



AVENTURA CITY OF EXCELLENCE SCHOOL

*A Blended Component Unit
of the City of Aventura, Florida*



Special Purpose Financial Statements For the Fiscal Year Ended June 30, 2005

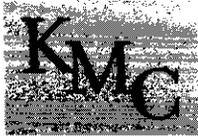


**AVENTURA CITY OF
EXCELLENCE SCHOOL**
(A Blended Component Unit of
the City of Aventura, Florida)

**SPECIAL PURPOSE FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**
For the Year Ended June 30, 2005

AVENTURA CITY OF EXCELLENCE SCHOOL
SPECIAL PURPOSE FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
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For the Year Ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aventura City of Excellence School
Aventura, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and the General Fund of Aventura City of Excellence School (a blended component unit of the City of Aventura, Florida) as of and for the year ended June 30, 2005, 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 Aventura City of Excellence School's management. Our responsibility is to express an opinion 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 special purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Aventura City of Excellence School as of June 30, 2005, 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 12, 2005, on our consideration of Aventura City of Excellence 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.

Aventura City of Excellence School

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 16 through 17, 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.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 12, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**AVENTURA CITY OF EXCELLENCE SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005**

Our discussion and analysis of 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, 2005 and 2004. 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 consists 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 presents 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.

The statement of activities presents information showing 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.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School only has 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.

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.

**AVENTURA CITY OF EXCELLENCE SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2005

The governmental fund financial statements can be found on pages 9 and 10 of this report.

Notes to 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. The notes to the special purpose financial statements can be found on pages 11-15 of this report.

Other 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. Required supplementary information can be found on pages 16 and 17 of this report.

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.

Aventura City of Excellence School
Statements of Net Assets

	<u>2005</u>	<u>2004</u>	<u>Variance</u>
CURRENT ASSETS	\$ 548,500	\$ 605,082	\$ (56,582)
NONCURRENT ASSETS	<u>100,916</u>	<u>31,476</u>	<u>69,440</u>
Total assets	<u>\$ 649,416</u>	<u>\$ 636,558</u>	<u>\$ 12,858</u>
LIABILITIES	\$ 245,227	\$ 210,739	\$ 34,488
NET ASSETS:			
Invested in capital assets	100,916	31,476	69,440
Unrestricted	<u>303,273</u>	<u>394,343</u>	<u>(91,070)</u>
Total net assets	<u>404,189</u>	<u>425,819</u>	<u>(21,630)</u>
Total liabilities and net assets	<u>\$ 649,416</u>	<u>\$ 636,558</u>	<u>\$ 12,858</u>

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2005 and 2004, 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.

**AVENTURA CITY OF EXCELLENCE SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005**

**Aventura City of Excellence School
Changes in Net Assets**

	<u>2005</u>	<u>2004</u>	<u>Variance</u>
REVENUES:			
General revenues	\$ 3,168,479	\$ 3,307,541	\$ (139,062)
Program revenues:			
Charges for services	208,825	184,854	23,971
Capital grants	254,457	250,551	3,906
Operating grants and contributions	<u>251,101</u>	<u>191,948</u>	<u>59,153</u>
Total revenues	<u>3,882,862</u>	<u>3,934,894</u>	<u>(52,032)</u>
EXPENSES:			
Instruction	1,890,550	1,836,640	(53,910)
Instructional media services	66,192	69,697	3,505
Operation of plant	753,264	677,546	(75,718)
School administration	546,281	466,756	(79,525)
Pupil transportation services	95,955	68,318	(27,637)
Community services	<u>74,287</u>	<u>76,427</u>	<u>2,140</u>
Total governmental activities	<u>3,426,529</u>	<u>3,195,384</u>	<u>(231,145)</u>
Change in net assets before transfers	456,333	739,510	(283,177)
TRANSFERS	<u>(477,963)</u>	<u>(458,185)</u>	<u>(19,778)</u>
Change in net assets	(21,630)	281,325	(302,955)
NET ASSETS, July 1	<u>425,819</u>	<u>144,494</u>	<u>281,325</u>
NET ASSETS, June 30	<u>\$ 404,189</u>	<u>\$ 425,819</u>	<u>\$ (21,630)</u>

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 the years 2005 and 2004, the School's governmental fund reported ending fund balance of \$ 303,273 and \$ 394,343, respectively. The fund balance unreserved and available for spending at the School's discretion is \$ 301,468. These funds are used for the School's operations in the following fiscal year.

