

KEYS GATE CHARTER HIGH SCHOOL
(A COMPONENT UNIT OF THE SCHOOL
BOARD OF MIAMI-DADE COUNTY, FLORIDA)

BASIC FINANCIAL STATEMENTS

June 30, 2014

KEYS GATE CHARTER HIGH SCHOOL
BASIC FINANCIAL STATEMENTS
June 30, 2014

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**BASIC
FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Keys Gate Charter High School
Homestead, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keys Gate Charter High School (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2014, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of Renaissance Charter School, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Renaissance Charter School, Inc. as of June 30, 2014 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2014 in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the School's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

As management of Keys Gate Charter High School (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the School Board of Miami-Dade County, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2014 and 2013.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of the year's operations.

- The net position (deficit) of the School as of June 30, 2014 was \$ (2,564,367).
- As of June 30, 2014, the School's governmental fund balance was \$ 778,175.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Basic Financial Statements

The government-wide financial statements 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 position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position 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 (e.g. uncollected revenues and services rendered but unpaid).

The government-wide basic financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide basic financial statements can be found on pages 8 and 9 of this report.

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Fund Basic 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balances. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 15 of this report.

Agency Fund

In addition, the School has one agency fund which is a student activity fund. This fund was formed for educational and school purposes.

The Agency Fund financial statement can be found on page 16 of this report. The assets and liabilities of this fund are not included in the government-wide statement of net position.

Notes to Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 26 of this report.

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The School has been in operation for four years; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (2,564,367) at June 30, 2014. Of this amount, \$ 759,781 represented unrestricted net position and \$ (3,324,148) represented net investment in capital assets (deficit). The School's net position (deficit) was \$ (2,609,471) at June 30, 2013, of which \$ (2,702,494) represented net investment in capital assets (deficit) and \$ 93,023 was unrestricted.

Our analysis in the table below focuses on the net position of the School's governmental activities:

Keys Gate Charter High School Net Position (Deficit)		
	June 30, 2014	June 30, 2013
ASSETS:		
Current and other assets	\$ 1,263,558	\$ 711,266
Capital assets, net of depreciation	17,230,294	17,737,070
Total assets	18,493,852	18,448,336
LIABILITIES:		
Current liabilities	721,233	524,009
Long-term liabilities	20,336,986	20,533,798
Total liabilities	21,058,219	21,057,807
NET POSITION:		
Net investment in capital assets (deficit)	(3,324,148)	(2,702,494)
Unrestricted	759,781	93,023
Total net position (deficit)	\$ (2,564,367)	\$ (2,609,471)

Governmental Activities

The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2014 and 2013:

Keys Gate Charter High School Change in Net Position		
	June 30, 2014	June 30, 2013
REVENUES:		
General revenues	\$ 7,283,668	\$ 4,813,444
Program revenues	1,177,647	671,125
Total revenues	8,461,315	5,484,569

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

Keys Gate Charter High School
Change in Net Position
(continued)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	3,539,716	2,453,995
Instructional support services	1,999,435	1,972,710
Operation of non-instructional services	<u>2,877,060</u>	<u>2,145,352</u>
 Total governmental activities	 <u>8,416,211</u>	 <u>6,572,057</u>
 Change in net position	 \$ <u>45,104</u>	 \$ <u>(1,087,488)</u>

GOVERNMENTAL FUND EXPENDITURES

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2014		2013	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,199,799	40.3%	\$ 2,198,015	34.5%
Plant operations and maintenance	793,957	10.0%	906,929	14.2%
Food services	419,578	5.3%	309,387	4.9%
Facilities acquisition and construction	227,832	2.9%	486,859	7.6%
Debt service	1,824,378	23.0%	1,752,249	27.5%
All other functions/programs	<u>1,476,090</u>	<u>18.5%</u>	<u>719,475</u>	<u>11.3%</u>
 Total governmental expenditures	 \$ <u>7,941,634</u>	 <u>100.0%</u>	 \$ <u>6,372,914</u>	 <u>100.0%</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the School had capital assets of \$ 17,230,294, net of accumulated depreciation, invested in buildings, leasehold improvements, computer equipment, and furniture, fixtures and equipment.

