

AVENTURA CITY OF EXCELLENCE SCHOOL
(A Special Revenue Fund of the City of Aventura, Florida)

Special Purpose Financial Report
For The Year Ended June 30, 2006

Prepared by the
Finance Support Services Department
City of Aventura

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MUNICIPAL GOVERNMENT

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying special purpose financial statements of the governmental activities and the major fund of the Aventura City of Excellence School (a special revenue fund of the City of Aventura, Florida) (the "School") as of and for the year ended June 30, 2006, 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 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2006 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, 2006, 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 8, 2006, 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 8, 2006

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, 2006

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, 2006. 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 provides information on all the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreased 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 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.

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
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Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2006

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		
	2006	2005	Variance
Current and other assets	\$ 810,379	\$ 548,500	\$ 261,879
Capital assets	156,451	100,916	55,535
Total assets	\$ 966,830	\$ 649,416	\$ 317,414
Liabilities	\$ 317,707	\$ 245,227	72,480
Net Assets:			
Invested in capital assets	156,451	100,916	55,535
Unrestricted	492,672	303,273	189,399
Total net assets	\$ 649,123	\$ 404,189	\$ 244,934

Aventura City of Excellence School
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City of Aventura, Florida)

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2006

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 increased due to the acquisition of new laptop computers for the classrooms.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2006 and 2005, 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			
	2006	2005	Variance
Revenues:			
General revenues	\$ 4,149,707	\$ 3,168,479	\$ 981,228
Program revenues:			
Charges for services	356,910	208,825	148,085
Operating grants and contributions	286,277	251,101	35,176
Capital grants and contributions	293,256	254,457	38,799
Total revenues	5,086,150	3,882,862	1,203,288
Expenses:			
Instruction	2,416,868	1,890,550	526,318
Instructional media services	211,180	66,192	144,988
Operation of plant	1,245,967	1,171,927	74,040
School administration	672,159	546,281	125,878
Pupil transportation services	151,350	95,955	55,395
Community services	143,692	133,587	10,105
Total expenses	4,841,216	3,904,492	936,724
Change in net assets	244,934	(21,630)	266,564
Net assets, beginning	404,189	425,819	(21,630)
Net assets, ending	\$ 649,123	\$ 404,189	\$ 244,934

Aventura City of Excellence School
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Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2006

- General revenues increased primarily because of the addition of 100 students in grade six (6) 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 sixth grade and increases in salaries of all teachers.
- Expenses for Instructional media services increased as the result of the money received from a fundraiser which was held to specifically fund improvements in media services.
- School administration increased primarily as a result of the hiring of an additional Assistant Principal as a result of the addition of the sixth grade.
- Expenses for Pupil transportation services increased due to the addition of additional buses to serve the sixth grade and expansion of services for other grades.

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 2006 the School's governmental fund reported ending fund balance of \$498,482. The fund balance unreserved and available for spending at the School's discretion is \$498,482. These funds are used for the School's operations in the following fiscal year. The fund balance increased by \$195,209 due to the operating activities described in the government wide financial analysis.

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 fiscal year ended June 30, 2006.

The current year budget included a major fund raising event to support the creation of a new media center at the School.

Capital Assets and Debt Administration

As of June 30, 2006, the School had an investment in capital assets of \$156,451. This amount is net of accumulated depreciation of \$90,721. Major capital asset additions in the current year included new laptop computers which cost approximately \$90,000.

The School has no debt outstanding.

