

**AVENTURA CITY OF EXCELLENCE SCHOOL**  
(A SPECIAL REVENUE FUND OF THE CITY OF AVENTURA, FLORIDA)

**BASIC FINANCIAL STATEMENTS AND  
ADDITIONAL INFORMATION**

June 30, 2011

AVENTURA CITY OF EXCELLENCE SCHOOL  
BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION  
June 30, 2011

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## INDEPENDENT AUDITORS' 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 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, these 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, 2011, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information as listed in the table of contents, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Fort Lauderdale, Florida  
August 25, 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**AVENTURA CITY OF EXCELLENCE SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2011

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, 2011. Please read it in conjunction with the School's basic financial statements which immediately follow this discussion.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School has only one (1) category of funds - governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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 the governmental fund and governmental activities.

**AVENTURA CITY OF EXCELLENCE SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

Notes to the Basic Financial Statements

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

Supplementary Information

In addition to the basic 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:

	<u>Summary of Net Assets</u>		
	<u>2011</u>	<u>2010</u>	<u>Variance</u>
<b>ASSETS:</b>			
Current and other assets	\$ 3,016,188	\$ 2,183,016	\$ 833,172
Capital assets, net of depreciation	<u>2,074,362</u>	<u>2,198,781</u>	<u>(124,419)</u>
Total assets	<u>5,090,550</u>	<u>4,381,797</u>	<u>708,753</u>
<b>LIABILITIES:</b>			
Current liabilities	749,179	540,249	208,930
Noncurrent liabilities	<u>31,450</u>	<u>17,833</u>	<u>13,617</u>
Total liabilities	<u>780,629</u>	<u>558,082</u>	<u>222,547</u>
<b>NET ASSETS:</b>			
Invested in capital assets	2,074,362	2,198,781	(124,419)
Unrestricted	<u>2,235,559</u>	<u>1,624,934</u>	<u>610,625</u>
Total net assets	<u>\$ 4,309,921</u>	<u>\$ 3,823,715</u>	<u>\$ 486,206</u>

Current and other assets increased due to an increase in pooled cash and cash equivalents.

Resources that are subject to external restrictions on how they may be used are classified as restricted assets. As of June 30, 2011 and 2010, the School had no restricted assets. The remaining unrestricted balance may be used in any of the School's ongoing operations.

**AVENTURA CITY OF EXCELLENCE SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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

	Summary of Changes in Net assets		Variance
	2011	2010	
<b>REVENUES:</b>			
General revenues and transfers	\$ 6,555,234	\$ 6,249,627	\$ 305,607
Program revenues:			
Charges for services	676,386	645,257	31,129
Operating grants and contributions	172,289	193,694	(21,405)
Capital grants and contributions	537,463	540,600	(3,137)
<b>Total revenues</b>	<b>7,941,372</b>	<b>7,629,178</b>	<b>312,194</b>
<b>EXPENSES:</b>			
Instruction	4,166,489	4,158,956	7,533
Instructional media services	71,114	58,595	12,519
Operation of facility	1,866,442	1,544,215	322,227
School administration	1,019,985	935,083	84,902
Pupil transportation services	184,140	183,600	540
Community services	146,996	138,148	8,848
<b>Total expenses</b>	<b>7,455,166</b>	<b>7,018,597</b>	<b>436,569</b>
<b>Change in net assets</b>	<b>\$ 486,206</b>	<b>\$ 610,581</b>	<b>\$ (124,375)</b>

- General revenues increased primarily due to an increase in the aggregate amount of state funding resulting from the addition of 40 new students.
- Instructional expenses increased primarily as a result of teacher salary increases based on years of service and new teacher positions added to accommodate the 40 new students.

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, assigned 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 2010/11 the School's governmental fund reported ending fund balance of \$ 2,234,312. The fund balance assigned and available for spending at the School's discretion is \$ 2,203,737. These funds will be available for the School's future ongoing operations. The fund balance increased by \$ 636,894 from the prior year because of higher than anticipated state revenues including FTE and capital outlay in conjunction with lower than projected operating costs.