**AVENTURA CITY OF EXCELLENCE SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2005

GENERAL FUND BUDGETARY HIGHLIGHTS

In December, 2004, the City and Charter Schools USA renegotiated their Administrative and Educational Services Agreement to more accurately reflect the responsibilities of each party. This process, which recognized the additional responsibilities assumed by the City, resulted in a reduction of the fee and produced a cost savings of \$ 146,000 for the 2005/2006 budget year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2005, the School had an investment in property and equipment of \$ 100,916. This amount is net of accumulated depreciation of \$ 24,420.

The School has no debt outstanding.

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 2005/2006 include the following:

- Aventura City of Excellence School, the first municipal sponsored charter school in Miami-Dade County, opened its doors in August, 2003. During the past two years, the School has operated at a full capacity of 600 students in grades kindergarten through fifth grade. The School has been well received by the Community resulting in waiting lists for all grades and the necessity to utilize a lottery to determine which students are able to attend the School. In June, 2005, the School was notified that it had received an FCAT rating of "A" for the 2004/05 school year.
- 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. The first phase of this process begins with the 2005/06 school year with the addition of sixth grade classes accommodating 100 students. In future years, one additional grade will be added each year until the school reaches grade eight with a total enrollment of 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 2005/06 budget includes funds to provide a sixth grade for 100 students. This impacted the budget by \$ 735,000 including related capital outlays. It is projected that the additional students will generate \$ 621,000 in revenue. The prior year's fund balance and cost savings from the reduced CSUSA fee will subsidize the initial shortfall. This situation is unique in the first year of the expansion due to providing for the necessary start up costs for the entire middle school with a relatively small number of students. As the middle school grows each year, additional revenues will offset expenditures.

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
STATEMENT OF NET ASSETS

June 30, 2005

A S S E T S

CURRENT ASSETS:

Pooled cash and cash equivalents	\$ 333,807
Accounts receivable	212,888
Prepaid expenses	<u>1,805</u>
Total current assets	<u>548,500</u>

NONCURRENT ASSETS:

Capital assets, depreciable	125,336
Less: accumulated depreciation	<u>24,420</u>
Total noncurrent assets	<u>100,916</u>
Total assets	<u>\$ 649,416</u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:

Accounts payable	\$ 51,382
Accrued expenses	<u>193,845</u>
Total liabilities	<u>245,227</u>

NET ASSETS:

Invested in capital assets	100,916
Unrestricted	<u>303,273</u>
Total net assets	<u>404,189</u>
Total liabilities and net assets	<u>\$ 649,416</u>

The accompanying notes to special purpose financial statements are an integral part of these statements.

AVENTURA CITY OF EXCELLENCE SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Activities Net Revenue (Expense) and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Operating Grants and Contributions</u>	
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Instruction	\$ 1,890,550	\$ --	\$ --	\$ 190,140	\$ (1,700,410)
Instructional media services	66,192	--	--	--	(66,192)
Operation of plant	753,264	72,186	254,457	12,927	(413,694)
School administration	546,281	--	--	--	(546,281)
Pupil transportation services	95,955	--	--	48,034	(47,921)
Community services	<u>74,287</u>	<u>136,639</u>	<u>--</u>	<u>--</u>	<u>62,352</u>
 Total governmental activities	 \$ <u>3,426,529</u>	 \$ <u>208,825</u>	 \$ <u>254,457</u>	 \$ <u>251,101</u>	 (2,712,146)
 General revenues:					
FTE nonspecific revenues					3,050,893
Investment earnings					9,404
Miscellaneous income					<u>108,182</u>
Total general revenues					3,168,479
Transfers					<u>(477,963)</u>
Total general revenues less transfers					<u>2,690,516</u>
Change in net assets					(21,630)
Net assets:					
July 1, 2004					<u>425,819</u>
June 30, 2005					\$ <u>404,189</u>

The accompanying notes to special purpose financial statements are an integral part of these statements.