Aventura City of Excellence School
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Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2006

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 2006/2007 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 first two years, the School has operated at a full capacity of 600 students in grades kindergarten through fifth grade. In June 2005 and 2006 the School was notified that it had received FCAT ratings of "A" for the 2004/2005 and 2005/2006 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. The first phase of this process began with the 2005/2006 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 2006/2007 budget includes funds to provide a seventh grade for 100 students. This impacted the budget by \$515,000 including related capital outlays. It is projected that the additional students will generate \$512,000 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, 2006

Assets

Current assets:

Pooled cash and cash equivalents	\$ 748,852
Accounts receivable	61,527
Total current assets	810,379

Noncurrent assets:

Capital assets, depreciable	247,172
Less: accumulated depreciation	(90,721)
Total noncurrent assets	156,451

Total assets 966,830

Liabilities

Current liabilities:

Accounts payable	18,215
Accrued expenses	299,492
Total liabilities	317,707

Net assets:

Invested in capital assets	156,451
Unrestricted	492,672
Total net assets	\$ 649,123

See Notes to Special Purpose Financial Statements.

Aventura City of Excellence School
(A Special Revenue Fund of the
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Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants	
Governmental activities:					
Instruction	\$ 2,416,868	\$ -	\$ 1,633	\$ -	\$ (2,415,235)
Instructional media services	211,180	-	-	-	(211,180)
Operation of plant	1,245,967	227,559	192,682	293,256	(532,470)
School administration	672,159	-	-	-	(672,159)
Pupil transportation services	151,350	-	91,962	-	(59,388)
Community services	143,692	129,351	-	-	(14,341)
Total governmental activities	\$ 4,841,216	\$ 356,910	\$ 286,277	\$ 293,256	(3,904,773)
General revenues:					
FTE nonspecific revenues					3,988,874
Investment earnings					25,086
Miscellaneous income					135,747
Total general revenues					4,149,707
Change in net assets					244,934
Net assets:					
Net assets, beginning					404,189
Net assets, ending					\$ 649,123

See Notes to Special Purpose Financial Statements.

FUND FINANCIAL STATEMENTS

Aventura City of Excellence School
(A Special Revenue Fund of the
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Balance Sheet – Governmental Fund
June 30, 2006

Assets

Pooled cash and cash equivalents	\$ 748,852
Accounts receivable	61,527
Total assets	\$ 810,379

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 18,215
Accrued expenses	293,682
Total liabilities	311,897

Fund balance, unreserved	498,482
Total liabilities and fund balance	\$ 810,379

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

Governmental fund balance	\$ 498,482
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Amounts reported for governmental activities in the statement of
net assets are different because:

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

Cost of capital assets is	\$ 247,172	
Accumulated depreciation is	<u>(90,721)</u>	156,451

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>(5,810)</u>
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Net assets of governmental activities	\$ 649,123
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See Notes to Special Purpose Financial Statements.

Aventura City of Excellence School
(A Special Revenue Fund of the
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Statement of Revenues, Expenditures and
Change in Fund Balance – Governmental Fund
Year Ended June 30, 2006

Revenues:		
Federal sources		\$ 37,477
State sources		4,374,092
Local sources		<u>674,581</u>
Total revenues		<u><u>5,086,150</u></u>
Expenditures:		
Current		
Instruction		2,472,403
Instructional media services		211,180
Operation of plant		1,245,967
School administration		666,349
Pupil transportation services		151,350
Community services		<u>143,692</u>
Total expenditures		<u><u>4,890,941</u></u>
Excess of revenues over expenditures		195,209
Fund balance, beginning		<u>303,273</u>
Fund balance, ending		<u><u>\$ 498,482</u></u>
Net increase in fund balance – governmental fund		<u><u>\$ 195,209</u></u>

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	121,836	
Provision for depreciation	<u>(66,301)</u>	55,535

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>(5,810)</u>
Change in net assets on the statement of activities		<u><u>\$ 244,934</u></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 sixth grades with an enrollment of 699 for the year ended June 30, 2006. The School is funded from public funds based on membership, 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. During the prior fiscal 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 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.

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

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, 2006, 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 represents 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, 2005	Additions	Deletions	Balance June 30, 2006
Equipment	\$ 125,336	\$ 121,836	\$ -	\$ 247,172
Less: accumulated depreciation	24,420	66,301	-	90,721
	<u>\$ 100,916</u>	<u>\$ 55,535</u>	<u>\$ -</u>	<u>\$ 156,451</u>

The provision for depreciation for the year ended June 30, 2006 amounted to \$66,301. 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, as defined, in the following amounts:

Year ended June 30,	Percentage of Revenues
2006	7%
2007-2013	6%

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 2006 were approximately \$260,000.