**AVENTURA CITY OF EXCELLENCE SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

**BUDGETARY HIGHLIGHTS**

In order to address the Florida Class Size Mandate Legislation, funding was included in the 2008/09 budget to provide for constructing ten (10) new classrooms at an estimated cost of \$ 2,099,000. The classrooms were completed in time for the 2009/10 school year. The ten new classrooms have allowed for the addition of 72 new students with 32 added in 2009/10 and 40 being added in 2010/11 bringing the 2011/12 student population to 972 students.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

As of June 30, 2011, the School had an investment in capital assets of \$ 2,074,362. This amount is net of accumulated depreciation of \$ 581,855. This amount represents a decrease of \$ 124,419 or 6%.

The School has no outstanding debt.

**ECONOMIC FACTORS**

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2011/12 include the following:

The 2011/12 school year represents the ninth year of operations of the school. Our past has shown that we can continue to operate the school at a high level and provide quality education for our students, within the school based revenues. We have also been fortunate to have a strong business community and involved parents that participate in fund raising activities for school improvements.

Based on the State's actions to balance their budget, revenues for next year have been estimated on the conservative side and continue to anticipate funding reductions. The State Legislature continues to attempt to balance their budget by cutting educational funding which will have a negative effect on all the schools. A portion of the reductions will be offset by funds provided by the Education Jobs Fund federal stimulus program and distributed through the state and county to retain or hire teachers.

In order to adhere to new Sunshine State Standards adopted by the Florida Department of Education, expand the school's physical fitness classes and at risk reading program the budget includes four additional teacher positions.

The following represents other important highlights:

- The transfer to the General fund in the amount of \$ 30,000 to offset services provided by the Finance Department, to the school will again be deferred this year.
- Revenue in the amount of \$ 100,000 from the Red Light Violation Program is included to assist in funding the contingency line item in the budget.
- Teacher salary increases will reflect an average increase of 2.3%. In addition, returning teachers will be rewarded with a service award based on years of service. The pay plan continues to exceed Miami-Dade County School's current plan.
- Two additional basketball intramural teams were included and competitive boys' flag football and girls' volleyball were added to the school's athletic offerings.
- Funds have been budgeted to provide a mobile learning computer lab and to install a wireless network for the Middle School Wing.

**AVENTURA CITY OF EXCELLENCE SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011**

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

The overall budget increased by 2.6% or \$ 194,556. This is largely due to the addition of four new teachers and employee salary increases. The budget includes funding for lease payments to the Debt Service Fund to pay annual costs associated with the long term debt borrowed for the construction of the elementary school wing.

**REQUESTS FOR INFORMATION**

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

# BASIC FINANCIAL STATEMENTS

AVENTURA CITY OF EXCELLENCE SCHOOL  
STATEMENT OF NET ASSETS  
June 30, 2011

A S S E T S

	<u>Governmental Activities</u>
<b>CURRENT ASSETS:</b>	
Cash, cash equivalents, and investments	\$ 2,949,422
Accounts receivable	36,191
Prepaid expenses	<u>30,575</u>
Total current assets	<u>3,016,188</u>
 <b>NONCURRENT ASSETS:</b>	
Capital assets, net of accumulated depreciation	<u>2,074,362</u>
Total assets	<u>5,090,550</u>
<b>LIABILITIES AND NET ASSETS</b>	
 <b>CURRENT LIABILITIES:</b>	
Accounts payable	145,612
Accrued expenses	588,766
Unearned revenue	11,307
Compensated absences	<u>3,494</u>
Total current liabilities	<u>749,179</u>
 <b>NONCURRENT LIABILITIES:</b>	
Compensated absences	<u>31,450</u>
Total noncurrent liabilities	<u>31,450</u>
Total liabilities	<u>780,629</u>
 <b>NET ASSETS:</b>	
Invested in capital assets	2,074,362
Unrestricted	<u>2,235,559</u>
Total net assets	\$ <u><u>4,309,921</u></u>