AVENTURA CITY OF EXCELLENCE SCHOOL
BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2005

		<u>General Fund</u>
A S S E T S		
ASSETS:		
Pooled cash and cash equivalents	\$	333,807
Accounts receivable		212,888
Prepaid expenditures		<u>1,805</u>
Total assets	\$	<u><u>548,500</u></u>
L I A B I L I T I E S A N D F U N D B A L A N C E		
LIABILITIES:		
Accounts payable	\$	51,382
Accrued expenses		<u>193,845</u>
Total liabilities		<u>245,227</u>
FUND BALANCE:		
Reserve for prepaid expenditures		1,805
Unreserved		<u>301,468</u>
Total fund balance		<u>303,273</u>
Total liabilities and fund balance	\$	<u><u>548,500</u></u>
Reconciliation of the governmental fund balance sheet to the statement of net assets:		
GOVERNMENTAL FUND BALANCE	\$	303,273
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 fund.		
The cost of capital assets is	\$	125,336
Accumulated depreciation is		<u>(24,420)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 7	\$	<u><u>404,189</u></u>

The accompanying notes to special purpose financial statements are an integral part of these statements.

AVENTURA CITY OF EXCELLENCE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2005

		<u>General Fund</u>
REVENUES:		
Federal sources	\$	203,067
State sources		3,305,350
Local sources		<u>374,445</u>
Total revenues		<u>3,882,862</u>
EXPENDITURES:		
Current -		
Instruction		1,959,987
Instructional media services		66,192
Operation of plant		1,231,227
School administration		546,281
Pupil transportation services		95,955
Community services		<u>74,290</u>
Total expenditures		<u>3,973,932</u>
Excess of revenues over (under) expenditures		(91,070)
FUND BALANCE, July 1, 2004		<u>394,343</u>
FUND BALANCE, June 30, 2005	\$	<u><u>303,273</u></u>
NET DECREASE IN FUND BALANCE - GOVERNMENTAL FUND	\$	(91,070)
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.		
The cost of capital assets purchased	\$	90,227
Provision for depreciation		<u>(20,787)</u>
		<u>69,440</u>
CHANGE IN NET ASSETS ON THE STATEMENT OF ACTIVITIES, PAGE 8	\$	<u><u>(21,630)</u></u>

The accompanying notes to special purpose financial statements are an integral part of these statements.

AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - ORGANIZATION AND OPERATIONS

Aventura City of Excellence School (the School), is a blended component unit of the City of Aventura, Florida. The School commenced operations in August, 2003 in the City of Aventura and offers classes for grades kindergarten through fifth with an enrollment of 600 for the year ended June 30, 2005.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. During the year, 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 ninety days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's special purpose financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's special purpose financial statements.

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting guide - Audits of States, Local Governments, and Not-for-Profit Organizations 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 (reporting the School's major fund). 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.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations. The School's net assets are reported in three parts: invested in capital assets, net of related debt (if applicable); restricted net assets; and unrestricted net assets. As of the year ended June 30, 2005, the School's net assets were classified as follows:

Invested in capital assets	\$ 100,916
Unrestricted	<u>303,273</u>
	<u>\$ 404,189</u>

AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 also supported by general revenues. The statement of activities reduces gross expenses by related program revenues, operating and capital grants. 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.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net assets resulting from the current year's activities.

Fund financial statements:

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

The General Fund is employed in accounting for the financial activities of the School. It is a governmental fund type and is used to account for all 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 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 one year of the end of the current fiscal year.

Capital assets:

Capital assets purchased or acquired 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 fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Equipment

3-5 years

AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB No. 34 required the School to report and depreciate new infrastructure assets effective as of June 30, 2003. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the School. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The School elected to implement the general provisions of GASB No. 34 in the prior fiscal year, and because of its classification as a small government, it is not required to implement the retroactive infrastructure provisions by the fiscal year ending June 30, 2007.

Equity classifications:

Government-wide 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 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, 2005, there were no encumbrances outstanding.

Grant and contract revenue:

Grant and contract revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred. Monies received in advance for which no costs have been incurred are recorded as deferred revenue until allowable costs attributable to such monies are incurred.

AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Cash and cash equivalents represents the amount owned by each fund of the City.

Cash and cash equivalents, which consist of cash and short-term investments with original maturities of three months or less when purchased, include cash on hand, demand deposits, and investments with the State Board of Administration Investment Pool.

Post retirement benefits:

The School provides no post-retirement benefits to employees.

Compensated absences payable:

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 when earned. Expenditures for accumulated compensated absences have been recorded in the governmental funds only in connection with terminated employees.

NOTE 3 - BUDGET

The School formally adopted a budget for the year ended June 30, 2005. The budget has been prepared in accordance with generally accepted accounting principles. A comparison of the actual results of operations to the budgeted amounts for the General Fund is presented as required supplemental information.

NOTE 4 - DEPOSITS AND INVESTMENTS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as cash and cash equivalents are deemed as insured or collateralized and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement No. 3. Deposits at June 30, 2005 were \$ 333,807.

**AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

June 30, 2005

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Equipment	\$ 35,109	\$ 90,227	\$ -	\$ 125,336
Less: accumulated depreciation	<u>3,633</u>	<u>20,787</u>	<u>-</u>	<u>24,420</u>
	<u>\$ 31,476</u>	<u>\$ 69,440</u>	<u>\$ -</u>	<u>\$ 100,916</u>

The provision for depreciation for the year ended June 30, 2005 amounted to \$ 20,787. The School allocated depreciation to instructional services.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers consist of amounts to fund the City of Aventura for reimbursement for the acquisition of the land and original construction of the facility (Note 7).

NOTE 7 - CONTINGENCIES AND COMMITMENTS

During 2004, the City of Aventura amended the existing contract for administrative and educational management services for the operations of the School. The amended contract expires in June, 2013 and provides for a fee based on a percentage of certain revenues of the School in the following amounts:

<u>School Year Ended June 30</u>	<u>Percentage of Revenues</u>
2006	7%
2007-2013	6%

Additionally, certain other revenues that are attributable to the efforts of the management company will be compensated at a rate of ten percent. Other incentive fees provided for by the contract are based on financial and education performance goals.

The School's operations are located at a facility that is owned by the City of Aventura. 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 committed to reimburse the annual debt service on the obligation, including interest and principal, as required of the City in the following amounts:

AVENTURA CITY OF EXCELLENCE SCHOOL
NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

June 30, 2005

NOTE 7 - CONTINGENCIES AND COMMITMENTS (continued)

Year ending <u>June 30</u>	
2006	\$ 441,000
2007	\$ 442,400
2008	\$ 440,700
2009	\$ 441,000
2010	\$ 443,300
Thereafter	\$ 9,055,700

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 and state money is currently \$ 500,000 and the School did not exceed such threshold.

NOTE 8 - 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 School carried commercial insurance. Settlement amounts have not exceeded insurance coverage for past years. In addition, there were no reductions in insurance coverage from those in the prior year.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLANS

Plan Description

The School is a single employer that contributes to three 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 between 12-18% depending on employee classification. School contributions for the School Manager, Department Directors and Assistant Department Directors vest in the year they are contributed. School contributions to general 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 \$ 19,000 during the year. Plan provisions and contribution requirements may be amended by the City Commission.

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

**AVENTURA CITY OF EXCELLENCE SCHOOL
BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2005

	<u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS, BUDGETARY BASIS</u>	<u>BUDGET TO GAAP DIFFERENCES OVER (UNDER)</u>	<u>ACTUAL AMOUNTS GAAP BASIS</u>
REVENUES:				
FTE nonspecific revenues	\$ 3,180,492	\$ 2,996,984	\$(3) 53,909	\$ 3,050,893
Operating grants and contributions	100,000	203,067	--	203,067
Transportation funds	41,659	48,034	--	48,034
Capital grant funds	240,822	254,457	--	254,457
Charges for services	150,000	137,953	--	137,953
Investment earnings	1,000	9,404	--	9,404
Field trip revenue	20,000	70,872	--	70,872
Miscellaneous income	<u>75,000</u>	<u>108,182</u>	<u>--</u>	<u>108,182</u>
Total revenues	<u>3,808,973</u>	<u>3,828,953</u>	<u>53,909</u>	<u>3,882,862</u>
EXPENDITURES:				
Salaries	1,862,732	1,819,475	--	1,819,475
Stipends	8,400	2,000	--	2,000
Professional services	511,645	465,749	(53,909)	519,658
Sick day buyout	13,320	--	--	--
Bonuses	24,713	12,100	--	12,100
Social security taxes	140,520	132,104	--	132,104
Pension expense	28,266	18,879	--	18,879
Employee health insurance	166,268	152,056	--	134,147
Utilities	67,500	74,016	--	74,016
Telephone	15,000	19,582	--	19,582
Insurance	22,000	29,360	--	29,360
Supplies	125,441	177,472	--	177,472
Textbooks	107,000	119,278	--	119,278
Repairs and maintenance	83,300	153,624	--	153,624
Workers' compensation insurance	21,681	2,700	--	2,700
Provision for depreciation	--	--	(1) 20,787	20,787
Dues and fees	4,251	5,628	--	5,628
Field trips	40,000	105,762	--	105,762
Travel	16,073	11,981	--	11,981
Food services	68,279	45,141	--	45,141
Advertising	5,000	3,126	--	3,126
Transfers	472,585	477,963	--	477,963
Contingency	52,419	1,800	--	1,800
Capital outlay	<u>70,000</u>	<u>90,227</u>	(1) (90,227)	<u>--</u>
Total expenditures	<u>3,926,393</u>	<u>3,920,023</u>	<u>(123,349)</u>	<u>3,904,492</u>
Excess of revenue over (under) expenditures	(117,420)	(91,070)	(69,440)	(21,630)

