/>	
Independent Auditor's Report	1 – 2
<hr/>	
Required Supplementary Information	
Management's discussion and analysis (Unaudited)	3 – 7
<hr/>	
Special Purpose Financial Statements	
Statement of net assets	8
Statement of activities	9
<hr/>	
Fund Financial Statements:	
Governmental Fund:	
Balance sheet	10
Statement of revenues, expenditures and change in fund balance	11
<hr/>	
Notes to special purpose financial statements	12 – 18
<hr/>	
Supplementary Information (Unaudited)	
<hr/>	
Budgetary comparison schedule	19
<hr/>	
Notes to supplementary information	20
<hr/>	
Reports Required by Government Auditing Standards	
<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>	21 – 22
<hr/>	
Management Letter Required by Chapter 10.850 Rules of the Auditor General of the State of Florida	23 – 24
<hr/>	

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, 2007, 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 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, 2007 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, 2007, 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 9, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 through 20, respectively, are not a required part of the special purpose financial statements, but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
August 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, 2007**

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, 2007. 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 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 reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School 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 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 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, 2007**

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:

	Summary of Net Assets		
	2007	2006	Variance
Current and other assets	\$ 1,592,360	\$ 810,379	\$ 781,981
Capital assets	143,534	156,451	(12,917)
Total assets	1,735,894	966,830	769,064
Liabilities	\$ 437,626	\$ 317,707	\$ 119,919
Net Assets:			
Invested in capital assets	\$ 143,534	\$ 156,451	\$ (12,917)
Unrestricted	1,154,734	492,672	662,062
Total net assets	\$ 1,298,268	\$ 649,123	\$ 649,145

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, 2007

Current and other assets and unrestricted net assets increased due to increases in operations and the change in net assets described in the following section. Capital assets and invested in capital assets decreased because depreciation expense exceeded capital acquisition for the year.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2007 and 2006, 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:

	Summary of Changes in Net Assets		
	2007	2006	Variance
Revenues:			
General revenues	\$ 5,185,610	\$ 4,149,707	\$ 1,035,903
Program revenues:			
Charges for services	489,282	356,910	132,372
Operating grants and contributions	178,293	286,277	(107,984)
Capital grants and contributions	591,914	293,256	298,658
Total revenues	6,445,099	5,086,150	1,358,949
Expenses:			
Instruction	3,100,434	2,416,868	683,566
Instructional media services	148,102	211,180	(63,078)
Operation of plant	1,339,690	1,245,967	93,723
School administration	859,581	672,159	187,422
Pupil transportation services	167,541	151,350	16,191
Community services	180,606	143,692	36,914
Total expenses	5,795,954	4,841,216	954,738
Change in net assets	649,145	244,934	404,211
Net assets, beginning	649,123	404,189	244,934
Net assets, ending	\$ 1,298,268	\$ 649,123	\$ 649,145

**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, 2007**

- General revenues increased primarily because of the addition of 100 students in grade seven (7) and an increase in the amount received per student from the State through the School Board of Miami-Dade County.
- Charges for services increased as a result of a greater number of field trips.
- Expenses for Instruction increased as the result of hiring additional teachers for seventh grade and increases in salaries of all teachers.
- Expenses for Instructional media services decreased because a fundraiser which was held to specifically fund improvements in media services in fiscal year 2005/06 and not in fiscal year 2006/07.
- School administration increased primarily because field trip expenditures increased.
- Expenses for Pupil transportation services increased due to the addition of additional buses to serve the seventh grade students.

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 2007 the School's governmental fund reported ending fund balance of \$1,158,576. The fund balance unreserved and available for spending at the School's discretion is \$1,152,123. These funds are used for the School's operations in the following fiscal years. The fund balance increased by \$660,094 because of higher than projected revenue increases, particularly from state sources.

Budgetary Highlights

The addition of the seventh grade assisted in offsetting some fixed costs of operating a middle school.

An increase in capital funding accounted for approximately half the increase in fund balance.

Capital Assets and Debt Administration

As of June 30, 2007, the School had an investment in capital assets of \$143,534. This amount is net of accumulated depreciation of \$176,401. Major capital asset additions in the current year included new laptop computers and furniture for the seventh grade.

The School has no debt outstanding.

**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, 2007**

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 2007/08 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 four years. The School has received FCAT ratings of "A" for the 2004/05, 2005/06, and 2006/07 school years.
- In July 2004, the Charter School contract between the Miami-Dade County School Board 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. The second phase of this process was completed with the 2006/07 school year with the addition of seventh grade classes accommodating 100 students. One additional grade will be added next year to bring total enrollment to 900 students. 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 2007/08 budget includes funds to provide an eighth grade for 100 students. This impacted the budget by \$340,000. It is projected that the additional students will generate \$507,000 in revenue.