Debt

At June 30, 2014 the School had debt of \$ 20,564,743. More information about the School's debt can be found on page 24 of this report.

KEYS GATE CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were favorable to the budget for the year mainly due to the per student funding rate which was higher than budgeted.

Expenditures were also favorable to the budget for the year mainly due to lower than anticipated interest costs. The School had savings in several other categories and ended the year with a change in fund balance that was favorable to budget by approximately \$ 596,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State of Florida is projecting a 2.6% funding increase in per student revenue for the next fiscal year. This increase is reflected in the per student Florida Education Finance Program (FEFP) funding for the School.

Capital outlay funding is expected to decrease with a reduction in the overall funding pool for all charter schools. A reduction in capital outlay funding of approximately 33% has been budgeted in the coming fiscal year to account for this and the dilution effect resulting from a greater number of schools being included in the pool.

Expenditures are budgeted to rise in proportion to the expected growth at the School. A 2% merit pay increase pool has been built into the budgets for all eligible school staff.

REQUESTS FOR INFORMATION

If you have any questions about this report or need additional information, please write Hillary Daigle, Controller; Charter Schools USA; 800 Corporate Drive, Suite 124; Ft. Lauderdale, Florida 33334.

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF NET POSITION (DEFICIT)
June 30, 2014

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,058,593
Accounts receivable	24,000
Due from other governments	65,871
Due from related party	81,927
Prepays and other assets	6,574
Restricted cash	10,301
Deposits	<u>16,292</u>
Total current assets	1,263,558
NONCURRENT ASSETS:	
Capital assets (depreciable), net of accumulated depreciation	<u>17,230,294</u>
Total assets	<u>18,493,852</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	158,618
Salaries and wages payable	326,765
Compensated absences	6,070
Capital lease	<u>229,780</u>
Total current liabilities	<u>721,233</u>
NONCURRENT LIABILITIES:	
Compensated absences	2,023
Capital lease	<u>20,334,963</u>
Total noncurrent liabilities	<u>20,336,986</u>
Total liabilities	<u>21,058,219</u>
COMMITMENTS (Notes 8 and 10)	-
NET POSITION (DEFICIT):	
Net investment in capital assets (deficit)	(3,324,148)
Unrestricted	<u>759,781</u>
Total net position (deficit)	<u>\$ (2,564,367)</u>

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Position	
FUNCTIONS/PROGRAMS:					
Instruction	\$ 3,539,716	\$ -	\$ 13,584	\$ -	\$ (3,526,132)
Pupil personnel services	103,347	-	-	-	(103,347)
Instructional media services	4,118	-	-	-	(4,118)
Instruction and curriculum development services	49,791	-	-	-	(49,791)
Instructional staff training services	15,562	-	-	-	(15,562)
Instruction related technology	72,900	-	31,054	-	(41,846)
School board	15,745	-	-	-	(15,745)
School administration	372,409	-	-	-	(372,409)
Fiscal services	534,431	-	-	-	(534,431)
Food services	419,578	36,976	390,489	-	7,887
Central services	8,143	-	-	-	(8,143)
Pupil transportation services	186,104	-	-	-	(186,104)
Operation of plant	1,047,547	-	-	-	(1,047,547)
Maintenance of plant	147,657	-	-	-	(147,657)
Community services	115,076	3,387	-	-	(111,689)
Interest on long-term debt	1,784,087	-	-	702,157	(1,081,930)
	<u>\$ 8,416,211</u>	<u>\$ 40,363</u>	<u>\$ 435,127</u>	<u>\$ 702,157</u>	<u>(7,238,564)</u>
Total governmental activities					
General revenues:					
Grants and entitlements					6,674,336
Investment earnings					2
Miscellaneous					609,330
					<u>7,283,668</u>
Total general revenues					<u>7,283,668</u>
Change in net position					45,104
Net position (deficit), July 1, 2013					<u>(2,609,471)</u>
Net position (deficit), June 30, 2014					<u>\$ (2,564,367)</u>