Aventura City of Excellence School
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 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, 2006 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 under the lease which approximates the interest and principle on the Series 2002 Revenue Bonds are as follows:

Year Ending June 30,	
2007	\$ 441,000
2008	442,400
2009	440,700
2010	441,000
2011	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 and state 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.

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 13.5% of employee salary. School contributions for the School Principal vests 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 \$16,000 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, 2006

	Original Budget	Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Revenues:					
FTE nonspecific revenues	\$ 3,649,684	\$ 3,709,734	\$ 3,931,078	\$ 57,796	\$ 3,988,874
Operating grants and contributions	52,000	207,000	194,315	-	194,315
Transportation funds	58,000	58,000	91,962	-	91,962
Capital grant funds	259,000	259,000	293,256	-	293,256
Charges for services	166,000	276,000	253,778	-	253,778
Investment earnings	1,000	1,000	25,086	-	25,086
Field trip revenue	50,000	102,000	103,132	-	103,132
Miscellaneous income	85,000	85,000	135,747	-	135,747
Total revenues	4,320,684	4,697,734	5,028,354	57,796	5,086,150
Expenditures:					
Salaries	2,261,839	2,261,839	2,243,100	-	2,243,100
Stipends	24,300	24,300	17,400	-	17,400
Professional services	446,978	491,978	480,345	57,796	538,141
Sick day buyout	13,320	13,320	-	-	-
Bonuses	27,000	81,050	60,677	-	60,677
Social security taxes	172,563	172,563	191,459	-	191,459
Pension expense	30,136	30,136	23,616	-	23,616
Employee health insurance	202,738	202,738	137,299	-	137,299
Utilities	91,000	91,000	129,025	-	129,025
Telephone	20,000	20,000	35,775	-	35,775
Insurance	30,460	30,460	32,222	-	32,222
Supplies	172,800	178,800	152,333	-	152,333
Textbooks	139,000	294,000	274,677	-	274,677
Repairs and maintenance	104,800	169,800	221,425	-	221,425
Workers' compensation insurance	26,716	26,716	17,970	-	17,970
Dues and fees	5,376	5,376	1,389	-	1,389
Field trips	60,000	112,000	163,228	-	163,228
Travel	19,073	19,073	18,326	-	18,326
Food services	40,000	40,000	37,918	-	37,918
Advertising	5,000	5,000	540	-	540
Administrative	-	-	-	30,000	30,000
Lease expense	-	-	-	442,585	442,585
Transfers	472,585	472,585	472,585	(472,585)	-
Contingency	100,000	100,000	-	-	-
Capital outlay	155,000	155,000	121,836	-	121,836
Total expenditures	4,620,684	4,997,734	4,833,145	57,796	4,890,941
Excess of revenue over (under) expenditures	(300,000)	(300,000)	195,209	-	195,209

**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, 2006. 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 2006 this amount was \$57,796.

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	\$442,585

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, 2006, and have issued our report thereon dated August 8, 2006. 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 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*.

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 8, 2006

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, 2006 and have issued our report thereon dated August 8, 2006.

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 8, 2006. 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 or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

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 improve present financial management, accounting procedures and internal controls.

There are no recommendations in the current years' audit.

4. Matters that are not clearly inconsequential considering both quantitative and qualitative factors, including the following:

- (a) Violations of laws, rules, regulations and contractual provisions or abuse that:
 - (1) have occurred, or are likely to have occurred,
 - (2) that were discovered within the scope of the financial audit and,
 - (3) may or may not have materially affected the financial statements.
- (b) Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- (c) Deficiencies in internal control that are not reportable conditions, including, but not limited to:
 - (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); and
 - (2) failures to properly record transactions.

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 8, 2006