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

AVENTURA CITY OF EXCELLENCE SCHOOL  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets	
FUNCTIONS/PROGRAMS:					
Instruction	\$ 4,166,489	\$ 79,816	\$ -	\$ -	\$ (4,086,673)
Instructional media services	71,114	-	-	-	(71,114)
Operation of facility	1,866,442	403,579	63,955	537,463	(861,445)
School administration	1,019,985	-	-	-	(1,019,985)
Pupil transportation services	184,140	-	108,334	-	(75,806)
Community services	146,996	192,991	-	-	45,995
Total governmental activities	\$ 7,455,166	\$ 676,386	\$ 172,289	\$ 537,463	(6,069,028)
General revenues:					
FTE nonspecific revenues					6,340,381
Miscellaneous income					106,704
Investment earnings					8,149
Transfers from other funds of the City					100,000
					6,555,234
					Change in net assets
					486,206
					Net assets, July 1, 2010
					3,823,715
					Net assets, June 30, 2011
					\$ 4,309,921

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

AVENTURA CITY OF EXCELLENCE SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUND  
June 30, 2011

A S S E T S

	<u>Special Revenue Fund</u>
<b>ASSETS:</b>	
Cash, cash equivalents and investments	\$ 2,949,422
Accounts receivable	36,191
Prepaid expenditures	<u>30,575</u>
Total assets	<u>\$ 3,016,188</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

<b>LIABILITIES:</b>	
Accounts payable	\$ 145,612
Accrued expenses	588,766
Deferred revenue	<u>47,498</u>
Total liabilities	<u>781,876</u>
 <b>FUND BALANCE:</b>	
Nonspendable	30,575
Assigned	<u>2,203,737</u>
Total fund balance	<u>2,234,312</u>
Total liabilities and fund balance	<u>\$ 3,016,188</u>

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

**AVENTURA CITY OF EXCELLENCE SCHOOL**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF NET ASSETS**  
 June 30, 2011

TOTAL FUND BALANCE - GOVERNMENTAL FUND, PAGE 10		\$ 2,234,312
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the governmental fund:</p>		
Cost of capital assets is	\$ 2,656,217	
Accumulated depreciation is	<u>(581,855)</u>	2,074,362
Some deferred revenues have met the earned criteria for recognition in the Statement of Activities.		36,191
<p>Long-term liability which is not due and payable in the current period; and therefore, is not reported in the governmental fund:</p>		
Compensated absences		<u>(34,944)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8		\$ <u><u>4,309,921</u></u>

The accompanying notes to basic 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, 2011

	<u>Special Revenue Fund</u>
REVENUES:	
Federal sources	\$ 63,955
State sources	6,995,336
Local sources	<u>791,239</u>
Total revenues	<u>7,850,530</u>
 EXPENDITURES:	
Current:	
Instruction	4,166,489
Instructional media services	71,114
Operation of facility	1,516,765
School administration	1,002,874
Pupil transportation services	184,140
Community services	146,996
Capital outlay	<u>225,258</u>
Total expenditures	<u>7,313,636</u>
Excess of revenues over expenditures	<u>536,894</u>
 OTHER FINANCING SOURCES:	
Transfers from other funds of the City	<u>100,000</u>
Total other financing sources	<u>100,000</u>
Net change in fund balance	636,894
FUND BALANCE, July 1, 2010	<u>1,597,418</u>
FUND BALANCE, June 30, 2011	<u>\$ 2,234,312</u>

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

**AVENTURA CITY OF EXCELLENCE SCHOOL**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGE IN FUND BALANCE**  
**OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

<b>NET CHANGE IN FUND BALANCE - TOTAL</b> <b>GOVERNMENTAL FUND, PAGE 12</b>	<b>\$ 636,894</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
The governmental fund reports capital outlays as expenditures; however, in the Statement of Activities these costs are allocated over their estimated useful lives as provision for depreciation:	
Current year provision for depreciation	(124,419)
Deferred revenue, net change, that meets the revenue recognition criteria in the Statement of Activities, but not the fund statements.	
	(9,158)
Some revenues and expenses reported in the Statement of Activities are not reported in the governmental fund because they have no effect on current financial resources:	
Change in compensated absences payable	<u>(17,111)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL</b> <b>ACTIVITIES, PAGE 9</b>	<b>\$ <u><u>486,206</u></u></b>

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

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 1 - ORGANIZATION AND OPERATIONS

Aventura City of Excellence School (the "School"), is a special revenue fund of the City of Aventura, Florida (the "City"). The School commenced operations in August 2003 in the City and offers classes for kindergarten through eighth grades with an enrollment of 972 for the year ended June 30, 2011. The School is funded from public funds based on enrollment and can also be eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay. The School can accept private donations and the City can incur debt for the operation of the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2018 but provides for a renewal of up to 15 years by mutual agreement of both parties. In 2005, the School amended the charter to include grades six through eight. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter for good cause as defined.