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. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City of Aventura, 19200 West 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, 2007

Assets

Current assets:	
Pooled cash and cash equivalents	\$ 1,477,343
Accounts receivable	108,564
Prepayments	6,453
Total current assets	<u>1,592,360</u>
Noncurrent assets:	
Capital assets, depreciable	319,935
Less: accumulated depreciation	<u>(176,401)</u>
Total noncurrent assets	<u>143,534</u>
Total assets	<u>1,735,894</u>
Liabilities	
Current liabilities:	
Accounts payable	62,588
Accrued expenses	344,176
Unearned revenue	30,862
Total liabilities	<u>437,626</u>
Net assets:	
Invested in capital assets	143,534
Unrestricted	1,154,734
Total net assets	<u>\$ 1,298,268</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, 2007

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	\$ 3,100,434	\$ -	\$ -	\$ -	\$ (3,100,434)
Instructional media services	148,102	-	-	-	(148,102)
Operation of plant	1,339,690	348,924	41,361	591,914	(357,491)
School administration	859,581	-	-	-	(859,581)
Pupil transportation services	167,541	-	136,932	-	(30,609)
Community services	180,606	140,358	-	-	(40,248)
Total governmental activities	\$ 5,795,954	\$ 489,282	\$ 178,293	\$ 591,914	(4,536,465)
General revenues:					
FTE nonspecific revenues					4,980,925
Investment earnings					55,769
Miscellaneous income					148,916
Total general revenues					5,185,610
Change in net assets					649,145
Net assets:					
Net assets, beginning					649,123
Net assets, ending					\$ 1,298,268

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, 2007

Assets

Pooled cash and cash equivalents	\$ 1,477,343
Accounts receivable	108,564
Prepaid items	6,453
Total assets	<u><u>\$ 1,592,360</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 62,588
Accrued expenses	340,334
Unearned revenue	30,862
Total liabilities	<u><u>433,784</u></u>

Fund balance

Reserved for prepaid items	6,453
Unreserved	1,152,123
Total fund balance	<u><u>1,158,576</u></u>
Total liabilities and fund balance	<u><u>\$ 1,592,360</u></u>

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

Governmental fund balance	\$ 1,158,576
---------------------------	--------------

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	\$ 319,935	
Accumulated depreciation is	<u>(176,401)</u>	143,534

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>(3,842)</u>
Net assets of governmental activities		<u><u>\$ 1,298,268</u></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 Revenues, Expenditures and
Change in Fund Balance – Governmental Fund
Year Ended June 30, 2007

<hr/>		
Revenues:		
Federal sources	\$	40,861
State sources		5,709,771
Local sources		694,467
Total revenues		<u>6,445,099</u>
Expenditures:		
Current		
Instruction		3,087,517
Instructional media services		148,102
Operation of plant		1,339,103
School administration		862,136
Pupil transportation services		167,541
Community services		180,606
Total expenditures		<u>5,785,005</u>
Excess of revenues over expenditures		<u>660,094</u>
Fund balance, beginning		498,482
Fund balance, ending	\$	<u>1,158,576</u>
Net increase in fund balance – governmental fund	\$	660,094

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	72,763	
Provision for depreciation	<u>(85,680)</u>	(12,917)

Some expenses reported in the statement of activities are not reported in the funds because they have no effect on current financial resources

Compensated absences		<u>1,968</u>
Change in net assets on the statement of activities	\$	<u>649,145</u>

See Notes to Special Purpose Financial Statements.

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

Notes to Special Purpose Financial Statements

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 seventh grades with an enrollment of 800 for the year ended June 30, 2007. 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.

Governmental-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

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 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 accounts of the School 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 financial transactions of the School.

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). "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 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.

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.

Notes to Special Purpose Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets purchased or acquired with an original cost of \$500 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 governmental activities 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.

Equity classifications:

Government-wide financial statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted 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.
- 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.”

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.

Notes to Special Purpose Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Encumbrances: Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2007, 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 two percent 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.

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.

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

Notes to Special Purpose Financial Statements

Note 3. Capital Assets

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Equipment	\$ 247,172	\$ 72,763	\$ -	\$ 319,935
Less: accumulated depreciation	90,721	85,680	-	176,401
	<u>\$ 156,451</u>	<u>\$ (12,917)</u>	<u>\$ -</u>	<u>\$ 143,534</u>

The provision for depreciation for the year ended June 30, 2007 amounted to \$85,680. 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 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.

Additionally, certain other revenues that are attributable to the efforts of the management company, as defined, will be compensated at a rate of 10%. Other incentive fees provided for by the contract are based on financial and education performance goals. Total fees paid to the management company for fiscal year 2007 were approximately \$279,328.