**AVENTURA CITY OF EXCELLENCE SCHOOL
BUDGETARY COMPARISON SCHEDULE**

(continued)

For the Year Ended June 30, 2005

	<u>BUDGETED AMOUNTS ORIGINAL AND FINAL</u>	<u>ACTUAL AMOUNTS, BUDGETARY BASIS</u>	<u>BUDGET TO GAAP DIFFERENCES OVER (UNDER)</u>	<u>ACTUAL AMOUNTS GAAP BASIS</u>
FUND BALANCE, July 1, 2004	<u>117,420</u>	<u>394,343</u>	(2) <u>31,476</u>	<u>425,819</u>
FUND BALANCE, June 30, 2005	\$ <u> --</u>	\$ <u>303,273</u>	\$ <u>100,916</u>	\$ <u>404,189</u>

EXPLANATION OF DIFFERENCES:

- (1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a provision for depreciation. This is the amount by which the provision for depreciation exceeds capital outlays in the current period.

\$ 69,440
- (2) The amount reported as "fund balance" on the budgetary basis of accounting is derived from the basis of accounting used in preparing the School's budget. (See Note 3 for a description of the School's budgetary accounting method). This amount differs from the fund balance reported in the statement of revenues, expenditures and change in fund balance because of the cumulative effect of transactions such as those described above.

\$ 31,476
- (3) 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 Miami-Dade County District School Board. This amount is not reflected on the School's budget basis due to the lack of availability of such funds.

\$ 53,909

OTHER AUDITORS' REPORTS



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

The Board of Directors
Aventura City of Excellence School
Aventura, Florida

We have audited the special purpose financial statements of Aventura City of Excellence School, (a blended component unit of the City of Aventura, Florida) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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.

Aventura City of Excellence School

This report is intended solely for the information and use of School management, the Board of Directors, the Auditor General of the State of Florida and the Miami-Dade County District School Board. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 12, 2005



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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

The Board of Directors
Aventura City of Excellence School
Aventura, Florida

This letter is written in connection with our audit of the special purpose financial statements of Aventura City of Excellence School, (a blended component unit of the City of Aventura School District) as of and for the year ended June 30, 2005. The purpose of this letter is to communicate to you any comments and recommendations, and to comply with the requirements of Chapter 10.850 Rules of the Auditor General, Charter School Audits which requires that this report specifically address but not be limited to the matters outlined in Rule 10.854(i)(d).

The following statements relate to requirements of the Auditor General:

1. There were no inaccuracies, irregularities, shortages, defalcations, fraud and/or violations of laws, rules, regulations or contractual provisions reported for the preceding audit.
2. There was a recommendation made relating to the preceding audit and the status of that item is disclosed on page 22.
3. There were no recommendations to improve the School's financial management, accounting procedures or internal controls.
4. There were no violations of laws, rules, regulations or contractual provisions discovered during our audit.
5. There were no illegal or improper expenditures discovered during our audit.
6. There were no other matters requiring correction discovered during our audit, relating to improper or inadequate accounting procedures, improperly recorded transactions, fraud or other reportable conditions.
7. The Charter School is operated by the City which was created by Resolution No. R-1104-95 of the Miami-Dade County Commission on July 25, 1995.

Aventura City of Excellence School

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General of the State of Florida and the Miami-Dade County District School Board and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
August 12, 2005

AVENTURA CITY OF EXCELLENCE SCHOOL
INTERNAL CONTROL COMMENTS AND RECOMMENDATIONS

June 30, 2005

<u>STILL APPLICABLE</u>	<u>IMPLEMENTED OR NO LONGER RELEVANT</u>
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PRIOR YEAR COMMENTS AND RECOMMENDATIONS

There were instances where the School could not locate supporting documentation such as a check copy or validated deposit slip. It was recommended that Aventura City of Excellence School ensure that all revenue received have proper supporting documentation such as copies of checks received and validated deposit slips to support all receipts.

X

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

NONE