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

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants, Audit and Accounting Guide – Audits of State and Local Governments and provisions of Section 228.056(10), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements:

The School's basic 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.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund financial statements:

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

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

Measurement focus and basis of accounting:

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

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

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). Revenues susceptible to accrual include FTE nonspecific revenue, transportation funds, capital grant funds, operating grants and contributions and investment earnings. Intergovernmental revenues are recognized when all eligibility requirements have been met, if 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 (2) months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when paid from expendable available financial resources.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets:

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

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

Depreciation on leasehold improvements and equipment is provided on the straight-line basis over the respective estimated useful lives ranging from 25 years and 3 to 5 years, respectively.

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

Unearned/deferred revenue:

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

Equity classifications:

*Government-wide financial statements*

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

Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - consists of net assets with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted net assets.

Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance classifications:

*Fund financial statements*

Beginning with fiscal year 2010/11, the School implemented the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints (Note 9):

- *Nonspendable Fund Balance* – amounts that are not in spendable form (such as prepaid items) or are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – amounts constrained to specific purposes by external providers (such as grantors, creditors, etc.) or imposed by law through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – amounts constrained to specific purposes by formal action of the City Commission itself, using its highest level of decision making authority (i.e., the City Commission Members) through resolution or ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the City Commission Members take the same highest level action (i.e., resolution or ordinance) to remove or change the constraint.
- *Assigned Fund Balance* – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the City Manager, which the City Commission Members delegated such authority at their direction.
- *Unassigned Fund Balance* – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. Positive amounts are only reported in the General Fund.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed fund balance, followed by assigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Encumbrances:

Encumbrances represent commitments relating to unperformed contracts for goods or services. At June 30, 2011, there were no encumbrances outstanding.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and investments:

The School's cash, cash equivalents, and investments are maintained by the City in a pooled 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, cash equivalents, and investments represent the amount owned by the Charter School Special Revenue Fund. The City is responsible for all risks related to the School's cash, cash equivalents, and investments. These risks and the City's related policies are disclosed in the Note 3.

Post-retirement benefits:

The City of Aventura provides post-employment healthcare coverage, including medical and dental benefits, to eligible individuals which consists of an implicit subsidy. The estimated liability is recorded in the financial statements of the City. No amount is allocated to the Charter School Special Revenue fund since the amount is deemed insignificant by management as of June 30, 2011.

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 fund only in connection with terminated employees.

State funding (primary source of revenue):

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

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.

Interfund transfers:

Other financing sources include \$ 100,000 in revenue from the Red Light Violation Program, from the City's general fund, to assist in the support of general operations of the School.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 3 –DEPOSITS AND INVESTMENTS

As discussed in Note 2, the School's cash, cash equivalents, and investments are maintained by the City in a pooled account for all funds.

Deposits:

The City's custodial credit risk policy is in accordance with Florida Statutes. Florida Statutes authorize the deposit of City funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All City public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. The City's bank balances were insured either by the federal depository insurance corporation or collateralized in the bank's participation in the Florida Security for Public Deposits Act.

The Florida SBA Pool is not a registrant with the Securities and Exchange Commission ("SEC"); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The SBA investments are allocated among two funds, Fund A and Fund B (hereinafter referred to as "Florida PRIME" and "LGIP-B"). For the Florida PRIME, a 2a7-like pool, the value of the City's position is the same as the value of the pool shares and is recorded at amortized cost. At June 30, 2011, the School's investment share in the Florida PRIME was that of \$ 1,139,597. The LGIP-B pool is accounted for as a fluctuating net asset value "NAV." The balance of the School's investment share in LGIP-B at year end amounted to \$ 7,390, with a net asset value factor of 0.78965331. The SBA is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the SBA. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of the SBA. The SBA accounts are not subject to custodial credit risk as these investments are not evidenced by securities that exist in physical or bank entry form.