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

Notes to Special Purpose Financial Statements

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 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, 2007 but automatically renewed for an additional year. The lease will automatically 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 by the City for the Series 2002 Revenue Bonds are as follows:

Year Ending		
June 30,		
2008	\$	441,000
2009		442,400
2010		440,700
2011		441,000
2012		443,300
Thereafter		9,055,800
	\$	<u>11,264,200</u>

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 years. In addition, there were no reductions in insurance coverage from those in the prior year.

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

Notes to Special Purpose Financial Statements

Note 6. Defined Contribution Pension Plans

Plan Description

The School is a single employer that contributes to two defined contribution pension plans based on employee classification, created in accordance with Internal Revenue Code Section 401(a). The plans currently cover two full-time employees of the School. Under these plans, the School contributes 14% or 7% of employee salary. School contributions to employees vest beginning after one year of service through year five in 20% increments. Participants are not permitted to make contributions during the year. The School made plan contributions of approximately \$18,000 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
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Revenues:					
FTE nonspecific revenues	\$ 4,312,333	\$ 4,418,533	\$ 4,917,878	\$ 63,047	\$ 4,980,925
Operating grants and contributions	37,557	37,557	41,361	-	41,361
Transportation funds	91,962	135,962	136,932	-	136,932
Capital grant funds	310,000	310,000	591,914	-	591,914
Charges for services	261,100	291,100	283,968	-	283,968
Investment earnings	3,000	3,000	55,769	-	55,769
Field trip revenue	75,000	125,000	205,314	-	205,314
Miscellaneous income	85,000	85,000	148,916	-	148,916
Total revenues	5,175,952	5,406,152	6,382,052	63,047	6,445,099
Expenditures:					
Salaries	2,697,390	2,752,390	2,741,855	-	2,741,855
Stipends	23,750	23,750	-	-	-
Professional services	491,240	508,240	538,088	63,047	601,135
Sick day buyout	13,320	13,320	-	-	-
Bonuses	30,500	103,500	73,085	-	73,085
Social security taxes	206,473	206,473	221,671	-	221,671
Pension expense	36,759	36,759	29,342	-	29,342
Employee health insurance	291,601	291,601	214,258	-	214,258
Utilities	112,000	151,000	166,800	-	166,800
Telephone	32,000	32,000	43,547	-	43,547
Insurance	30,460	30,460	47,370	-	47,370
Supplies	195,800	202,000	193,387	-	193,387
Textbooks	214,000	214,000	219,442	-	219,442
Repairs and maintenance	130,533	195,533	283,326	-	283,326
Workers' compensation insurance	31,726	31,726	24,343	-	24,343
Dues and fees	5,327	5,327	3,463	-	3,463
Field trips	100,000	125,000	253,430	-	253,430
Travel	19,073	19,073	24,716	-	24,716
Food services	20,000	20,000	40,066	-	40,066
Advertising	5,000	5,000	1,545	-	1,545
Administrative	-	-	-	30,000	30,000
Lease expense	-	-	-	444,000	444,000
Transfers	474,000	474,000	474,000	(474,000)	-
Contingency	100,000	100,000	-	-	-
Capital outlay	185,000	185,000	128,224	-	128,224
Total expenditures	5,445,952	5,726,152	5,721,958	63,047	5,785,005
Excess of revenue over (under) expenditures	\$ (270,000)	\$ (320,000)	\$ 660,094	\$ -	\$ 660,094

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

Notes to Supplementary Information

Note A.

The School formally adopted a budget for the year ended June 30, 2007. 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. 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 two percent administrative charge that is retained by the Miami-Dade County School Board. This amount is not reflected on the School's budget basis due to the lack of availability of such funds. For fiscal year 2007 this amount was \$63,047.

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 and Compliance and Other Matters
Over Financial Reporting 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, 2007, and have issued our report thereon dated August 9, 2007. 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 opinion on the 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 entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity'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 financial statements will not be prevented or detected by the entity's internal control.

Our consideration of 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 these specified parties.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
August 9, 2007

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, 2007 and have issued our report thereon dated August 9, 2007.

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 9, 2007. 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. Recommendations to address deteriorating financial conditions pursuant to Section 218.39(5), Florida Statutes.

We noted no deteriorating financial condition pursuant to Section 218.39(5), Florida Statutes.

4. Matters that are inconsequential to the financial statements considering both quantitative and qualitative factors, including the following:
 - (a) Violations of laws, rules, regulations, contracts, and grant agreements or abuse that:
 - (1) have occurred, or are likely to have occurred, and
 - (2) that were discovered within the scope of the financial audit.
 - (b) Improper expenditures discovered within the scope of the financial audit.
 - (c) Deficiencies in internal control of inconsequential effect in relation to the financial statements and other recommendations to improve present financial management, accounting procedures, and internal controls.

No such conditions were noted during the audit.

5. The name or official title of the School.

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

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 9, 2007