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

KEYS GATE CHARTER HIGH SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

ASSETS

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
ASSETS:				
Cash and cash equivalents	\$ 1,058,593	\$ -	\$ -	\$ 1,058,593
Accounts receivable	24,000	-	-	24,000
Due from other governments	-	-	65,871	65,871
Due from related party	81,927	-	-	81,927
Due from other funds	65,871	-	-	65,871
Prepays and other assets	6,574	-	-	6,574
Restricted cash	10,301	-	-	10,301
Deposits	<u>16,292</u>	<u>-</u>	<u>-</u>	<u>16,292</u>
Total assets	<u>\$ 1,263,558</u>	<u>\$ -</u>	<u>\$ 65,871</u>	<u>\$ 1,329,429</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 158,618	\$ -	\$ -	\$ 158,618
Salaries and wages payable	326,765	-	-	326,765
Due to other funds	<u>-</u>	<u>-</u>	<u>65,871</u>	<u>65,871</u>
Total liabilities	<u>485,383</u>	<u>-</u>	<u>65,871</u>	<u>551,254</u>
Total liabilities and fund balances	<u>\$ 1,263,558</u>	<u>\$ -</u>	<u>\$ 65,871</u>	<u>\$ 1,329,429</u>
COMMITMENTS (Notes 8 and 10)				
	-	-	-	-
FUND BALANCES:				
Nonspendable:				
Prepays and other assets	6,574	-	-	6,574
Deposits	16,292	-	-	16,292
Restricted for capital projects	10,301	-	-	10,301
Unassigned	<u>745,008</u>	<u>-</u>	<u>-</u>	<u>745,008</u>
Total fund balances	<u>778,175</u>	<u>-</u>	<u>-</u>	<u>778,175</u>

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

KEYS GATE CHARTER HIGH SCHOOL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION (DEFICIT)
June 30, 2014

AMOUNTS REPORTED FOR GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION
(DEFICIT) ARE DIFFERENT BECAUSE:

Total fund balance of governmental funds, page 10	\$	778,175
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.

Cost of capital assets	\$	19,190,167	
Less accumulated depreciation		<u>(1,959,873)</u>	17,230,294

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Compensated absences		(8,093)	
Capital lease payable		<u>(20,564,743)</u>	

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$	<u><u>(2,564,367)</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
REVENUES:				
Federal through state	\$ -	\$ 420,022	\$ -	\$ 420,022
State sources	6,687,920	1,521	702,157	7,391,598
Local sources	<u>649,695</u>	<u>-</u>	<u>-</u>	<u>649,695</u>
 Total revenues	 <u>7,337,615</u>	 <u>421,543</u>	 <u>702,157</u>	 <u>8,461,315</u>
EXPENDITURES:				
Instruction	3,199,799	-	-	3,199,799
Pupil personnel services	102,724	-	-	102,724
Instructional media services	4,118	-	-	4,118
Instruction and curriculum development services	49,791	-	-	49,791
Instructional staff training services	15,562	-	-	15,562
Instruction related technology	50,573	22,327	-	72,900
School board	15,745	-	-	15,745
School administration	371,496	-	-	371,496
Facilities acquisition and construction	219,105	8,727	-	227,832
Fiscal services	534,431	-	-	534,431
Food services	29,089	390,489	-	419,578
Central services	8,143	-	-	8,143
Pupil transportation services	186,104	-	-	186,104
Operation of plant	646,300	-	-	646,300
Maintenance of plant	147,657	-	-	147,657
Community services	115,076	-	-	115,076
Debt service:				
Principal	73,577	-	-	73,577
Interest	<u>1,048,644</u>	<u>-</u>	<u>702,157</u>	<u>1,750,801</u>
 Total expenditures	 <u>6,817,934</u>	 <u>421,543</u>	 <u>702,157</u>	 <u>7,941,634</u>
 Net change in fund balances	 519,681	 -	 -	 519,681
 FUND BALANCES, July 1, 2013	 <u>258,494</u>	 <u>-</u>	 <u>-</u>	 <u>258,494</u>
 FUND BALANCES, June 30, 2014	 <u>\$ 778,175</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 778,175</u>

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

KEYS GATE CHARTER HIGH SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

AMOUNTS REPORTED FOR GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF ACTIVITIES
ARE DIFFERENT BECAUSE:

Change in fund balances - governmental funds, page 12	\$	519,681
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Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$	227,832	
Provision for depreciation		<u>(734,608)</u>	(506,776)