Investments:

The City had previously adopted Chapter 6.6 of the Administrative Policy and Directives and Procedures Manual, entitled "Investments Objective and Parameters," as the City's Investment Policy for the management of Public Funds ("the policy"). The policy was created in accordance with Section 218.415, Florida Statutes. The policy applies to all investments held and controlled by the City, with the exception of a defined benefit pension plan and debt issuance where there are other existing policies or indentures in effect for the investment of related funds.

The City's policy for investments other than pension plan and debt issuance is summarized below. The Finance Director has responsibility for the type of investments the City makes. The investment policy establishes permitted investments, asset allocation, issuer limits, credit rating requirements and maturity limits to protect the City's assets. All investment securities are held by a Trust custodian, and are managed by financial advisors. The City's policy allows them to invest, but is not limited to the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision; authority or agency thereof; (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; and (4) the Florida Local Government Surplus Funds Trust Fund "SBA".

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 3 –DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2011, the City's cash, cash equivalents and investments consisted of the following:

State Board of Administration -		
SBA, Florida PRIME	\$	1,139,597
Deposits with financial institutions		780,429
U.S. Government obligations		447,422
U.S. treasury bills		378,120
Corporate bonds		111,021
Collateralized mortgage obligations		41,803
Municipal obligations		29,158
Money market funds		7,874
State Board of Administration -		
SBA, Fund B		7,390
Mortgage-backed securities		6,208
Petty cash		400
		400
	\$	2,949,422

Interest rate risk - The City's policy is to limit its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools.

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's policy is that unless matched with specific cash flow, the City will not directly invest in securities maturing more than seven (7) years from the date of purchase. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that proper liquidity is maintained to meet ongoing obligations. Information about the exposure of the City's debt-type investments to this risk using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
State Board of Administration -				
SBA, Florida PRIME	\$ 1,139,597	\$ 1,139,597	\$ -	\$ -
U.S. Government obligations	447,422	148,375	299,047	-
U.S. treasury bills	378,120	73,720	304,400	-
Corporate bonds	111,021	29,392	81,629	-
Collateralized mortgage obligations	41,803	-	35,423	6,380
Municipal obligations	29,158	7,386	21,772	-
Money market funds	7,874	7,874	-	-
State Board of Administration -				
SBA, Fund B	7,390	-	-	7,390
Mortgage-backed securities	6,208	-	6,208	-
	\$ 2,168,593	\$ 1,406,344	\$ 748,479	\$ 13,770

AVENTURA CITY OF EXCELLENCE SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2011

NOTE 3 –DEPOSITS AND INVESTMENTS (continued)

Credit Risk - Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally-recognized rating organization. The City's investment policy provides strict guidelines and limits investments to highly rated securities with minimum ratings of AAA/Aaa and AAAm/AAAm-G (money market mutual funds). The Finance Director shall determine the appropriate action for any investment held that is downgraded below the minimum rating by one or more rating agencies.

The School's portfolio is rated by Standard & Poor's as follows:

Rating	Fair Value
AAA	\$ 909,917
AAAm	1,139,597
AA+	27,452
AA	55,081
AA-	29,156
Not Rated	7,390
	\$ 2,168,593

Concentration of credit risk - The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from concentration of assets in a specific issuer. Specific limits have been established which limit the percentage of portfolio assets that can be invested with a specific issuer. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires disclosure when the percentage is 5% or more in any one issuer. As of June 30, 2011, there were no investments held that represent 5% or more in any one issuer.

Custodial credit risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the owner will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy requires securities, with the exception of certificates of deposit, to be registered in the City's name and held with a third party custodian.

NOTE 4 –CAPITAL ASSETS

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Leashold improvements	\$ 2,204,862	\$ -	\$ -	\$ 2,204,862
Equipment	451,355	-	-	451,355
Less: accumulated depreciation	457,436	124,419	-	581,855
	\$ 2,198,781	\$ (124,419)	\$ -	\$ 2,074,362

The provision for depreciation for the year ended June 30, 2011 amounted to \$ 124,419. The School allocated depreciation to operation of facility.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for fiscal year ended June 30, 2011:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011	Amount Due Within One Year (Estimate)
Compensated absences	\$ 17,833	\$ 28,656	\$ (11,545)	\$ 34,944	\$ 3,494

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Management contract:

The City has a contract with Charter Schools USA Inc. ("CSUSA") for administrative and educational management services for the operations of the School. All staff of the School, except the principal, assistant principal and custodian, are employees of CSUSA. The contract expires in June 2013 and provides for a fee based on a percentage of certain revenues of the School which is 6% for 2007 through 2013; however, the fees for fiscal year 2010/2011 were negotiated at a flat fee of \$ 27,200 per month. Total fees paid to the management company for fiscal year 2010/11 were approximately \$ 326,000. The majority of the costs reimbursed by the City to CSUSA relate to teachers' salaries and benefits.