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Compensated absences			(8,093)
Provision for amortization of costs associated with capital lease			(33,285)
Repayment of debt principal			<u>73,577</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>45,104</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
State sources	\$ 6,721,272	\$ 7,012,471	\$ 291,199
Local sources	<u>670,037</u>	<u>649,695</u>	<u>(20,342)</u>
Total revenues	<u>7,391,309</u>	<u>7,662,166</u>	<u>270,857</u>
EXPENDITURES:			
Instruction	3,050,100	3,199,799	(149,699)
Pupil personnel services	179,390	102,724	76,666
Instructional media services	6,000	4,118	1,882
Instruction and curriculum development services	120,004	49,791	70,213
Instructional staff training services	2,496	15,562	(13,066)
Instruction related technology	50,628	50,573	55
School board	18,348	15,745	2,603
School administration	385,494	371,496	13,998
Fiscal services	531,082	534,431	(3,349)
Food services	29,797	29,089	708
Central services	378,508	332,694	45,814
Pupil transportation services	144,000	186,104	(42,104)
Operation of plant	663,796	646,300	17,496
Maintenance of plant	212,319	147,657	64,662
Community services	105,270	115,076	(9,806)
Facilities acquisition and construction	276,804	219,105	57,699
Debt service:			
Principal	73,572	73,577	(5)
Interest	<u>1,239,733</u>	<u>1,048,644</u>	<u>191,089</u>
Total expenditures	<u>7,467,341</u>	<u>7,142,485</u>	<u>324,856</u>
Net change in fund balance	<u>\$ (76,032)</u>	<u>\$ 519,681</u>	<u>\$ 595,713</u>

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Federal sources:			
National School Lunch Program	\$ 442,959	\$ 388,968	\$ (53,991)
Race to the Top	-	31,054	31,054
State sources:			
National School Lunch Program	-	1,521	1,521
	<u>442,959</u>	<u>421,543</u>	<u>(21,416)</u>
Total revenues			
EXPENDITURES:			
Instruction related technology	-	22,327	(22,327)
Facilities acquisition and construction	-	8,727	(8,727)
Food services	442,959	390,489	52,470
	<u>442,959</u>	<u>421,543</u>	<u>21,416</u>
Total expenditures			
Net change in fund balance	\$ -	\$ -	\$ -

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

KEYS GATE CHARTER HIGH SCHOOL
STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUND
June 30, 2014

ASSETS

	<u>Student Activity</u>
ASSETS:	
Cash	\$ <u>50,739</u>
Total assets	\$ <u><u>50,739</u></u>

LIABILITIES

LIABILITIES:	
Due to students	\$ <u>50,739</u>
Total liabilities	\$ <u><u>50,739</u></u>

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

Keys Gate Charter High School (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the School Board of Miami-Dade County, Florida, was established in July 2010 as a public charter school to serve students from ninth to twelfth grade in Miami-Dade County. The School is sponsored by its charter-holder, Renaissance Charter School, Inc. (the "REN"), a Florida nonprofit corporation organized in August 1998. As of June 30, 2014, 1,111 students were enrolled in the School.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Renaissance Charter School, Inc. as of June 30, 2014, 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. Renaissance Charter School, Inc. (Note 9) is an entity created to fund the purchase of the facility housing the School's operations. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The School operates under a charter granted by the sponsoring School Board, the School Board of Miami-Dade County. The current charter is effective until June 2015, and may be renewed in increments of five years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter, in which case the School Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. Keys Gate Charter High School is considered a component unit of the School Board of Miami-Dade County.

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

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

Basis of presentation:

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Not-for-Profit Organizations and Provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide basic financial statements:

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

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants and contributions. 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. For the year ended June 30, 2014 the School had program revenues of \$ 1,177,647.

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

Fund financial statements:

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

The School reports the following major governmental funds:

General Fund – This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund – This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund – This fund is used to account for state capital outlay funding that is legally restricted to expenditures for particular purposes.

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 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 governmental-wide statement uses the economic resources measurement focus.

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

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The governmental funds basic 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 sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents:

The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Prepaid items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due to and due from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds in the period in which transactions are executed. The balances result from the time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Revenue recognition:

Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee retained by the School Board. This funding is received on a prorata basis over a twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes:

The School is a division of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

Capital assets:

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated property and equipment 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.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Building	45 years
Leasehold improvements	10 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

Deferred outflows/inflows of resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Unearned revenue:

Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences:

The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position:

Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position 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.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund balance:

The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Use of estimates:

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

KEYS GATE CHARTER HIGH SCHOOL
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budget:

An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements, except for the reporting of a 5% administration fee retained by the School Board.

A reconciliation of the General Fund presented on a budgetary basis to the amount presented in accordance with generally accepted accounting principles (GAAP) is as follows:

	Revenues	Expenditures
Budgetary basis, page 14	\$ 7,662,166	\$ 7,142,485
Less: 5% administration fee retained by the School District included as revenues and expenditures on a budgetary basis	(324,551)	(324,551)
GAAP basis, page 12	\$ 7,337,615	\$ 6,817,934

Reclassifications:

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Date of management review:

Subsequent events were evaluated by management through August 29, 2014 which is the date the financial statements were available to be issued.

NOTE 3 - DEPOSITS

At June 30, 2014, the carrying amount of the deposits and cash on hand totaled \$ 1,109,332 with a bank balance of \$ 1,197,643.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2014.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2014 consists of an amount due from the Florida Department of Education for capital outlay funds.

NOTE 5 – DUE FROM RELATED PARTY

Both the School and Keys Gate Charter School (“KGCS”) are related as they both share common board membership. These two schools share teachers, administrative staff, as well as share expenses relative to their facility. As of June 30, 2014 the basic financial statements include an amount due from KGCS of \$ 81,927, which is mainly due to payroll and other expenses paid by the School on behalf of KGCS.

NOTE 6 – RESTRICTED CASH

In June 2011, Renaissance Charter School, Inc. borrowed funds for construction of facilities for several of their schools, including Keys Gate Charter High School (Notes 8 and 9). The School has \$ 10,301 held by the trustee at June 30, 2014, which represents amounts held in trust for capital outlay.

NOTE 7 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014 are as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, depreciable:				
Buildings	\$ 17,706,062	\$ -	\$ -	\$ 17,706,062
Leasehold improvements	35,982	50,170	-	86,152
Furniture, fixtures and equipment	860,296	18,319	-	878,615
Computer equipment	359,995	159,343	-	519,338
Total capital assets, depreciable	<u>18,962,335</u>	<u>227,832</u>	<u>-</u>	<u>19,190,167</u>
Accumulated depreciation:				
Buildings	786,938	393,468	-	1,180,406
Leasehold improvements	3,267	7,779	-	11,046
Furniture, fixtures and equipment	244,353	173,764	-	418,117
Computer equipment	190,707	159,597	-	350,304
Total accumulated depreciation	<u>1,225,265</u>	<u>734,608</u>	<u>-</u>	<u>1,959,873</u>
Net capital assets	<u>\$ 17,737,070</u>	<u>\$ (506,776)</u>	<u>\$ -</u>	<u>\$ 17,230,294</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 333,361
Operation of plant	<u>401,247</u>
Total	<u>\$ 734,608</u>

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – CAPITAL LEASE

The School entered into a capital lease arrangement with Red Apple at Homestead High School, LLC for use of its facility. This lease arrangement was entered into as part of a transaction consisting of a bond issuance by the Renaissance Charter School, Inc. and Red Apple Development, Inc. (Note 10). The lease is through June 2056 and requires monthly principal and interest payments through June 2041. As of June 30, 2014, the net book value of the leased facility is approximately \$ 16,525,700. Amortization of the leased facility is included with depreciation expense.