Lease agreement:

The School's operations are located at a facility that is owned by the City. In September 2002, the City entered into a bond indenture agreement with the Florida Intergovernmental Finance Commission through an interlocal governmental agreement. As a result, the City issued \$ 12,610,000 in Series 2002 Revenue Bonds to finance the acquisition of land and the construction of a charter school as well as the construction of a community center. Approximately \$ 6,651,100 of the bond issue is related to the acquisition, construction and equipping of the School facility. The School is leasing its premises from the City under an operating lease agreement, which expired June 30, 2011, but was renewed for an additional year. The lease can renew each additional year as long as the School operates pursuant to the Charter issued by the School Board of Miami-Dade County. The rent amount is determined annually and is based on the annual debt service on the obligation of the Series 2002 Revenue Bonds. Future minimum payments required from the School by the City for the Series 2002 Revenue Bonds are approximately as follows:

Year Ending <u>June 30,</u>	
2012	\$ 442,200
2013	443,400
2014	441,600
2015	441,800
2016	444,100
Thereafter	<u>6,842,700</u>
	<u>\$ 9,055,800</u>

Litigation:

A legal action, which arose in the normal course of operations, is pending against the City/School. It is management's opinion, based on the advice of the City Attorney, that the outcome of this legal action will not have a material adverse effect on the financial statements of the City/School. Management also believes that the litigation against the City/School will be covered by insurance.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2011

NOTE 6 - COMMITMENTS AND CONTINGENCIES (continued)

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 was not required to conduct a "single audit" since the required threshold of Federal money is currently \$ 500,000 and the School did not exceed such threshold.

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - DEFINED CONTRIBUTION PENSION PLANS

The City is a single-employer that contributes to four (4) defined contribution pension plans based on employee classification created in accordance with *Internal Revenue Code Section 401 (a)*. The employees of the School are eligible to participate in three (3) of the City's defined contribution pension plans. The School has three (3) full-time employees who are eligible to participate in these plans. Under these plans, the City contributes 15%, 14% or 7% of employee salary for each of the three School employees. The City contributions for the Principal vest in the year they are contributed. The City's contributions to the other employees vest beginning after one (1) year of service through year five (5) in 20% increments. Participants are not permitted to make contributions during the year. The City made plan contributions for these three employees of approximately \$ 26,500 during the year. Plan provisions and contribution requirements may be amended by the City Commission.

In addition, the City provides to these full-time employees a deferred compensation plan under *Section 457 of the Internal Revenue Code*. Under this program, employees may voluntarily elect to defer a portion of their salary to future years; with no required contributions from the City.

Both programs are administered by ICMA Retirement Corp. The City does not exercise any control or fiduciary responsibility over the Plans' assets.

NOTE 9 - FUND BALANCE

During the fiscal year ended June 30, 2011, the School has adopted GASB No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances (Note 2) are classified as follows:

- *Nonspendable Fund Balance* – amounts that are not in spendable form or are legally or contractually required to be maintained intact. The School has classified \$ 30,575 of prepaid items as being Nonspendable as these items are not expected to be converted to cash.
- *Assigned Fund Balance* – amounts the School intends to use for a specific purpose but are neither restricted nor committed. The School has a total of \$ 2,203,737 in Assigned Fund Balance, of which \$ 399,935 is being assigned for subsequent year's budget.

**SUPPLEMENTARY  
INFORMATION**

**AVENTURA CITY OF EXCELLENCE SCHOOL**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2011

	Original and Final Budget	Actual Amounts, Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis	Variance
<b>REVENUES AND TRANSFERS:</b>					
FTE nonspecific revenues	\$ 5,904,000	\$ 6,307,841	\$ 32,540	\$ 6,340,381	\$ 403,841
Capital grant funds	500,000	546,621	-	546,621	46,621
Charges for services	281,100	412,259	-	412,259	131,159
Miscellaneous income	100,000	186,520	-	186,520	86,520
Field trip revenue	200,000	184,311	-	184,311	(15,689)
Transportation funds	169,000	108,334	-	108,334	(60,666)
Transfers from other funds of the City	100,000	100,000	-	100,000	-
Operating grants and contributions	32,557	63,955	-	63,955	31,398
Investment earnings	15,000	8,149	-	8,149	(6,851)
Allocation of fund balance	263,228	-	-	-	(263,228)
<b>Total revenues and transfers</b>	<b><u>7,564,885</u></b>	<b><u>7,917,990</u></b>	<b><u>32,540</u></b>	<b><u>7,950,530</u></b>	<b><u>353,105</u></b>
<b>EXPENDITURES:</b>					
Salaries	3,881,257	3,972,603	-	3,972,603	91,346
Professional services	559,000	610,039	32,540	642,579	51,039
Lease expense - transfers	444,000	444,000	(444,000)	-	-
Repairs and maintenance	295,000	334,909	-	334,909	39,909
Payroll taxes	299,086	304,697	-	304,697	5,611
Employee health insurance	537,415	249,817	-	249,817	(287,598)
Supplies	327,414	230,812	-	230,812	(96,602)
Field trips	210,000	227,594	-	227,594	17,594
Capital outlay	232,800	225,258	-	225,258	(7,542)
Utilities	181,000	165,906	-	165,906	(15,094)
Textbooks	106,000	121,749	-	121,749	15,749
Bonuses	149,500	97,741	-	97,741	(51,759)
Food services	35,000	69,693	-	69,693	34,693
Workers' compensation insurance	48,852	56,969	-	56,969	8,117
Telephone	44,000	56,124	-	56,124	12,124
Pension contributions	54,034	46,789	-	46,789	(7,245)
Insurance	39,000	32,417	-	32,417	(6,583)
Travel	26,800	19,769	-	19,769	(7,031)
Stipends	68,800	9,000	-	9,000	(59,800)
Dues and fees	6,327	5,210	-	5,210	(1,117)
Sick day buyout	12,600	-	-	-	(12,600)
Advertising	4,000	-	-	-	(4,000)
Lease expense	3,000	-	444,000	444,000	(3,000)
<b>Total expenditures</b>	<b><u>7,564,885</u></b>	<b><u>7,281,096</u></b>	<b><u>32,540</u></b>	<b><u>7,313,636</u></b>	<b><u>(283,789)</u></b>
<b>Net change in fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ 636,894</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 636,894</u></b>	<b><u>\$ 636,894</u></b>

See Notes to Supplementary Information.

AVENTURA CITY OF EXCELLENCE SCHOOL  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2011

*Note A:*

The School formally adopted a budget for the year ended June 30, 2011. Budgeted amounts may be amended by resolution or ordinance by the City Commission. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America with the exception of the items described in Note B. A comparison of the actual results of operations to the budgeted amounts for the Special Revenue Fund is presented as supplementary information.

*Note B:*

The budget is adopted using the same basis of accounting on which the financial statements are prepared except for a 2% administrative charge that is retained by the School Board of Miami-Dade County. This amount is not reflected on the School's budget basis due to the lack of availability of such funds. For fiscal year 2010/11 this amount was \$ 32,540.

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:

Lease expense for School facility	\$ 444,000
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**OTHER INDEPENDENT  
AUDITORS' REPORTS**



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

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

We have audited the 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, 2011, and have issued our report thereon dated August 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's 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 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 the School's management, the City Commission, the Auditor General of the State of Florida, and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

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

Fort Lauderdale, Florida  
August 25, 2011



## INDEPENDENT AUDITORS' REPORT TO MANAGEMENT

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 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 fiscal year ended June 30, 2011 and have issued our report thereon dated August 25, 2011.

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. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated August 25, 2011, 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 and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report:

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Aventura City of Excellence School

Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Aventura City of Excellence School.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter 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.

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

Fort Lauderdale, Florida  
August 25, 2011