Future minimum payments at June 30, 2014 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	229,780	1,742,710	1,972,490
2016	246,205	1,727,220	1,973,425
2017	233,010	1,710,555	1,943,565
2018	190,190	1,695,920	1,886,110
2019	289,852	1,682,415	1,972,267
2020-2024	2,273,384	8,012,381	10,285,765
2025-2029	3,209,802	7,073,547	10,283,349
2030-2034	4,627,959	5,654,527	10,282,486
2035-2039	6,714,600	3,567,797	10,282,397
2040-2041	3,448,683	2,638,803	6,087,486
	<u>\$ 21,463,465</u>	<u>\$ 35,505,875</u>	<u>\$ 56,969,340</u>

NOTE 9 – LONG-TERM LIABILITIES

Changes in the School's long-term liabilities for fiscal year ended June 30, 2014, are as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Capital lease obligations, net of unamortized costs of \$ 898,722	\$ 20,605,035	\$ 33,285	\$ 73,577	\$ 20,564,743	\$ 229,780
Compensated absences	<u>9,360</u>	<u>5,651</u>	<u>6,918</u>	<u>8,093</u>	<u>6,070</u>
	<u>\$ 20,614,395</u>	<u>\$ 38,936</u>	<u>\$ 80,495</u>	<u>\$ 20,572,836</u>	<u>\$ 235,850</u>

NOTE 10 – COMMITMENTS

Management agreement:

The School has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff and operate the School. The agreement states that CSUSA shall be entitled to a management fee for its services, subject to availability of funds. The management fee is subordinated to all lease payment requirements. The management fee ranges from \$ 606,148 for fiscal year 2015 to \$ 814,613 for fiscal year 2025 as defined in the agreement or the budgeted amount approved by the Board of Directors.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – COMMITMENTS (continued)

Total management fees amounted to \$527,386 for the year ended June 30, 2014. In addition, the School's accounts payable balance has an amount payable to CSUSA for \$ 110,794, which is for invoiced services.

Lease agreement:

Previously, the Florida Development Finance Corporation (the "Corporation") issued \$ 86,055,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2011A and \$ 3,180,000 in Taxable Educational Facilities Revenue Bonds, Series 2011B pursuant to an Indenture of Trust between the Corporation and a trustee to make a loan to Renaissance Charter Schools, Inc. ("REN"), a division of which the School exists, and Red Apple Development, LLC and subsidiaries ("RAD") to finance the acquisition of the facilities of six charter schools existing under Renaissance Charter Schools, Inc. In order to secure the payment of the principal and interest on the bonds, the Corporation assigned all of its rights and interest in the loan agreement to the trustee. The bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

Concurrent with the preceding loan transaction, RAD, through its wholly-owned subsidiaries, entered into four lease agreements with REN. The facilities which are owned by RAD are leased by REN on behalf of the schools under a 45-year lease (Note 8). The leases are deemed to be capital leases and the capital lease payments are based on the debt service requirements of the bonds which extend through June 2041. These payments are made from the revenues received from the School Board of Miami-Dade County for the operation of the Schools. REN is obligated under the Indenture to deposit all Charter revenues received from the School Board and additional revenues, if any, directly with the trustee during the term of the lease. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

In addition to the capital lease payments noted in Note 8, the School is required to pay incremental rent payments to RAD. Going forward, the incremental rent payments range from \$ 15,300 to \$ 138,900 per month over the term of the agreement which is through June 2041. For the year ending June 30, 2014, \$ 170,000 was paid in incremental rent.

Post-retirement benefits:

The School does not provide post-retirement benefits to retired employees.

NOTE 11 - EMPLOYEE BENEFIT PLAN

During the year ended June 30, 2014, the School offered all of its full-time employees, who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 20% of their annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 3,247 for the year ended June 30, 2014.

KEYS GATE CHARTER HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 – CAPITAL APPROPRIATIONS FUNDING

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 702,157 for the 2013/2014 school year, which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the interest expense on the capital lease.

NOTE 13 - RISK FINANCING

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There were no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 10, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

OTHER INDEPENDENT
AUDITOR'S REPORTS

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

To the Board of Directors
Keys Gate Charter High School
Homestead, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keys Gate Charter High School (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’s financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 29, 2014

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Keys Gate Charter High School
Homestead, Florida

Report on the Financial Statements

We have audited the financial statements of Keys Gate Charter High School (the "School"), a Department of the Renaissance Charter School, Inc. and a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2014, and have issued our report thereon dated August 29, 2014.

Auditor's Responsibility

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.

Other Reporting Required by *Government Auditing Standards*

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 29, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

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 recommendations made in the preceding audit report.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine 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.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for the School. 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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 noncompliance with 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Keys Gate Charter High School.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
August 29, 2014